Section 12
Loan & Grant Portfolio Management

City of Modesto
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City of Modesto City Council Approved by Resolution 2017-28 Approved January 24, 2017

*These policies supersede any previously adopted policies and are subject to review and revision by the City of Modesto Housing Programs Loan Committee.
Loan and Grant Portfolio Management Policy

1. **Subordinations**
   1.1. The City of Modesto may approve a request to subordinate a City of Modesto loan under any of the City's housing programs, allowing the Borrower to refinance the property, under the following conditions (other conditions may apply based on funding source(s)):
      1.1.1. The Combined Loan-to-Value Ratio shall not exceed 105% of the appraised value.
      1.1.2. The City of Modesto's lien position will remain the same or be advanced (the City of Modesto will not give up a first lien position, when the City has provided 100% financing).
      1.1.3. The new primary loan is not greater than the balance of the loan being refinanced, except the costs of refinancing the loan may be added to the principal balance.
      1.1.4. The purpose of the new primary loan is to reduce the interest rate being paid and/or reduce the owner's payments.
      1.1.5. If the purpose of the new loan is to reduce the loan term, (i.e. from a 30 year loan to a 15 year loan), the Borrower’s Debt to Income ratios may not exceed the program limits.
      1.1.6. No cash out from equity.
      1.1.7. The refinanced loan must have an impound account for taxes and insurances.
      1.1.8. The refinancing terms must be acceptable to the City of Modesto.