



LOAN SUBORDINATION REQUIREMENTS

The City of Chula Vista has extended loans through the Community Housing Improvement Program (CHIP) and the First-Time Homebuyer Program.

There were several types of loans provided by the City:

- **Standard**- Monthly payments required.
- **Deferred**-No monthly payment required. Full repayment due upon sale, transfer, rental, or change in title.
- **Shared Equity**-No monthly payment required. City and owner share in any appreciation in the unit, as documented in the Promissory Note and/or Deed of Trust.

In the case where a borrower is attempting to refinance their 1st loan and wishes the City to subordinate, the following requirements must be met:

1. The transaction must be a straight rate and term refinance only*. **No** Adjustable Rate Mortgages allowed. The new loan must have a fixed interest rate for at least a 15- year term.
2. No cash out or debt consolidation allowed**.
3. City will evaluate borrower ratios before approving subordination. If the refinance results in a front-end ratio below 30%, City may require partial repayment of City loan. Also, increased debt obligations (since original loan) may be grounds for denial of subordination.

The lender must submit all required documentation to address listed below in order to request subordination.

1. Signed City Release of Information form
2. Copy of Credit Report-check with your lender if they will release the report or provide one
3. Copy of 1003
4. Copy of 1008
5. Copy of Estimated Closing Statement/Settlement Sheet
6. Copy of Good Faith Estimate
7. Copy of Preliminary Title Report
8. Letter on company letterhead stating request for subordination and the terms of the new loan
9. Copy of Appraisal (only if already obtained by lender)
10. Copy of Final HUD-1 and signed new 1st Deed of Trust and Promissory Note (submit after loan closing).

*Eliminating Private Mortgage Insurance or FHA premium- Although interest rate is the same or a slightly higher, City may approve refinance if overall PI is reduced based on break-even point.

**Submittal of the requirement documents does not guarantee approval. Note: Due to COVID-19, exceptions can be requested to the requirements above and are subject to approval.

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