



Town of Thomaston
Selectman's Office
158 Main Street
P.O. Box 136
Thomaston, Connecticut 06787
Phone: 860-283-4421 Fax: 860-283-1378

Maura E. Martin
First Selectman

SMALL CITIES REHABILITATION LOAN SUBORDINATION POLICY

In the event of a refinance the Owner may request a subordination agreement from the Town. The Owner is responsible to provide the information for review by the Town's Grant Coordinator and the Board of Selectmen before rendering a decision. **IMPORTANT - Subordination requests can take up to four weeks to process from the date of the request.**

The following information shall be sent to the Town's grant coordinator for initial review:

1. Written request from applicant requesting subordination of Small Cities Loan. Applicant shall include name, address and phone number of potential lender.
2. Dollar amount of proposed refinancing, amount of current mortgage and/or any additional debt to be consolidated in the refinance.
3. Current income information from **ALL** household members who are over the age of 18 years old and not full time students. This information will be utilized to determine eligibility of the household in relationship to the current annual income limits as established by HUD for Section 8 programs. Annual income limits are updated periodically and are available from the Town's grant coordinator.
4. A summary of the intention of the refinance, i.e., debt consolidation, reduction of interest, cash out, etc.
5. A current appraisal and title search of the subject property. Appraisals shall be provided by the applicant, however, the Town reserves the right to obtain independent verification at the applicants cost.
6. Cost of current homeowner's insurance policy in the form of a certificate of insurance in amounts and from a company acceptable to the Town.

Subordinations will not be considered if the total debt against the property exceeds 70% of current appraised value. For example if the property is worth \$100,000 and the total debt against the property exceeds \$70,000 the subordination will not be approved.

Recipients of loans under the Small Cities Program are required to pay back the loan if they:

- a) die, sell or remortgage the property;
- b) transfer title;
- c) the property is no longer your principal place of residence; or
- d) if any of the property which secures the loan is damaged, lost or destroyed.

**SMALL CITIES REHABILITATION LOAN
SUBORDINATION POLICY
(CONTINUED)**

REPAYMENT PROGRAM OPTION

If the Owner currently has a 0% deferred loan, the Town may consider optional payback of the loan over a period of 5 to 20 years under special circumstances. Such circumstances will be analyzed on a case-by-case basis. Criteria under this option will be determined by income verification, ability to pay, and any other relevant facts in the case. Such circumstances include:

- a) Financial hardship
- b) Property is going to be converted to investment property and will no longer be your principal place of residence
- c) Property damage
- d) Equity is less than 30%

If the Owner qualifies for the repayment program option, the repayment schedule will be determined based on ability to pay.

DEMAND/DEFAULT

The Town can demand payment at any time when upon default on the loan. If the Town demands payment, the Town can do one, some or all the following things:

- a) Demand payment of the note in full at once.
- b) Charge interest each day on that portion of the remaining balance, which has not been paid. The amount of this interest will be figured at a rate of 12% per annum.
- c) Take and or sell the property in which the Town holds a security interest.
- d) Give notice to a collection agency for collection and Owner will be responsible to pay the fees of the Collection agency.
- e) The Town can sue. If the Town gets the judgment against the Owner, the Owner will pay the court costs and attorney's fees awarded by the court.