

Subordination Policies for OHFA 2nd Mortgages

I want to refinance my home, but I have an OHFA 2nd mortgage. I want to leave the 2nd mortgage in place and do not want to add it to my new loan. What should I do?

In a refinance, all existing mortgages on the property are usually paid off with the new financing. However, sometimes the mortgage in the 2nd lien position agrees to stay in place, which allows the new financing to move into the 1st lien position. This agreement, achieved through a subordination, allows the homeowner to refinance their first mortgage without paying off the 2nd mortgage. If specific conditions are met and the 2nd mortgage loan is eligible, OHFA will subordinate the 2nd mortgage during a refinance of the homeowner's primary residence.

If you wish to request a subordination of an OHFA 2nd mortgage, please go to <http://ohiohome.org/partners/lenders.aspx> to access the Subordination Request Form.

I want to subordinate my OHFA 2nd mortgage when I refinance my home. How do I know if my loan is eligible?

OHFA will make the final determination regarding the eligibility of the requested subordination. Generally, the following conditions must be met in order to subordinate an OHFA 2nd mortgage:

- There must be insufficient funds from the proceeds of the new loan (the refinance) to satisfy, or pay off, the OHFA 2nd mortgage.
- The new lender must be willing to allow the subordination.
- There are different types of OHFA 2nd mortgages. The existing OHFA loan must be in good standing and cannot be delinquent, if there are payments due for the 2nd mortgage. If the 2nd mortgage is a forgivable grant, this does not apply.
- A complete application, including all supporting documentation, must be received with the initial fee of \$100 payable to OHFA. The fee must be in the form of certified funds only and is non-refundable. Personal checks are not accepted.
- US Bank requires a fee of \$150.00. This fee is charged at closing by US Bank and may be listed on the payoff statement from US Bank and on the HUD-1 Settlement statement. *Please do not send this payment to OHFA.*
- The application must be processed and approved by OHFA.

Required Documentation*

1. **Copy of the full Title Commitment**
2. **Copy of the recorded OHFA 2nd mortgage**
3. **Copy of the preliminary HUD-1 Settlement Statement**
4. **Clean, recordable Legal Description of the Property**
5. **Signed copy of the completed Subordination Request Form**
6. **\$100.00 check payable to OHFA (certified or company check; no personal checks). This fee is non-refundable.**
7. **Return overnight label or overnight envelope**

**With the exception of the signed authorization on the Subordination Request Form (signed by all Borrowers), most of the documentation requested will be supplied by the title company or the lender.*

I think my loan is eligible. How can I start the subordination process?

The subordination process should be initiated by the homeowner and completed by the lender or title company used in the transaction. Homeowners should stay in contact with their lenders during the subordination process.

The Homeowner needs to complete the following steps:

1. Start the loan application process with the new lender for the refinance.
2. Instruct your new lender to contact **US Bank at 1-877-303-1640** (Refinance only) to obtain Payoffs for both the **1st and 2nd mortgages**.
3. Submit a signed copy of the OHFA Subordination Request Form to your new lender, authorizing OHFA to provide the information required to process the subordination with your lender and title company.

The Subordination Request Form may be found at OHFA's website:

www.ohiohome.org/partners/lenders.aspx

➔ The Lender or Title Company needs to complete the following steps:

4. The lender or title company must complete the Subordination Request Form, with the required documentation, and send it to the Ohio Housing Finance Agency with a cashier's check or certified funds in the amount of \$100. This fee is non-refundable. The funds must be payable to the Ohio Housing Finance Agency (OHFA).
5. All subordinations are sent via overnight mail. Please make sure to send an overnight label or an overnight envelope for prompt delivery.
6. Please note: *The remaining fee of \$150, payable to US Bank, will be charged to you at closing on the HUD-1 Settlement statement. Please do not send this fee of \$150 to OHFA.*

How long does it take to receive an executed subordination?

Upon receipt of all required documentation, the usual processing time is 3-5 business days. If the request for a subordination is incomplete or contains incorrect information, the processing time will be longer.

What is the total cost to subordinate my loan?

The total cost is \$250 to subordinate the loan; however, it is paid in two different installments during the process. To initiate the request, the lender or title company will send certified funds payable to OHFA in the amount of \$100. **The remaining amount, \$150 payable to US Bank and listed on the payoff statement for the 1st Mortgage, will be charged on the HUD-1 Settlement Statement at closing. Please do not send this fee (\$150) to OHFA.**

QUESTIONS? Contact us at 614 466-7970