



OFFICE OF HOUSING AND COMMUNITY DEVELOPMENT
DEVELOP LOUISVILLE
LOUISVILLE, KENTUCKY

GREG FISCHER
MAYOR

GABE FRITZ
DIRECTOR

POLICY INFORMATION

DESCRIPTION OF INCENTIVE

The homebuyer incentive for the Shawnee and Portland Homeownership Incentive Program is designed to stimulate the sale and rehabilitation of single-family homes in the Shawnee and Portland Neighborhood Revitalization Strategy Areas. An incentive of up to \$24,999* for qualified property repairs and improvements will be provided in the form of a forgivable second mortgage to individuals and families wishing to purchase a home in the priority project area of the Shawnee and Portland Neighborhood Revitalization Strategy areas.

TERMS OF REPAYMENT OR RELEASE OF SECOND MORTGAGE

The second mortgage is forgivable over a five-year period; however, in the event of the sale of the subject property or transfer of title to the subject property before the fifth year anniversary of the property closing, the second mortgage must be repaid in full.

The second mortgage is forgivable over a five-year period. In the event of sale or transfer of your home before the expiration of the end of fifth year from the date of purchase, the entire 2nd mortgage must be repaid.

In addition, if you: **1)** do not occupy the home as your principal residence for the five-year period of the forgivable second mortgage; or **2)** default on any superior mortgage or junior liens; or **3)** file a Petition in Bankruptcy and/or have a Petition filed against you or make an assignment for the benefit of your creditors, the entire sum of the 2nd mortgage is due.

A lien, held by Louisville Metro Government, will be placed on the property for the specified incentive amount until the five year expiration. Annual monitoring of principal residency and homeowner's insurance will be completed by Louisville Metro Government.

POLICY ON SUBORDINATION FOR REFINANCES

The Grantor will review subordination requests on a case-by-case basis. In general, the Grantor will consider subordinating its second mortgage lien to a new first mortgage lender when the new first mortgage meets all of the following conditions:

- The new loan is for the purpose of obtaining an interest rate reduction or for the purpose of obtaining loan terms more favorable to the borrower. ("Cash Out" loans or refinances for the purpose of consolidating, eliminating or reducing debt do not meet this condition.)

- The new first mortgage is no greater than the current payoff plus reasonable (as determined by the Grantor) closing costs.
- There is total compliance with the terms and conditions of the Grantor's original note, mortgage and/or agreement with the Borrower.
- The debt does not exceed appraised value.
- The new loan does not have an adjustable interest rate.
- The new loan does not have a prepayment penalty clause.
- There is no reduction of the borrower's income or increase in the debt to income ratios.

*Note: Participants must be approved prior to repairs being made and any cost over \$24,999 will be the responsibility of the homeowner and paid in full prior to Louisville Metro Government paying the remaining cost.

POLICY ON SUBORDINATION FOR REFINANCES

In the event a subordination request is for a purpose other than obtaining more favorable loan terms:

- The borrower must undergo a refinance review by a HUD certified counseling agency at borrowers cost.
- Provide a copy of the counseling agency's determination to the subordination request. The Grantor will then undertake an evaluation of the request based upon the extreme hardship to the borrower, the overall loan terms and recommendation of the counseling agency. Borrowers' participation in and completion of the review process does not ensure approval of subordination request.

In either of the above scenarios, the Grantor will undertake reviews of subordination requests only if it is accompanied by complete documentation per the guidelines of the Subordination Request.

Incomplete documentation shall be the basis for the immediate denial of the request.

Because of confidentiality constraints, neither the grantor(s) nor the staff of the Louisville Metro will communicate with lenders or their loan officers regarding the subordination application or approval status.