CITY OF BOSTON
MAYOR'S OFFICE OF HOUSING
REFINANCING AND SUBORDINATION POLICY

1. Policy Statement and Applicability

a. The City of Boston Mayor's Office of Housing (MOH) issues mortgages to protect its interest in properties it has assisted. Such assistance may include housing development subsidies, homebuyer downpayment assistance, or home repair assistance. If the assistance is in the form of a loan or grant that could require repayment, the City would issue a "monetary" mortgage that specifies how and when the funds would get repaid. Other mortgages are "non-monetary" or "performance," meaning that the City may be entitled to specific remedies regarding the property (such as foreclosure or option to purchase) if certain performance conditions (such as owner occupancy) are not met.

b. This Subordination Policy applies to all monetary and non-monetary/performance mortgages issued by the City of Boston Mayor's Office of Housing (MOH), or its predecessors, the Public Facilities Department (PFD) and Department of Neighborhood Development (DND), including but not limited to mortgages related to housing development, homebuyer assistance and homeowner assistance.

c. In general, the City of Boston is not legally required to agree to subordinate its mortgages to any new financing proposals. However, in order to allow borrowers to access the equity in their property, the City will consider requests for subordination of its mortgages and may agree to subordinate to new loans that will not negatively impact the affordability of the mortgaged property or the security of the City's investment.

d. MOH is issuing this policy in the interest of transparency and for the convenience of constituents. This policy statement does not supersede or waive any City rights under its mortgages, deed restrictions, covenants, promissory notes or loan agreements. Subordination decisions are made at the City's discretion.

2. One to Four Family, Owner Occupied Properties and Lead Paint Abatement Loans:

a. For one- to four-family owner-occupied properties and lead paint abatement loans, MOH will consider requests for subordination of its mortgages upon receipt of a completed **Application for Subordination** and all required documents:

b. The loan we are being asked to subordinate to must comply with MOH's **Loan Standards**, which may be updated from time to time.

c. For **deed-restricted properties**, if the new loan is for the purpose of home improvements - such as a cash-out refinance or Home Equity Line of Credit (HELOC) - MOH will review the project scope and contractor estimate to ensure that the improvements do not negatively impact the City's interest in the property.

Note that deed restrictions and performance mortgages generally limit the amount of appreciation you may receive for home improvements when calculating the property's **Maximum Resale Price**, and you may not be able to recoup the full value of your improvements. In addition, deferred maintenance is not considered capital improvement and will not increase your Maximum Resale Price. Be sure to read your deed and mortgage documents carefully.

d. The City will review subordination requests for the same property only once in a two-year time period, unless the new loan will substantially lower the borrower's interest rate or for other extenuating circumstances, as documented through a written waiver request from the borrower.

3. Investor-Owned (Not Owner-Occupied) Rental Properties:

a. For investor-owned (not owner-occupied) properties, including large affordable housing developments, MOH will consider requests for subordination upon receipt of a completed Refinancing/Restructuring Information Summary Form.

b. The borrower shall pay all costs of the transaction, including any legal fees incurred by MOH. An estimate of the cost shall be provided when the request is submitted. A deposit against this estimate may be required with the balance due at closing.

c. For requests that do not generate cash to the project, but simply reduce the interest rate and do not negatively affect any potential cash flow owed to the City, MOH may agree to subordinate subject to the following conditions:
   - The borrower and all related entities shall be current on their loans, taxes and financial reporting prior to considering the request.
   - MOH may require that the units be inspected to ensure compliance with Housing Quality Standards (HQS) or physical standards as may be required in the loan documents, and any expenses incurred shall be the responsibility of the owner.
   - MOH may allow reasonable increases to reserves made from increased cash flow resulting from interest rate reductions.

d. For refinancing requests that result in cash to the borrower and increase the amount of debt that is senior to the City mortgage, MOH may agree to subordinate subject to the following conditions:

- All proceeds from the transaction must be used to make capital improvements to the subject asset or to increase capital reserves.
- The borrower and all related entities shall be current on their loans, taxes and financial reporting prior to considering the request.
- The City will conduct a full review of the effect of the proposal to ensure it does not negatively impact the City's interest in the property or the residents of the property.
- The City may require additional years of affordability for the project.
- The City may require that the repayment terms on its loan be modified or that cash flow definitions be modified.
- The Loan to Value ratio after the refinance (for the first mortgage) should not exceed 85%
- MOH may require that the units be inspected to ensure compliance with HQS or physical standards as may be required in the loan documents, and any expenses incurred shall be the responsibility of the owner.