

**RESOLUTION ARB2015-0011**

*Approval of Homeowner Mortgage Subordination Policy*

Whereas, County entities may adopt, amend, rescind, and administer rules on matters within their respective jurisdictions, as established by the County Charter, the County Code, or general law; and

Whereas, Section 205.09(A) of the Cuyahoga County Code establishes the Cuyahoga County Administrative Rules Board; and

Whereas, per Section 113.02(A) of the Cuyahoga County Code, a county entity seeking to adopt, amend, or rescind a rule shall submit a request, including the specific language of the rule, to the Clerk of the Administrative Rules Board in accordance with the procedures and deadlines established by the Board for such submissions; and

Whereas, per Section 113.02(G) of the Cuyahoga County Code, the Administrative Rules Board is given approval authority over rules promulgated by County entities based on a determination of: (1) whether the requesting entity has the authority to adopt, amend, or rescind the rule and (2) whether the proposed rule conflicts with the County Code; and

Whereas, the Department of Development administers a Homeowner Mortgage Subordination Policy;

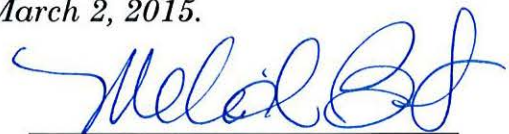
**NOW, THEREFORE, BE IT RESOLVED BY THE ADMINISTRATIVE RULES BOARD OF CUYAHOGA COUNTY, OHIO:**

**Section 1.** The Homeowner Mortgage Subordination Policy, as attached, is hereby enacted as part of the Cuyahoga County Administrative Code.

**Section 2.** This Resolution shall go into immediate effect and remain in full force and effect until December 2, 2015.

**Section 3.** It is found and determined that all formal actions of this Board concerning and relating to the passage of this Resolution were passed in an open meeting of this Board and that all deliberations of this Board that resulted in such formal actions were in meetings open to the public and in compliance with all legal requirements, including Section 121.22 of the Ohio Revised Code.

*The foregoing resolution was duly adopted on March 2, 2015.*



*Clerk of the Board*

# Homeowner Mortgage Subordination Policy



Department of Development

## Homeowner Mortgage Subordination Policy Guidelines

It is the policy of Cuyahoga County to allow our mortgages to homeowners for housing rehabilitation loans, down payment loans, and foreclosure rescue loans to be subordinated for refinancing of an existing first mortgage loan under certain conditions.

The proposed new first mortgage loan must allow for more favorable loan terms for our client; factors to be considered include a lower interest rate, lower monthly payments, and shorter loan term.

Staff will review the terms of the existing and proposed financing to ensure that the proposed financing meets the County's policy guidelines for subordination.

Interest rates should be fixed. If the proposed interest rate is variable, Debt-to-income ratio will be examined at the maximum capped rate, and loan terms will be reviewed to determine if there is a "locking" feature on the interest rate.

Cash out refinancing for home repairs, payoff of unsecured debt etc. is considered on a case-by-case basis and is allowable **only** if County's Loan To Value Ratio remains below 95%.

Fees/closing costs (excluding pre-paid items, title charges, recording charges) cannot exceed 5% of loan amount for a loan of over \$25,000, 8% for a loan less than \$25,000. (Senate Bill 185) (ORC Sections 349.25 to 1349.37)

Current and proposed Debt-to-income ratios will be examined to determine if the refinancing is beneficial to the client. Debt-to-income ratio should generally be below the FHA guideline of 43. A Debt-to-income ratio increase may occur and is acceptable if the client is refinancing into a shorter term loan at a lower interest rate.