

A RESOLUTION ESTABLISHING A POLICY
FOR THE SUBORDINATION OF LEBANON
HOUSING REHABILITATION LOANS

) Resolution No. 25
) for 1997
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WHEREAS, the City of Lebanon has established a program for the lending of funds for the purpose of rehabilitating housing within the City of Lebanon known as the LEBANON HOUSING REHABILITATION LOAN PROGRAM (the "Loan Program"); and

WHEREAS, from time to time citizens who are participating in said program have requested that the City subordinate its security position on loans administered by the Loan Program for the purpose of refinancing other outstanding loans; and

WHEREAS, the City has, from time to time, determined that persons who can refinance other outstanding loans at higher interest rates than loans administered through the Loan Program have a better capability to pay off their loans after refinancing; and

WHEREAS, the City Council finds that in some occasions the subordination of the loan through the Loan Program makes such refinancing easier and will be to the best interest of the citizens of the City to allow for such subordination agreements; and

WHEREAS, the City Council desires to make a uniform policy to be used in determining when such subordination of the City's interest should be allowed;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY OF LEBANON AS FOLLOWS:

Section 1. There is hereby established a policy for the consideration of Subordination Agreements by the City of Lebanon when requested by recipients of loans funded or administered by the Lebanon Housing Rehabilitation Loan Program. The purpose for establishing this policy is to allow homeowners to request subordination agreements which would financially benefit those persons by allowing them to refinance existing loans which were in place prior to the approval of the Lebanon Housing Loans. The City Council finds that by allowing such subordination agreements, recipients will be afforded a greater opportunity to pay their loans owed to the City.

Section 2. The City will consider requests from recipients of a Lebanon Housing Rehabilitation Loan for the City to subordinate its security on the Housing Rehabilitation Loan under the following conditions:

A. The subordination agreement must be entered into for the purpose of the recipient to

refinance the balance due on priority loans which were in place prior to the approval of the Lebanon Housing Rehabilitation Loan.

B. Borrowers shall be allowed to borrow funds to refinance the balance due on existing loans up to an amount which insures that the new loan and the Lebanon Housing Rehabilitation Loan together will constitute less than 75% of the appraised value of the security. The property owner shall have the burden of proving to the City that the value of the security ensures this ratio of value ratio is 75% or less. The City reserves the final determination as to whether or not this ratio is maintained after the refinancing.

C. Any cost of preparing, processing or providing proof to the City of the value ratio contained in Sub-Section B of this section shall be paid by the property owner or recipient of the Lebanon Housing Rehabilitation Loan.

D. All other provisions of the Lebanon Housing Rehabilitation Loan shall remain enforceable, unless otherwise agreed to between the City and the loan recipient, including, but not limited to, any provisions of the loan document requiring accelerated repayment of the loan upon the sale of the secured property.

E. The City shall agree to only one subordination agreement during the lifetime of the Lebanon Housing Rehabilitation Loan.

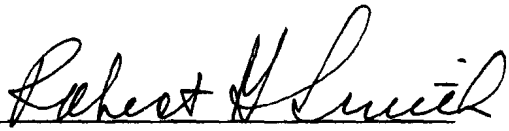
Section 3. The City Administrator or his designee shall be hereby authorized to enact such rules which he reasonable believes can best carry out the provisions of this policy.

Section 4. Upon the approval of this Resolution, the City shall notify all current participants in the Lebanon Housing Rehabilitation Loan program of this policy. Thereafter, in the event that future loans are offered by this program, all applicants shall be notified at or prior to the time of application of this program.

Section 5. This subordination policy shall be enforced in a non-discriminatory fashion to recipients and future participants of the Lebanon Housing Rehabilitation Loan Program in the same manner as the program is administered.

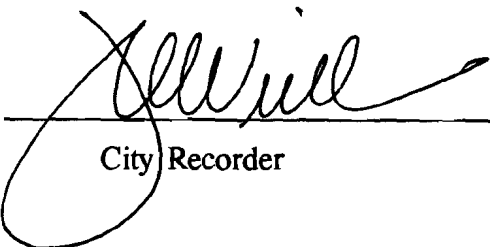
Section 6. This Resolution shall replace any resolutions or policies which have previously been adopted by the Lebanon City Council which contain contradictory provisions hereto.

PASSED BY THE CITY COUNCIL FOR THE CITY OF LEBANON by a vote of 4 for and 0 against this 25th day of June, 1997 .



Mayor

ATTEST:



City Recorder