



MEMORANDUM

"...meeting community needs...enhancing quality of life."

TO: Community and Economic Development Committee
FROM: Laura Bonnet
DATE: May 8, 2014
RE: Appeal to Subordination Policy by Dennis and Doris Bauer

In May, 2014, the City of Appleton denied a subordination request from Dennis and Doris Bauer for their Homeowner Rehabilitation Loan. The request was denied because the refinanced loan would be a line of credit (see attached Subordination Policy).

Dennis and Doris Bauer have owned their property at 716 E. Pacific St. (a historic home) since 1972. It is currently assessed at 145,100. They have a line of credit on the property for \$49,500 but it is not maxed out. They currently owe \$32,167 on that line of credit (payments are approx. \$100/mo but they pay an extra approx. \$30 in principle). They are both elderly and their source of income is social security and a small pension which qualifies them as low- to moderate-income according to our program requirements. They have applied for the housing rehab program at various times since 1980 and currently owe the City a total of \$38,496 (a total of 3 different loans). Even after our loans, they have nearly \$75,000 of equity in the property.

Their current line of credit is with M&I Bank which got bought out by BMO Harris a few years ago. BMO Harris contacted the Bauer's to request they refinance their line of credit under the new bank name/regulations. The refinance would also give them a lower interest rate on the line of credit. Several years ago, the City changed the subordination policy to include not subordinating behind a line of credit. The reason for this was that we wanted to ensure homeowners were going to continue paying off principle and building equity on any loan that we were behind. Due to our current subordination policy, the Bauer's are unable to refinance their line of credit, which they have had for many years. The letter of appeal from Dennis and Doris Bauer is attached to this memo.

RECOMMENDATION:

The Committee approve the subordination request which would allow BMO Harris to remain the first lien holder with a line of credit to the Bauer family.