

GOVERNMENT OF THE DISTRICT OF COLUMBIA
DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT



Office of the Director

MEMORANDUM

FEB 12 2013

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FROM: Nathan F. Simms
Chief Program Officer

CC: Lesley Edmond – Program Analyst

DATE: January 29, 2013

SUBJECT: Subordination, Modification & Forgiveness Policy Administrative Instruction

Please find attached the Subordination, Modification and Forgiveness Policy (AI). This AI formalizes the existing processes and establishes new policies for the divisions engaged in approving requests to subordinate, modify and forgive DHCD loans.

Additionally, you will find attached the Loan Servicing Request Forms for persons who wish that DHCD subordinate, modify or forgive their loan.

Please sign at the designated signature markers by your title.



ADMINISTRATIVE INSTRUCTION

Series: 3000
No.: 008

SUBJECT: Subordination, Modification and Forgiveness Policy

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ADMINISTRATIVE INSTRUCTION**Series:** 3000
No.: 008**SUBJECT: Subordination, Modification and Forgiveness Policy****I. Purpose and Objective**

This Administrative Instruction (AI) is issued to establish the policy for evaluating requests for the subordination, modification, or forgiveness of any Department of Housing and Community Development ("DHCD") loan.

II. Policy

- A. DHCD loan subordination, modification and forgiveness policies are established below for the following DHCD programs: Multifamily Program (DFD); Home Purchase Assistance Program (RCSD), Single Family Rehabilitation Program (RCSD); Homestead Program (PADD).
- B. All requests for loan subordination, modification, or forgiveness must include a fully completed Loan Service Request Form (Multifamily or Homeowner) and the required documents identified on that form.
- C. All requests for DHCD loan subordination, modification or forgiveness will be reviewed in accordance with DHCD program criteria.
- D. The Director has sole authority to approve requests or exceptions to these policies.
- E. DHCD reserves the right to deny any requests it deems not in its (DHCD) or the homeowner's best interest.
- F. Requests should be made at least 45 days prior to loan closing to insure proper processing and review.

III. MULTIFAMILY PROGRAMS (DEVELOPMENT FINANCE DIVISION) POLICIES**A. Permissible Subordinations**

- 1. Subordination requests for refinancing to reduce the term or payment of the primary mortgage without equity withdrawal (except to pay settlement costs including points, recording, appraisal, and title report fees).
- 2. Subordination requests for the refinancing of the primary mortgage that includes equity withdrawal to undertake DHCD approved capital improvements.
- 3. Subordination requests to withdraw cash equity to settle outstanding District or Federal tax liens, past due taxes, or other outstanding District obligations.

B. Subordination General Conditions

- 1. DHCD will not permit subordinations that result in a line of credit.
- 2. DHCD will not subordinate into a third trust position.
- 3. DHCD may request a payoff of up to 25% of the total proceeds from the borrower or seller for a refinance.
- 4. An approved subordination shall not change the original terms of the loan being subordinated unless the Director determines the changes are necessary to protect the Department's investment of funds in the property.

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5. The combined loans on the property cannot exceed 100% combined loan to value (CLTV) of the appraised value of the property or as required by the specific program. This requirement may be waived at the Director's discretion for good cause.
6. The debt service coverage (DSC) must be the minimum specified in a written agreement, underwriting analysis, pro-forma analysis, or as approved by DHCD, after a detailed analysis by DHCD.
7. The loan covenants must remain in place for the remaining period of the loan.
8. DHCD will scrutinize and may deny a subordination request that reflects excessive closing costs or suggests either a predatory lending practice or effect.
9. The new loan amount must not include closing fees and/or settlement fees in excess of what is determined by DHCD's PAMD as reasonable.
10. The borrower must meet program credit standards, unless waived by the DHCD.
11. If the Borrower proposes a change in its entity, DHCD shall not subordinate unless it has reviewed the new entity to determine if they meet the requirements of the program.
12. Subordination requests for purposes other than those stated above are not permitted, unless approved by the Director in writing for good cause.

C. Subordination Qualification Criteria

1. The Borrower must not have been more than sixty (60) days delinquent on any DHCD loan during the twelve-month period immediately preceding the request to subordinate.
2. The Borrower must also be in compliance with all restrictive covenants, reporting requirements under the loan, and any other DHCD programs or District laws applicable to the project.
3. The new loan must have a fixed term and fixed interest rate.
4. In the case of a subordination with equity withdrawal for capital improvements, DHCD may approve such requests only under the following conditions:
 - a. The Borrower signs an affidavit stating that the proceeds will be used for capital improvements.
 - b. The Borrower provides DHCD with a copy of capital needs assessment conducted by an independent professional that justifies the withdrawal of equity.
 - c. The Borrower demonstrates that the repairs are necessary for maintaining the building to District housing code.
5. DHCD will permit a withdrawal of equity only for the amount needed to pay for building code related improvements. DHCD will determine the reasonableness of the amount requested.
6. If the Borrower seeks to withdraw cash equity to settle outstanding District or Federal tax liens, past due taxes, or other outstanding District obligations (regardless of whether

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the Borrower also seeks to withdraw equity for capital improvements) DHCD may permit refinancing for an equity withdrawal to protect its interest in the project. Withdrawals to pay for liens and past due bills may also require a modification to include a tax escrow, or increase in reserve replacement account deposits. The criteria are below:

- a. Borrower must demonstrate that such obligations can only be settled by refinancing the loan.
- b. Borrower must agree to repay these obligations in full at settlement before the Department will permit subordination. The priority for repayment is as follows:
 - i. Federal tax liens
 - ii. District tax liens
 - iii. Past due District tax balances for which no lien has been established
 - iv. Other District obligations
 - v. Any other obligation in which nonpayment would result in the project/facility having risk of foreclosure or loss of capacity to operate as intended

D. Subordination Required documents

1. A complete DHCD Loan Servicing Request Form with an explanation of the subordination request.
2. Current appraisal
3. Recorded Deed of Trust for the District
4. Preliminary Title Report
5. Copy of an accurate estimated closing statement from escrow
6. Copy of the new 1st Mortgage Note (and Riders, if applicable)
7. Estimated Settlement Statement (HUD-1)
8. Commitment Letter (with Lender Signature)
 - i. Name and address of Lender
 - ii. Proposed loan terms
 - iii. Expiration of the interest lock-in rate
 - iv. Monthly principal and interest payment amount
 - v. Clear statement of any cash out amount and purpose
 - vi. Any other conditions imposed by the Lender
9. Payoff Statement of Existing Loan(s)
10. Loan Applications: Uniform Residential Loan Application (Fannie Mae Form 1003)
11. Loan Summary and Underwriting Transmittal Form (Fannie Mae Form 1008)
12. Subordination Agreement for the District to Sign
13. Capital Needs Assessment
14. Audited Financial Statement

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15. Projected Budget

E. Permissible Modifications

1. DHCD will modify the DHCD loan if the modification of the loan protects the underlying asset.
2. DHCD will modify the DHCD loan if the modification of the loan makes a project financially feasible.
3. DHCD will modify the DHCD loan if the modification of the loan preserves affordable housing - the forgiveness of the loan makes facilities available to low and moderate income residents.
4. Modifications of loan requests for purposes other than those stated above are not permitted, unless approved by the Director in writing for good cause.

F. Modification General Conditions

1. DHCD will not permit modifications that result in a line of credit.
2. DHCD may request a payoff of up to 25% of the total proceeds from the borrower or seller for a refinance.
3. The combined loans on the property cannot exceed 100% combined loan to value (CLTV) of the appraised value of the property or as required by the specific program. This requirement may be waived at the Director's discretion for good cause.
4. The debt service coverage (DSC) must be the minimum specified in a written agreement, underwriting analysis, pro-forma analysis, or as approved by DHCD, after a detailed analysis by DHCD.
5. The loan covenants must remain in place for the remaining period of the loan.
6. DHCD will scrutinize and may deny a modification request that reflects excessive closing costs or suggests either a predatory lending practice or effect.
7. The new loan amount must not include closing fees and/or settlement fees in excess of what is determined by DHCD's PAMD as reasonable.
8. The borrower must meet program credit standards, unless waived by the DHCD.
9. If the Borrower proposes a change in its entity, DHCD shall not modify the loan unless it has reviewed the new entity to determine they meet the requirements of the program.
10. Modification requests for purposes other than those stated above are not permitted, unless approved by the Director in writing for good cause.

G. Modification Qualification Criteria

1. The Borrower must not have been more than sixty (60) days delinquent on any DHCD loan during the twelve-month period immediately preceding the request to modify the loan.
2. The Borrower must also be in compliance with all restrictive covenants, reporting requirements under the loan, and any other DHCD programs or District laws applicable to the project.



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3. The new loan must have a fixed term.

H. Modification Required Documents

1. A complete DHCD Loan Servicing Request Form with an explanation of the modification request.
2. Current appraisal
3. Recorded Deed of Trust for the District
4. Preliminary Title Report
5. Copy of an accurate estimated closing statement from escrow
6. Copy of the new 1st Mortgage Note (and Riders, if applicable)
7. Estimated Settlement Statement (HUD-1)
8. Commitment Letter (with Lender Signature)
 - a. Name and address of Lender
 - b. Proposed loan terms
 - c. Expiration of the interest lock-in rate
 - d. Monthly principal and interest payment amount
 - e. Clear statement of any cash out amount and purpose
 - f. Any other conditions imposed by the Lender
9. Payoff Statement of Existing Loan(s)
10. Loan Applications: Uniform Residential Loan Application (Fannie Mae Form 1003)
11. Loan Summary and Underwriting Transmittal Form (Fannie Mae Form 1008)
12. Modification Agreement for the District to Sign
13. Capital Needs Assessment
14. Audited Financial Statement
15. Projected Budget

I. Permissible Forgiveness

1. DHCD will forgive a DHCD loan if the forgiveness of the loan protects the underlying asset.
2. DHCD will forgive a DHCD loan if the forgiveness of the loan makes a project financially feasible.
3. DHCD may forgive a DHCD loan if the forgiveness of the loan preserves affordable housing.
4. DHCD will issue a Form 1099-C, Cancellation of Debt, when a DHCD loan is forgiven.
5. Forgiveness of loan requests for purposes other than those stated above are not permitted, unless approved by the Director in writing for good cause.

J. Forgiveness General Conditions

1. The forgiveness must not result in a benefit to the borrower for purposes other than as intended in the initial agreement or as deemed necessary by DHCD.



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2. An approval may not change the existing covenant on the property and may result in an increase in the covenant period, unless otherwise directed by the Director of DCHD in writing.
3. The Borrower must be in compliance with all restrictive covenants, reporting requirements under the loan, and any other DHCD programs or District laws applicable to the project.
4. The loan covenants must remain in place for the remaining period of the loan.
5. Any changes in the borrower's entity must be reviewed and approved in writing by DHCD.
6. DHCD may issue a Form 1099-C, Cancellation of Debt, when any DHCD loan is forgiven.

K. Forgiveness Qualification Criteria

1. Borrower must not have been more than sixty (60) days delinquent on any DHCD loan on more than one occasion during the twelve-month period immediately preceding the request to forgive the loan.
2. The request must include audited financial statements for the last three (3) years (if available); or IRS filing documents and/or any other financial statement acceptable to the Portfolio and Asset Management Division (PAMD).

L. Forgiveness Required documents

1. A complete DHCD Loan Servicing Request Form with an explanation of the forgiveness request.
2. Documentation supporting the request for forgiveness that may be requested by DHCD.

IV. HOME PURCHASE ASSISTANCE PROGRAM POLICIES (HPAP)

A. Permissible Subordinations

1. Subordination requests for refinancing to reduce the term or payment of the primary mortgage without equity withdrawal (except to pay settlement costs including points, recording, appraisal, and title report fees).
2. Refinancing if there is a judgment from a divorce decree to withdraw equity from the property only if the equity withdrawal does not create a hardship for borrower to repay and does not jeopardize DHCD's lien position.
3. The borrower seeks to draw cash equity to settle outstanding District or Federal tax liens, past due taxes, or other outstanding District obligations (regardless of whether the borrower also seeks to withdraw equity for home repairs).
4. Subordination requests for refinancing with equity withdrawal, without requiring the repayment of the HPAP outstanding loan balance, if the purpose of the refinancing is to undertake home repairs (as distinguished from remodeling).
5. Subordination requests for purposes other than those stated above are not permitted, unless approved by the Director in writing for good cause.

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1. DHCD will not permit subordinations that result in a reverse equity mortgage, home equity loan, or line of credit.
2. DHCD will not subordinate into a third trust position.
3. A fixed interest rate for the new loan is preferred. If the borrower proposes to add or remove names to the Deed then DHCD may not subordinate unless the combined income of all the residents remains below program income limits.
4. The loan to value ratio (LTV) of all recorded trusts and liens may not exceed 95% of the appraised value of the property. This may be waived on a case by case basis for extenuating financial circumstances.
5. Refinancing of the primary loan with no equity withdrawal must result in a lower monthly mortgage payment and/or reduced interest rate. An exception will be allowed when the purpose of refinancing is to reduce the term of the primary loan from thirty (30) to twenty (20), fifteen (15), or ten (10) years.
6. DHCD will review each file and may deny a subordination request that reflects excessive closing costs or suggests either a predatory lending practice or effect.
7. For the Employer Assisted Home Program (EAHP), if the loan was deferred and no longer occupied by the owner, the borrower must agree to convert the loan to an amortized loan for repayment of the balance.
8. The property must remain the borrower's primary residence, unless the loan documents specifically provide for a lesser period of occupancy as the borrower's primary residence.

C. Subordination Qualification Criteria

1. The borrower must meet program credit standards. This requirement may be waived if the purpose of the refinancing is to repay outstanding taxes.
2. The property must be the borrower's primary residence.
3. If a borrower has a Home Purchase Assistance Program loan from DHCD, the borrower cannot apply for another loan with DHCD for a minimum of five (5) years without good cause.
4. DHCD may permit refinancing resulting in an equity withdrawal to settle outstanding District obligations, under the following conditions:
 - a. The borrower must demonstrate that he/she can only settle those obligations by refinancing the home.
 - b. The borrower must agree to repay these obligations in full at settlement. This must be reflected in a preliminary Settlement Statement (HUD-1) and outlined in the lender's closing instructions to the settlement company. The priority for repayment is as follows:
 - i. Federal tax lien(s)



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- ii. District tax lien(s)
 - iii. Past due District tax balances for which no lien has been established.
 - iv. Other District obligations, including (if applicable), Home Purchase Assistance Program loans.
 - v. Any other obligation in which nonpayment would put the property at risk for foreclosure.
- c. Additional equity may only be withdrawn for eligible home repair costs, subject to any other conditions, after these above obligations have been met.
- 5. DHCD will take a subordinate position to protect the asset on which the Department has a lien if the purpose of the refinancing is to undertake home repairs. DHCD can approve such requests only under the following conditions:
 - a. The borrower signs a notarized affidavit stating that he or she will use the proceeds for needed home repairs.
 - b. The borrower provides DHCD with two contractors' estimates of the cost to do the needed repairs that will justify the withdrawal of equity.
 - c. The borrower demonstrates that the repairs are necessary for maintaining the home according to District housing code.
 - d. The borrower can request for a withdrawal of equity only for the amount needed to pay for housing code related repairs. DHCD will determine the reasonableness of the amount requested.

D. Subordination Required Documents

1. A complete DHCD Loan Servicing Request Form with an explanation of the subordination request.
2. Current appraisal or model valuation*
3. Notice of Conditional Approval with loan conditions
4. All Recorded Deed of Trust and riders
5. Copy of current mortgage note
6. Title Binder
7. Good Faith Estimate
8. Credit Report (Tri) Merge)
9. Estimated Settlement Statement (HUD-1)
10. Commitment Letter (with Lender Signature)
11. Payoff Statement of Existing Loan(s)
12. Uniform Residential Loan Application (Fannie Mae Form 1003)
13. Loan Summary and Underwriting Transmittal Form (Fannie Mae Form 1008) or FHA Form 2900 signed by underwriter
14. Borrower's Notice of Authorization
15. Contractor's Estimates (if applicable)

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*Dependent upon the first trust product requirements

E. Permissible Modifications

1. DHCD will modify HPAP loans in order to reduce the HPAP payment so that it is affordable in order to protect the DHCD interest in the property.
2. DHCD will modify HPAP loans when the Primary Mortgage Loan has been modified due to extenuating circumstances.
3. DHCD will modify HPAP loans only for extenuating circumstances which must be approved in writing by the Director of DCHD.
4. Loan modifications for purposes other than those stated above are not permissible.

F. Modification General Conditions

1. A fixed interest rate for the new loan is preferred. If the borrower proposes to add or remove names to the Deed then DHCD will not modify the loan unless the combined income of all the residents remains below program income limits.
2. The loan to value ratio (LTV) of all recorded trusts and liens may not exceed 95% of the appraised value of the property. This may be waived on a case by case basis for extenuating financial circumstances.
3. DHCD will review each file and may deny a modification request that reflects excessive closing costs or suggests either a predatory lending practice or effect.
4. The property must remain the borrower's primary residence, unless the loan documents specifically provide for a lesser period of occupancy as the borrower's primary residence.

G. Modification Qualification Criteria

1. The borrower must meet program credit standards. This requirement may be waived if the purpose of the refinancing is to repay outstanding taxes.
2. The property must be the borrower's primary residence.
3. If a borrower has a Home Purchase Assistance Program loan from DHCD, the borrower cannot apply for another loan with DHCD for a minimum of five (5) years without good cause.

H. Modification Required Documents

1. A complete DHCD Loan Servicing Request Form with an explanation of the modification request.
2. Current appraisal (if applicable based upon loan product)
3. Notice of Conditional Approval (if applicable)*
4. Recorded HPAP Deed of Trust
5. HPAP Note
6. Preliminary Title Report (if applicable)*
7. Good Faith Estimate (if applicable)*



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8. Credit Report (Tri) Merge
9. Copy of New 1st Mortgage Note (and riders, if applicable)*
10. Copy of current mortgage note (if applicable)*
11. First Trust Recorded Deed of Trust
12. Uniform Residential Loan Application (Fannie Mae Form 1003)*
13. Loan Summary and Underwriting Transmittal Form (Fannie Mae Form 1008)*
14. Borrower's Notice of Authorization

*applicable if modification of the HPAP loan results in a modification of the first trust mortgage.

I. Permissible Forgiveness

1. Forgiveness of HPAP loans may be considered on a case by case basis due to extenuating circumstances.

J. Forgiveness General Conditions

1. Forgiveness of HPAP loans will be considered on a case by case basis.
2. DHCD will issue a Form 1099-C, Cancellation of Debt, when a DHCD loan is forgiven.

K. Forgiveness Qualification Criteria

1. Borrower must demonstrate hardship or extenuating circumstances that will justify the request, such as death or disability.

L. Forgiveness Required Documents

1. A complete DHCD Loan Servicing Request Form with an explanation of the forgiveness request.
2. Documentation supporting the request for forgiveness that may be requested by DHCD.

V. SINGLE FAMILY REHABILITATION PROGRAM POLICIES (SF REHAB)

A. Permissible Subordinations

1. Subordination requests in the case of a primary mortgage refinancing undertaken solely to reduce the term or payment of the primary mortgage with no equity withdrawal (except to pay settlement costs including points, recording, appraisal, and title report fees).
2. Subordination request for purposes other than those stated above are not permitted.

B. Subordination General Conditions

1. The new loan will have a fixed term and interest rate.
2. DHCD will not subordinate into a third trust position.
3. The requested subordination must not change the original terms of the loan being subordinated unless the Director determines that changes are necessary to protect DHCD's financial investment in the property.
4. DHCD will not permit subordinations that result in a reverse equity mortgage, home equity loan, or line of credit.

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5. A fixed interest rate for the new loan is preferred. If the borrower proposes to add other names to the Deed of Trust then DHCD may not subordinate unless the combined income of all the residents remains below program income limits.
6. The loan to value ratio (LTV) of all recorded trusts and liens may not exceed 95% of the appraised value of the property. This requirement may be waived at the Director's discretion for good cause.
7. Refinancing of the primary loan with no equity withdrawal must result in a lower monthly mortgage payment and/or reduced interest rate. An exception will be allowed when the purpose of refinancing is to reduce the term of the primary loan from twenty (20) to fifteen (15), or ten (10) years.
8. DHCD will review each file and may deny a subordination request that reflects excessive closing costs or suggests either a predatory lending practice or effect.
9. The property must remain the borrower's primary residence, unless the loan documents specifically provide for a lesser period of occupancy as the borrower's primary residence.

C. Subordination Qualification Criteria

1. Borrower may not have been more than thirty (30)-days delinquent on any mortgage obligation(s) during the twelve (12) month period.
2. The borrower must meet program credit standards.
3. The property must be the borrower's primary residence.

D. Subordination Required Documents

1. A complete DHCD Loan Servicing Request Form with an explanation of the loan subordination request.
2. Current appraisal (if applicable based upon loan product requirements)
3. Recorded Deed of Trust
4. Preliminary Title Report or title binder
5. Good Faith Estimate
6. Credit Report (Tri) Merge
7. Copy of the new 1st Mortgage Note (and Riders, if applicable)
8. Estimated Settlement Statement (HUD-1)
9. Commitment Letter (with Lender Signature)
10. Payoff Statement of Existing Loan(s)
11. Uniform Residential Loan Application (Fannie Mae Form 1003)
12. Loan Summary and Underwriting Transmittal Form (Fannie Mae Form 1008)
13. Copy of current mortgage note
14. Borrower's Certification Affidavit

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1. Loan modifications of Single Family Rehabilitation loans may be allowed only for extenuating circumstances and must be approved in writing by the Director of DCHD.
2. Loan modifications for purposes other than those stated above are not permissible.

F. Modification General Conditions

1. The modification of Single Family Rehabilitation Program loans will be considered on a case by case basis.

G. Modification Qualification Criteria

1. Borrower must demonstrate hardship or extenuating circumstances that will justify the request.

H. Modification Required Documents

1. A complete DHCD Loan Servicing Request Form with an explanation of the loan modification request.
2. Documentation supporting the request for modification that may be requested by DHCD.
3. Current appraisal (if applicable based upon loan product requirements)
4. Recorded Deed of Trust
5. Preliminary Title Report
6. Good Faith Estimate
7. Credit Report (Tri) Merge
8. Copy of the new 1st Mortgage Note (and Riders, if applicable)
9. Estimated Settlement Statement (HUD-1)
10. Commitment Letter (with Lender Signature)
11. Payoff Statement of Existing Loan(s)
12. Uniform Residential Loan Application (Fannie Mae Form 1003)
13. Loan Summary and Underwriting Transmittal Form (Fannie Mae Form 1008)
14. Copy of current mortgage note
15. Borrower's Certification Affidavit

I. Permissible Forgiveness

1. Forgiveness of Single Family Rehabilitation loans will be considered on a case by case basis due to extenuating circumstances and approved by the Director.

J. Forgiveness General Conditions

1. Forgiveness of Single Family Rehabilitation Program loans will be considered on a case by case basis.
2. DHCD will issue a Form 1099-C, Cancellation of Debt, when any DHCD loan is forgiven.

K. Forgiveness Qualification Criteria



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1. Borrower must demonstrate hardship or extenuating circumstances that will justify the request, such as death or disability.
- L. **Forgiveness Required Documents**
 1. A complete DHCD Loan Servicing Request Form with an explanation of the forgiveness request.
 2. Documentation supporting the request for forgiveness that may be requested by DHCD.

VI. HOMESTEAD PROGRAM (PROPERTY ACQUISITION DISPOSITION DIVISION-PADD)

A. Permissible Subordinations

1. Subordination requests to reduce the term, interest rate, or payment amount of the primary mortgage without equity withdrawal (except to pay settlement costs including points, recording, appraisal, and title report fees).
2. Subordination requests for equity withdrawal for the purpose of home repairs.
3. Subordination requests for purposes other than those stated above are not permitted, unless approved by the Director in writing for good cause.

B. Subordination General Conditions

1. The new loan will have a fixed term and interest rate.
2. The requested subordination must not change the original terms of the loan being subordinated unless the Director determines the changes are necessary to protect DHCD's financial investment in the property.
3. DHCD will not permit subordinations that result in a reverse equity mortgage, home equity loan, or line of credit.
4. A fixed interest rate for the new loan is preferred.
5. Refinancing of the primary loan with no equity withdrawal must result in a lower monthly mortgage payment and/or reduced interest rate. An exception will be allowed when the purpose of refinancing is to reduce the term of the primary loan from thirty (30) to twenty (20), fifteen (15), or ten (10) years.
6. DHCD will review each file and may deny a subordination request that reflects excessive closing costs or suggests either a predatory lending practice or effect.
7. The property must remain the borrower's primary residence.

C. Subordination Qualification Criteria

1. Borrower may not have been more than thirty (30)-days delinquent on any mortgage obligation(s) during the twelve (12) month period.
2. The borrower must meet program credit standards.
3. The property must be the borrower's primary residence.

D. Subordination Required Documents



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1. A complete DHCD Loan Servicing Request Form with an explanation of the loan subordination request.
2. Current appraisal (if applicable based upon loan product requirements)
3. Recorded Deed of Trust
4. Preliminary Title Report
5. Good Faith Estimate
6. Credit Report (Tri) Merge
7. Copy of the new 1st Mortgage Note (and Riders, if applicable)
8. Estimated Settlement Statement (HUD-1)
9. Commitment Letter (with Lender Signature)
10. Payoff Statement of Existing Loan(s)
11. Uniform Residential Loan Application (Fannie Mae Form 1003)
12. Loan Summary and Underwriting Transmittal Form (Fannie Mae Form 1008)
13. Copy of current mortgage note

E. Permissible Modifications

1. Loan modifications of Homestead Program loans may be allowed only for extenuating circumstances and approved by the Director.
2. Loan modifications for purposes other than those stated above are not permissible.

F. Modification General Conditions

1. Modification of Homestead Program loans will be considered on a case by case basis.

G. Modification Qualification Criteria

1. Borrower must demonstrate hardship or extenuating circumstances that will justify the request.

H. Modification Required Documents

1. A complete DHCD Loan Servicing Request Form with an explanation of the modification request.
2. Documentation supporting the request for forgiveness that may be requested by DHCD.

I. Permissible Forgiveness

1. Forgiveness of Homestead Program loans is unavailable.

VII. Procedures

- A. All requests for loan servicing are to be made using the Loan Servicing Request Form and submitted to the Portfolio Asset Management Division (PAMD).
- B. The Loan Subordination, modification, or forgiveness review process may take 45 to 60 days. DHCD may require the maximum time period for more complicated projects. The

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review process does not start until all required and necessary documents are received at DHCD.

C. Loan Service Review

1. The Portfolio Asset Management Division (PAMD) receives the request and logs in the request.
2. PAMD sends the requestor a letter stating that the request has been received.
3. PAMD reviews the request and begins a preliminary review of the loan to determine if it is in compliance with its loan terms and to determine whether the proposed terms and uses meet the policies for the request as stated in this Administrative Instruction (permissible loan services).
4. The findings are documented by the PAMD Manager in a memorandum with a recommendation.
 - a. If the conditions do not conform to the Department policy PAMD sends the requestor a denial letter.
5. PAMD Manager forwards all permissible requests to the appropriated Division.
6. The assigned Division conducts the review of the requested loan service. If additional documentation is needed to conduct the review, the assigned staff person sends the requestor a letter itemizing the necessary documents.
7. Once the review is conducted and the analysis has been made, the assigned staff documents their findings in a Decision Memorandum and draft agreement is prepared if necessary. The Decision Memorandum is then forwarded to the Program Manager for concurrence. If approved, the request is then forwarded to both the Division and Chief Program Officer for approval and signature.
8. Disapproved requests-letters are sent to the requestor within five (5) business days of review.
9. For approved requests, the loan documents are submitted to OAG for a legal review, along with the Decision Memorandum, and any other supporting documentation. OAG conducts its review, provides comments, and prepares documents for the Director's signature and returns the package to the assigned division.
10. The Decision Memorandum package is forwarded to the Director for approval or denial and document execution by the Director necessary. The package is returned to the Division staff assigned, copied and placed in the loan file.
11. The assigned division staff forwards the original package to the PAMD Asset Manager.
12. Upon receiving the signed documents, the PAMD Asset Manager:
 - a. Has the documents notarized
 - b. Sends the executed documents to the requestor (new mortgage lender or settlement agent) via delivery service or overnight mail with a request that the mortgage lender return a copy of the executed documents for DHCD's files.



ADMINISTRATIVE INSTRUCTION

Series: 3000
No.: 008

SUBJECT: Subordination, Modification and Forgiveness Policy

VIII. Roles and Responsibilities

- A. **Portfolio Asset Manager**: Receives all loan requests, documents and logs the requests, conducts a preliminary review and manages document control for all approved requests.
- B. **Program Specialists**: conducts the loan request review originated from the programs for the HPAP, SF Rehab, Homestead and multifamily programs.
- C. **OAG Attorney(s)**: Conducts due diligence review of all forwarded requests and prepares loan documents for the Director's signature.
- E. **PADD Manager**: oversees the review of the homeowner subordination, modification and forgiveness process for the Homestead Program.
- F. **RCS Manager**: oversees the review of the homeowner subordination, modification and forgiveness process for the HPAP and SF Rehab programs.
- G. **DFD Manager**: oversees the review of the multifamily subordination, modification and forgiveness process for DFD.
- H. **Director**: signs off on DHCD loan subordination, modification and forgiveness requests.



ADMINISTRATIVE INSTRUCTION

Series: 3000
No.: 008

SUBJECT: Subordination, Modification and Forgiveness Policy


Approvals:


Development Finance Division

1/31/13
Date


Portfolio and Asset Management Division

1-31-2013
Date


Property Acquisition and Disposition Division


1-31-2013
Date


Chief Administrative Officer

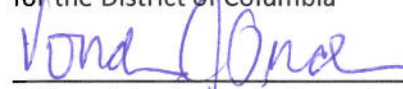
1-31-2013
Date


Chief Program Officer/ Office of Program Monitoring

1/31/13
Date


Office of the Chief Financial Officer
for the District of Columbia


2/5/2013
Date


Office of the Attorney General
for the District of Columbia

2/8/13
Date

Chief of Staff- Jessica Haynes-Franklin

Date


Director, Michael P. Kelly

2/12/13
Date



Government of the
District of Columbia

Department of Housing and
Community Development

Administrative Issuance
Date: 1/28/2013

ADMINISTRATIVE INSTRUCTION

Series: 3000

No.: 008

SUBJECT: Subordination, Modification and Forgiveness Policy

Attachments

Loan Servicing Request Form (Multifamily)

Loan Servicing Request Form (Homeowner)

Loan Servicing Request Form (HPAP)



Department of Housing and Community Development

Loan Servicing Request Form (Multifamily)

Borrower Information	
Borrower Name:	
Borrower Address:	
Phone#:	
Loan Service Request: <input type="checkbox"/> Subordination <input type="checkbox"/> Modification <input type="checkbox"/> Forgiveness	
Reason for request: (Please reference the agency guidelines. If more space is needed please attach documents to this form.)	
Contact Information (if different from above)	
Name:	Relationship:
Street Address:	Phone#:
City/State:	Zip: Fax:
Property Information	
Street Address:	Project Development Name:
City/State:	Date of Purchase:
Loan or AmeriNational Number:	Purchase Price:\$
DHCD Loan Amount:\$	Property Type: <input type="checkbox"/> Multifamily <input type="checkbox"/> Single-family
Appraised Value of Property:\$	Appraisal Provided By:
New Loan Information (If applicable)	
Lender Name:	Loan Amount:
Lender Contact Name:	Loan Type:
Lender Contact Phone:	Interest Rate:
Loan Term:	Monthly Payment Amount:
Title/Settlement Company	
Company Name:	
Contact Name:	Contact Phone:

Borrower Certification/Statement:

I am the owner of the subject property, which is my principal residence. The information contained herein is true and accurate.

Signature

Printed Name

Date

The following documents must be attached:

Loan Document Checklist		
Required Documents	DHCD Use only	
	Missing	Incomplete
Current appraisal		
Recorded City's Deed of Trust		
Preliminary Title Report		
Copy of an accurate estimated closing statement from escrow		
Copy of the new 1st Mortgage Note (and Riders, if applicable)		
Estimated Settlement Statement (HUD-1)		
Commitment Letter (with Lender Signature) For multifamily: <ul style="list-style-type: none"> • Name and address of Lender • Proposed loan terms • Expiration of the interest lock-in rate • Monthly principal and interest payment amount • Clear statement of any cash out amount and purpose • Any other conditions imposed by the Lender 		
Payoff Demand of Existing Loan(s)		
Uniform Residential Loan Application (Fannie Mae Form 1003)		
Loan Summary and Underwriting Transmittal Form (Fannie Mae Form 1008)		
Subordination Agreement for City to Sign		
Capital Needs Assessment		
Audited Financial Statement		
Projected Budget		
FOR DHCD USE ONLY		
PAMD Date Received:	DHCD Program: <input type="checkbox"/> PADD <input type="checkbox"/> DFD <input type="checkbox"/> SF <input type="checkbox"/> HPAP	
Program Date Received:	Program Reviewer Initials:	
<input type="checkbox"/> Approved <input type="checkbox"/> Disapproved	Comments:	

Please submit the documents listed with your request. A review of this request will not be conducted until ALL outstanding documentation has been submitted to the agency. All documents must be received by DHCD within 30 days or requests will be denied.

Please mail this form to:

DHCD
Portfolio Asset Manager
1800 Martin Luther King, Jr. Ave, SE
Washington, DC 20020



Department of Housing and Community Development

Loan Servicing Request Form (Homeowner)

Borrower Information	
Borrower Name:	
Borrower Address:	
Phone#:	
Loan Service Request: <input type="checkbox"/> Subordination <input type="checkbox"/> Modification <input type="checkbox"/> Forgiveness	
Reason for request: (Please reference the agency guidelines. If more space is needed please attach documents to this form.)	

Contact Information (if different from above)	
Name:	Relationship:
Street Address:	Phone#:
City/State:	Zip:
	Fax:

Property Information	
Street Address:	Project Development Name:
City/State:	Date of Purchase:
Loan or AmeriNational Number:	Purchase Price:\$
DHCD Loan Amount:\$	Property Type: <input type="checkbox"/> Multifamily <input type="checkbox"/> Single-family
Appraised Value of Property:\$	Appraisal Provided By:

New Loan Information (If applicable)	
Lender Name:	Loan Amount:
Lender Contact Name:	Loan Type:
Lender Contact Phone:	Interest Rate:
Loan Term:	Monthly Payment Amount:

Title/Settlement Company	
Company Name:	
Contact Name:	Contact Phone:

Borrower Certification/Statement:

I am the owner of the subject property, which is my principal residence. The information contained herein is true and accurate.

Signature

Printed Name

Date

The following documents must be attached:

Loan Document Checklist

Required Documents (Subordination)*	DHCD Use only	
	Missing	Incomplete
Current appraisal or model evaluation		
Recorded Deed of Trust		
Notice of Conditional Approval		
Preliminary Title Report		
Good Faith Estimate		
Credit Report (Tri) Merge (Borrowers/Spouse- Single Family Rehab, Homestead only)		
Copy of the new 1st Mortgage Note (and Riders, if applicable)		
Estimated Settlement Statement (HUD-1)		
Commitment Letter (with Lender Signature)		
Payoff Demand of Existing Loan(s)		
Uniform Residential Loan Application (Fannie Mae Form 1003)		
Loan Summary and Underwriting Transmittal Form (Fannie Mae Form 1008)		
Copy of current mortgage note		
Borrower's Notice of Authorization		
Contractor's Estimates (if applicable)		

*Documents for modifications of loans and the forgiveness of loan may vary, please consult the originating program.

FOR DHCD USE ONLY	
PAMD Date Received:	DHCD Program: <input type="checkbox"/> PADD <input type="checkbox"/> DFD <input type="checkbox"/> SF <input type="checkbox"/> HPAP
Program Date Received:	Program Reviewer Initials:
<input type="checkbox"/> Approved <input type="checkbox"/> Disapproved	Comments:

Please submit the documents listed with your request. A review of this request will not be conducted until ALL outstanding documentation has been submitted to the agency. All documents must be received by DHCD within 30 days or requests will be denied.

Please mail this form to:

DHCD
Portfolio Asset Manager
1800 Martin Luther King, Jr. Ave, SE
Washington, DC 20020



Department of Housing and Community Development

Loan Servicing Request Form (HPAP Homeowner)

Borrower Information
Borrower Name:
Borrower Address:
Phone#:
Loan Service Request: <input type="checkbox"/> Subordination <input type="checkbox"/> Modification <input type="checkbox"/> Forgiveness
Reason for request: (Please reference the agency guidelines. If more space is needed please attach documents to this form.)

Contact Information (if different from above)	
Name:	Relationship:
Street Address:	Phone#:
City/State:	Zip:
	Fax:

Property Information	
Street Address:	Project Development Name:
City/State:	Date of Purchase:
Loan or AmeriNational Number:	Purchase Price:\$
DHCD Loan Amount:\$	Property Type: <input type="checkbox"/> Condominium/Co-op <input type="checkbox"/> Single-family
Appraised Value of Property:\$	Appraisal Provided By:

New Loan Information (If applicable)	
Lender Name:	Loan Amount:
Lender Contact Name:	Loan Type:
Lender Contact Phone:	Interest Rate:
Loan Term:	Monthly Payment Amount:

Title/Settlement Company	
Company Name:	
Contact Name:	Contact Phone:

Borrower Certification/Statement:

I am the owner of the subject property, which is my principal residence. The information contained herein is true and accurate.

Signature

Printed Name

Date

The following documents must be attached:

Loan Document Checklist		
Required Documents (Subordination)*	DHCD Use only	
	Missing	Incomplete
Current appraisal or model evaluation		
All Recorded Deeds of Trust & applicable riders		
Copy of current mortgage note		
Notice of Conditional Approval with loan conditions		
Preliminary Title Binder		
Good Faith Estimate		
Credit Report (Tri) Merge (Borrowers & Spouse-HPAP)		
Copy of the new 1st Mortgage Note (and Riders, if applicable)		
Estimated Settlement Statement (HUD-1)		
Commitment Letter (with Lender Signature)		
Payoff Statement of Existing Loan(s)		
Uniform Residential Loan Application (Fannie Mae Form 1003)		
Loan Summary and Underwriting Transmittal Form (Fannie Mae Form 1008) or FHA Form 2900 signed by underwriter		
Borrower's Notice of Authorization		
Contractor's Estimates (if applicable)		

*Documents for modifications of loans and the forgiveness of loan may vary, please consult the originating program.

FOR DHCD USE ONLY	
PAMD Date Received:	DHCD Program: <input type="checkbox"/> PADD <input type="checkbox"/> DFD <input type="checkbox"/> SF <input type="checkbox"/> HPAP
Program Date Received:	Program Reviewer Initials:
<input type="checkbox"/> Approved <input type="checkbox"/> Disapproved	Comments:

Please submit the documents listed with your request. A review of this request will not be conducted until ALL outstanding documentation has been submitted to the agency. All documents must be received by DHCD within 30 days or requests will be denied.

Please mail this form to:

DHCD
Portfolio Asset Manager
1800 Martin Luther King, Jr. Ave, SE
Washington, DC 20020