

**MEMORANDUM**

**TO:** Gregg Mandsager, City Administrator

**FROM:** Kaitlyn Love, Assistant Housing Administrator

**DATE:** September 15, 2014

**RE:** Resolution Authorizing Mayor to Sign Subordination Agreement for 407 McKinley

---

**INTRODUCTION:** A mortgage subordination request was made to the City today by Community Bank and Trust for 407 McKinley Street.

**BACKGROUND:** Steve and Roxanne Hintermeister participated in a forgivable loan program through the City of Muscatine when they purchased the property at 407 McKinley Street in 2009. The City provided \$15,000 as a seven year forgivable loan. They signed a mortgage agreement with the City that was recorded at the County Courthouse on the 19th day of October 2009. They now wish to refinance the property with Community Bank and Trust in order to take advantage of a fixed rate mortgage.

**RECOMMENDATION / RATIONALE:** Under the terms of the initial contract between Steve and Roxanne Hintermeister and the City of Muscatine, this forgivable loan is secondary to the property mortgage. The mortgage is deferred at a rate of 14.28% annually. Community Bank and Trust is requesting that the City provide a formal subordination agreement designating that its lien on the property will remain secondary to the primary mortgage by Community Bank and Trust.

Attached is a resolution for the council's consideration and the subordination agreement to be signed by the mayor. The staff recommends approval of the resolution and execution of the subordination agreement.

**BACKUP INFORMATION:** Subordination agreement provided by Community Bank & Trust, Original Promissory Note for Forgivable Loan Program, Rider B to Purchase Agreement from Original Sale

**RESOLUTION NO.** \_\_\_\_\_

**RESOLUTION AUTHORIZING THE MAYOR TO SIGN A SUBORDINATION AGREEMENT  
FOR 407 MCKINLEY STREET**

**WHEREAS,** The City of Muscatine, Iowa sold real property at 407 McKinley to Steve and Roxanne Hintermeister on September 30, 2009; and

**WHEREAS,** \$15,000 of the purchase was financed by a loan from the City to the buyer forgivable over a seven year period;

**WHEREAS,** this promissory note between the buyer and the City is secondary and subservient to any other mortgage attached to the property,

**WHEREAS,** the owners of the property at 407 McKinley now wish to refinance the primary mortgage attached to said property,

**NOW THEREFORE, BE IT RESOLVED,** that the Mayor of The City of Muscatine be authorized to sign an agreement, subordinating the city's mortgage for 407 McKinley Street to a mortgage from Community Bank & Trust.

**MOVED, PASSED AND ADOPTED** this 18<sup>th</sup> day of September, 2014.

**BY THE CITY COUNCIL OF  
THE CITY OF MUSCATINE, IA**

\_\_\_\_\_  
DeWayne M. Hopkins, MAYOR  
CITY OF MUSCATINE, IOWA

**ATTEST:**

\_\_\_\_\_  
GREGG MANDSAGER, CITY CLERK  
CITY OF MUSCATINE, IOWA

Prepared by: \_\_\_\_\_  
Return to: Community Bank & Trust Company, 615 Cedar Street, Muscatine, IA 52761, 563-263-1122

SUBORDINATION AGREEMENT

For valuable consideration the undersigned, City of Muscatine, with its principal place of business in the City of Muscatine, County of Muscatine, State of Iowa, does hereby subordinate the mortgage

\_\_\_\_\_ executed by Steve and Roxanne Hintermeister and recorded in the Recorder's Office of Muscatine County, in the State of Iowa, Book \_\_\_\_\_, Page \_\_\_\_\_, Document No. 2009-06419, on the 19th day of October, 2009, to the lien of the mortgage to be executed hereafter by Steve and Roxanne Hintermeister to Community Bank & Trust Company

It is the intention of the parties that the lien of the mortgage to Community Bank & Trust Company shall be a first lien upon the real estate and the City of Muscatine lien hereabove set forth shall be a second lien upon said real estate.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

CITY OF MUSCATINE

By: \_\_\_\_\_

Its \_\_\_\_\_

By: \_\_\_\_\_

Its \_\_\_\_\_

STATE OF IOWA        )  
                          ) SS:  
MUSCATINE COUNTY )

On this \_\_\_\_\_ day of \_\_\_\_\_, AD, \_\_\_\_\_, before me, the undersigned, a Notary Public in and for said County, in said State, personally appeared \_\_\_\_\_ and \_\_\_\_\_, to me personally known, who, being by me duly sworn, did say that they are the \_\_\_\_\_ and \_\_\_\_\_, respectively, of said Bank; that the seal affixed thereto is the seal of said Bank; that said instrument was signed and sealed on behalf of said Bank by authority of its Board of Directors; and that the said \_\_\_\_\_ and \_\_\_\_\_, as such officers, acknowledged the execution of said instrument to be the voluntary act and deed of said Bank by it and by them voluntarily executed.

\_\_\_\_\_  
NOTARY PUBLIC in and for said County and State

**CITY OF MUSCATINE, IOWA  
PUBLIC HOUSING HOMEOWNERSHIP PROGRAM**

FAMILY: Steve and Roxanne Hintermeister

ADDRESS: 407 McKinley

**PROMISSORY NOTE**

*FOR VALUE RECEIVED*, the undersigned (hereafter, the *BORROWER*) jointly and severally promises to pay to the order of the City of Muscatine, Iowa, (hereafter, the *LENDER*), or any successors or assigns, the sum of Fifteen Thousand Dollars (\$15,000.00) at City Hall, Muscatine, Iowa with no interest thereon, subject to the following terms and conditions:

**FORGIVABLE LOAN REPAYMENT PROVISIONS**

This is a forgivable loan of the City of Muscatine, Iowa. Payment of this note is secured by a real estate mortgage on the property described on the attached mortgage. If title to said property is rented, sold, transferred, or assigned, voluntarily or involuntarily, to any person or persons other than the undersigned,

- within one (1) year of date hereof, 100% of the loan, or
- within two (2) years of date hereof, 85.71% of the loan, or
- within three (3) years of date hereof, 71.42% of the loan, or
- within four (4) years of date hereof, 57.13% of the loan, or
- within five (5) years of date hereof, 42.84% of the loan, or
- within six (6) years of date hereof, 28.55% of the loan, or
- within seven (7) years of date hereof, 14.26% of the loan

shall, at the option of the City, become due and payable immediately. If title to the property has not been sold, transferred, or assigned within seven (7) years from the date hereof, this loan shall automatically be forgiven, no amount shall be due the City of Muscatine, and this promissory note shall automatically become null and void.

Makers, endorsers, and sureties waive demand of payment, notice of non-payment, protest and notice thereof. Sureties, endorsers, and guarantors agree to all the provisions of this note and consent that the time or times of payment of all or any part hereof may be extended after maturity, from time to time, without notice.

*The BORROWER agrees to occupy and maintain property for seven years; keep all mortgage payments, assessments, property taxes, insurance and utility payments current in order to prevent the property from being foreclosed upon, uninsured or substandard due to utility shutoffs or City Code violations related to health, housing, building and zoning. A representative of the City shall be allowed to make an annual inspection inside and outside the property after standard notice has been given to the Borrower.*

Any forbearance by the *LENDER* with respect to any of the terms and conditions of this Note in no way constitutes a waiver of any of the *LENDER'S* rights or privileges granted hereunder. Any written notice for payment of one party to the other shall be addressed to the parties as follows:

The *LENDER* - City of Muscatine (Housing Division), 215 Sycamore St., Muscatine, IA 52761

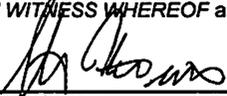
The *BORROWER* - Steve and Roxanne Hintermeister (married couple)

The *BORROWER*, or his/her personal representative in the event of the death of the *BORROWER*, shall notify the *LENDER* of the name and address of any successor to or assignee of the *BORROWER*.

If suit is instituted by the City of Muscatine to recover on this Note, the *BORROWER* agrees to pay all costs of such collection, including reasonable attorney's fees and court costs.

Upon satisfactory completion of all terms and conditions of this Note by the *BORROWER* or upon payment of any and all balance due, the *BORROWER* shall be entitled to a release and satisfaction of this Note at the *LENDER'S* own cost.

IN WITNESS WHEREOF an agreement herewith, the *BORROWER* has executed the Promissory Note:

  
\_\_\_\_\_  
BORROWER

9-30-09  
\_\_\_\_\_  
DATE

  
\_\_\_\_\_  
BORROWER

9-30-09  
\_\_\_\_\_  
DATE

**Rider B, to Purchase Agreement (Real Estate Contract)**

This rider is made September 5<sup>th</sup>, 2009 and is added to purchase agreement between the **CITY OF MUSCATINE**, as **SELLER** and **STEVE AND ROXANNE HINTERMEISTER** as **BUYERS** for sale of property located at: **407 MCKINLEY STREET MUSCATINE, IOWA 52761.**

The City of Muscatine will hold a second mortgage in the amount of \$15,000.00.

The second mortgage is deferred and forgivable for the first seven years of ownership.

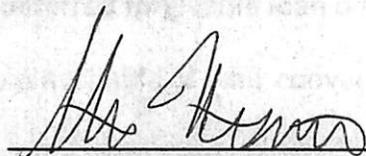
This mortgage is deferred at a rate of 14.28% annually.

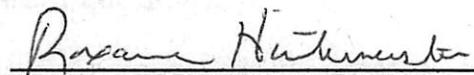
At the end of seven years the lien will be released and the homeowner(s) will no longer have an obligation to pay on this debt.

If owner sells the property within the first seven years of ownership they will be responsible for balance due on second mortgage.

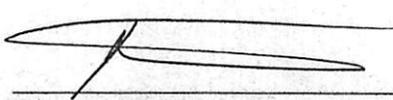
The buyer is not required to make monthly payments on this debt.

**BUYERS:**

  
Steve Hintermeister      09-05-09  
Date

  
Roxanne Hintermeister      09-05-09  
Date

**SELLERS:**

  
Richard C. Yerington      9/08/09  
Date  
City of Muscatine Housing Administrator