



## DEPARTMENT OF PLANNING AND BUILDING

Promoting the wise use of land – Helping to build great communities

### COUNTY OF SAN LUIS OBISPO SUBORDINATION CRITERIA FOR AFFORDABLE HOUSING LOANS TO INDIVIDUAL HOMEOWNERS (Revised October 7, 2014)

The County Board of Supervisors has established the following criteria for subordinating existing affordable housing loans to individual homeowners. The term “affordable housing loans” applies to loans provided by the County to purchase, build, or rehabilitate homes, and also to loans established to ensure that required affordable housing remains affordable.

1. The proceeds of the new loan shall only be used to pay off the existing loan or loans superior to the County’s loan, to pay closing costs and in cases of co-owners separating their interests in the property, to pay off a former owner’s share of equity. Proceeds of the loan shall not be used to pay consumer debt or provide cash to the remaining property owner. This shall be verified through a detailed statement from the lender showing all closing costs and payoff amounts.
2. The new loan must achieve a better financial situation for the borrower, such as a lower interest rate or lower payments, or both.
3. The terms of the note and deed of trust have not been violated.
4. The resulting debt coverage ratio will not exceed 98 percent of the property value.

If the request for subordination does not meet with the criteria above, the request to subordinate must be presented to the Board of Supervisors for its consideration and approval at a regularly scheduled public meeting.

Source: Approved by Board of Supervisors, October 7, 2014.