

CITY OF MARSHALL, MINNESOTA

**LOAN SUBORDINATION POLICY
RESIDENTIAL BUILDING REHABILITATION
SMALL CITIES DEVELOPMENT REHABILITATION PROGRAM**

The following policy is hereby adopted by the Marshall City Council regarding execution of subordination agreements when the City of Marshall (City) has a Small Cities Development Rehabilitation Program (SCDRP) loan outstanding on real estate.

1. The dollars involved or used in the new loan initiated by the borrower can only be used for improvements to the mortgaged real estate. Funds cannot be used for items other than actual improvements to the mortgaged real estate. The borrower must provide receipts and invoices for all expenditures to the City or its designee prior to the City agreeing to subordinate.
2. If the subordination is being requested so that the borrower can refinance the first mortgage on the property to obtain a lower interest rate or a lower loan payment, all of the proceeds from the loan which the City of Marshall is subordinating to must be used only to pay off the first loan and the closing fees in order to pay off the first loan.
3. The borrower shall not be delinquent on any real estate taxes or special assessments.
4. The borrower will sign a subordination agreement that is prepared by the City or its designee on behalf of the City, subject to review by the City Attorney, and the borrower will agree to all reasonable program requirements as requested by the City or its designee.
5. The subordination fee to be paid to the City or its designee shall be 1% of the original loan awarded by the City of Marshall. The borrower shall also pay the actual recording fees associated with the subordination request.
6. To request a subordination consideration from the City, the Borrower must first provide a written request to the City or its designee outlining the terms of the transaction. The request must be received by the City or its designee no less than thirty (30) days prior to the projected date of closing. Further, the Borrower must provide to the City or its designee, no less than three (3) days prior to the loan closing, a written final settlement statement, signed by the Borrower, for the City or its designee to compare to the original request. The settlement statement must reflect the terms agreed upon by the City.
7. The City or its designee will determine if a SCDRP borrower request for subordination follows the City's policy. If it is determined that the application does follow the policy, the City or its designee will recommend in writing to the City Administrator of Marshall, Minnesota execution of the subordination agreement. Upon receipt of said written recommendation, the City Administrator shall execute said subordination agreement.

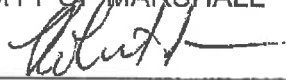
8. If a SCDRP borrower request for subordination is declined, the SCDRP borrower may appeal the denial. The request for appeal must be in writing and must be submitted within fourteen (14) calendar days of the date of the denial to:

City of Marshall
Attn: City Administrator
344 West Main Street
Marshall, MN 56258

The borrower appeal shall be placed on the City Council agenda within a reasonable time of receiving the borrower appeal. The decision of the City Council on the borrower appeal shall be final and the borrower shall have no further right to appeal.

Passed and adopted by the City Council of Marshall, Minnesota on this 25th day of May, 2010.

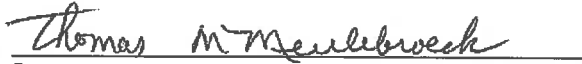
CITY OF MARSHALL



By: _____

Its: Mayor

ATTEST:



By: _____

Its: City Clerk-Financial Director