

Date:

Borrower Name:

Coborrower Name:

Property Address:

FHA Case Number:

ISN Corporation (ISN) has been engaged as the loan servicer for the U.S. Department of Housing and Urban Development (HUD). Your request to subordinate this Section 235 mortgage has been received.

If the mortgagor can afford to pay the recapture amount, HUD will not consider subordination of the mortgage. It is important that the following conditions are met and that the mortgagor is aware of the following information before executing a subordination agreement. Additionally, there is a list of required documentation that must be received before a final determination can be made for your subordination request:

1. The mortgagor may or may not be receiving subsidy;
2. The Assistance Payment Contract will be terminated and a statement of total amount of assistance paid on mortgagor's behalf and any previous Section 235 mortgages of the property must be received from the mortgagee;
3. HUD guidelines **do not** allow for more than **one discount point** to be paid from loan funds.
4. The mortgagor **must not** cash out any equity from the refinancing;
5. The amount of mortgage is restricted to the following items: (not to exceed the original mortgage amount & **no debt consolidation.**)
  - a. Unpaid principal balance
  - b. Current Interest due
  - c. Delinquent interest
  - d. Closing costs and refinancing charges;
6. If a decision is made to subordinate the HUD lien to its current lien position, a subordination agreement must be drawn up, and properly executed;
7. If HUD agrees to subordinate its lien, a new recapture amount would be calculated when the property is sold and/or a request is submitted to satisfy the lien in the future. **There is a possibility that the full amount of assistance owed to HUD will have to be repaid if the property increases in value before the lien is satisfied.**

**ISN Corporation – Western Operations Center**

2000 N Classen Blvd Suite 3200

Oklahoma City, OK 73106

Toll Free: 1-833-SEC-HELD

Fax: 1-405-724-7800

[www.isncorp.com](http://www.isncorp.com)

The lender must provide a copy of the following documents for review:

1. Third-Party Authorization form executed by the borrower(s), if applicable;
2. The mortgagor(s) loan application file and ***income verification*** which must contain the **mortgagor's total income, a list of all debts, unpaid balance and the monthly amounts that are outstanding for each debt, unpaid balances and the monthly amounts that are outstanding on each debt including the loan amount that is being refinanced.**
3. A copy of the Loan Estimate (LE) based on the projected expenses the mortgagor will incur based on the Closing Disclosure (CD);
4. The total amount of mortgage assistance paid by HUD during the life of the loan, with a certification that an audit for overpaid assistance has been performed and the result of the audit (***Contact the servicing mortgagee for the information***);
5. A drafted Subordination Agreement that is in compliance with state laws and in the format acceptable by the county in which it will be recorded in. The Subordination Agreement shall include the following:
  - a. Interest Rate;
  - b. Amount refinanced;
  - c. Original Note amount;
  - d. Recording information for mortgage;
  - e. Original FHA Case number;
  - f. New FHA Case Number, if applicable;
  - g. The Subordination Agreement must state, "As of [REDACTED] a total of [REDACTED] in subsidy has been paid by HUD for and on behalf of the mortgagor(s). The mortgagors are aware that this amount or a payoff calculation based on 50% of the net appreciation will be payable to HUD at the time property ownership is transferred/sold or vacated by the mortgagor(s); and
  - h. The Subordination Agreement must be signed and notarized by both the borrower and the lender prior to submission. It must also include a blank section or an additional page for HUD's representative's signature and notarized.
6. Shipping label to be used to return the executed Subordination Agreement.

**The following statement must be reviewed and signed by the borrower(s)**

I am requesting a subordination of the 235 recapture second mortgage held by HUD.

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I understand that the recapture amount will be due and payable at a later time. I also understand that the amount of recapture could grow with time as my property value increases. The total amount of recapture due will be one-half of the net appreciation of the property or the total amount of subsidy paid on the loan, whichever is less.

If HUD agrees to subordinate its lien, a recapture amount would be calculated when the property is sold and/or a request is submitted to satisfy the lien in the future. Subsequently, there is the possibility that I will have to repay the full amount of assistance to HUD if my property increases in value before the lien is satisfied.

I certify that I am financially unable to pay the recapture amount at this time.

Borrower:

Coborrower:

Date:

Along with this completed form, the complete package must include all documents specified. The complete package may be sent via mail, e-mail, or fax.

Overnight Mail:

ISN Corporation – Western Operations Center  
Attention: Secretary Held Loan Serving  
2000 N Classen Blvd Suite 3200  
Oklahoma City, OK 73106

E-Mail:

PCSubordinations@hud.gov

Fax:

405-724-7800

Sincerely,

ISN Corporation