



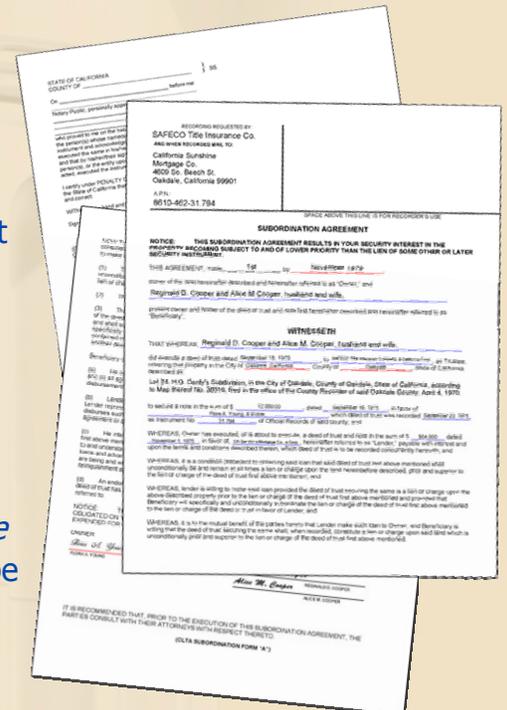
# What is a SUBORDINATION Agreement?

**A Subordination Agreement is a legal document that is used to affect a change in the normal priority of liens, encumbrances and other interests affecting real property. To illustrate their use:** You have a first and a second mortgage on your home. You want to refinance the first, but keep the second. If the holder of the second mortgage does not subordinate its mortgage to the new first mortgage, a new lender will not be willing to refinance the first. A subordination agreement can change the priority of the existing second mortgage so that it will be of lower priority (or junior) to the new mortgage. This would allow the refinance of the first mortgage to take place.

*To be effective, some of the things a subordination agreement should contain are:* The names of the existing mortgage holder as well as the new lender. It should specifically describe the existing mortgage as well as the new loan. It should contain language that unconditionally subjects the existing mortgage to the new loan. The document must be executed (signed), acknowledged (notarized) and recorded.

Subordination Agreements can have specific limitations. They may contain a time limit. *Example:* The mortgage is subordinated for only one year; or, the existing mortgage is subordinated until construction of improvements is completed. Some may require that the new loan be used for a particular purpose. *Example:* The proceeds of the new loan may be used only for construction purposes. A subordination might be limited to a certain dollar amount. *Example:* The existing mortgage is subordinated to a new loan not exceeding \$350,000.

*If you should have any questions about the status or priority of the liens on your property, please call Guardian Title Agency. We will be happy to provide you with a Property Profile or a Preliminary Title Report that can help you determine what is of record.*



Sources: Larry Griffin & Jim Wood, Title Resource Group



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