



**United States Department of Agriculture
Rural Development
Single Family Housing**

Oregon AN No. 1266 (1927-B)

May 5, 2004

SUBJECT: Assumption of Note and Deed of Trust
Single Family Housing

TO: Rural Development Managers
Rural Development
Oregon

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice is to provide clarification and guidance on releasing and recording a Deed (s) of Trust with a subsequent loan and *new terms* assumption.

COMPARISON WITH PREVIOUS AN:

This AN replaces Oregon AN No. 1246 (1927) issued March 18, 2003, which expired on March 31, 2004.

IMPLEMENTATION/RESPONSIBILITIES:

Prior to issuance of the previous AN No. 1246, prior Promissory Notes and Assumption Agreements were retained and described on the new Deed of Trust. Also, in accordance with OR 427.1A, Paragraph XXIV B, prior Deed(s) of Trust were tied together with the statement, "This mortgage is also given to further secure the obligations secured by hereinbefore described mortgage to the Government, which mortgage shall remain in full force and effect". 1927-B, Section 1927.57 (b)(7) revised in 1996 gave the flexibility of describing only the new loan(s) when a subsequent loan was made and a subsequent Deed of Trust recorded.

With assumptions on top of assumptions, along with subsequent loans, the process of describing all the instruments has become very cumbersome and the foreclosure process complicated. Also, in some cases, Promissory Note(s) and Assumption Agreement(s) are being totaled, reflecting an inaccurate outstanding debt.

EXPIRATION DATE:
May 31, 2005

FILING INSTRUCTIONS:
Preceding RD Instruction 1927-B

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When an existing loan is assumed on new rates and terms along with a subsequent loan, a new deed of trust will be recorded describing only the new Assumption Agreement and the new Promissory Note. The old Deed(s) of Trust will be released at the time of loan closing unless the title company providing the final title opinion determines it necessary to describe existing agency notes and assumptions and retain existing Deed(s) of Trust. If the Deed(s) of Trust are released, it is no longer necessary to tie the Deed(s) of Trust together with the statement indicated in 427-1A.

Requirements listed in RD Instruction 1927-B, 1927.57 (b) must be observed in preparing agency Deed(s) of Trust. Closing agents are responsible to insure that all Deed(s) of Trust are properly prepared, completed, executed and recorded.

Your new Title Policy must reflect Rural Development with a valid first lien (or whichever lien position we are taking). **The new policy of title insurance will be for the entire amount of the indebtedness (the assumption amount and the subsequent loan).** It will no longer be necessary to retain prior borrowers title policies in the new borrowers case file.

If you have any questions, or need further clarification, please contact Single Family Housing.



LYNN SCHOESSLER
State Director