

USDA
Form RD 460-2
(Rev. 1-02)

SUBORDINATION BY THE GOVERNMENT

The United States of America acting through the United States Department of Agriculture (called the "Government") is the owner and holder of the following-described instruments executed by _____^① and _____^① of _____ County, State of _____:

<i>Title of Instrument</i>	<i>Date of Instrument</i>	<i>Date Filed</i>	<i>Office Filed</i>	<i>Document File or Book No</i>	<i>Page No.</i>
②					

AND _____^③ (called the "Lender") has agreed to loan the principal sum of \$ _____^③ to the borrower with interest at the per annum rate not to exceed _____^③ percent for the following purposes only:

THEREFORE, in consideration the Lender's agreement to make such loan to the Borrower and subject to the terms and conditions set forth below, the Government (1) consents to the Borrower obtaining the loan from the Lender for the above described purposes, and (2) agrees to and does subordinate in favor of the Lender and its successors and assigns its liens of security interests created or evidenced by the above-described instruments insofar as such Security Instrument is secured by the following-described property that will secure the Lenders Loan, provided the Lender perfects a lien on that property:

④

This subordination is limited to (1) the amount actually loaned by the Lender to the Borrower (principal and accrued interest) for the foregoing purposes, (2) future advances for taxes, insurance, and payments on liens prior to the Lender's lien, and (3) the amount actually advanced for foreclosure costs made by the Lender. Any amount in excess of such amount will not be covered by this subordination unless prior written consent was obtained from the Government for incurring the expenditure in question.

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(see reverse)

- PROCEDURE FOR PREPARATION : RD Instructions 1962-A and 1965-B.
- PREPARED BY : Appropriate Agency official.
- NUMBER OF COPIES : Original and two (*three copies if the lender wishes to retain a copy).
- SIGNATURES REQUIRED : Appropriate approval official.
- DISTRIBUTION OF COPIES : Original (*and copy) to lender; copy to borrower, copy retained in Agency office (to be replaced by original when received from lender).

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The Lender must incorporate into the Borrower's Promissory Note a statement that the Loan will be in default should any proceeds of the Loan funds obtained as a result of this subordination be used (1) for a purpose that will contribute the excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity, provided by Exhibit M of Subpart G of Part 1940 Title 7, Code of Federal Regulations, or (2) for any purpose not provided for above.

The parties further agree as follows:

⑤ The Lender will not declare the Loan to be in default and the Loan will not be accelerated unless at least _____ days prior written notice has been provided to the Government:

The Lender agrees that the Government may, at its option, cure any monetary default by the Borrower by paying the amount of the Borrower's delinquent payments to the Lender.

If the Government obtains title to the real property which secured the Loan, whether by foreclosure or deed in lieu of foreclosure, the Lender consents to the transfer of such real property by the Government subject to the Lender's lien notwithstanding any prohibition in any of the Lender's security instruments to the contrary.

Any notice to be given by either party to the other shall either be delivered in person or deposited in the United States mail, duly certified, with postage prepaid, and addressed to the party for whom intended.

Each of the terms, covenants and conditions of this subordination shall extend to and be binding on the assigns of each party to this agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Subordination by the Government on this _____ day of _____, 20 ____.

UNITED STATES OF AMERICA,

By _____

By _____

Name _____

Name _____

Title _____

Title _____

United States Department of Agriculture

(NOTE TO LENDER: You are advised to obtain a perfected security interest on the above property. When the indebtedness has been satisfied please mark this form "PAID IN FULL" and return it to the Department of Agriculture at the following address: _____ .)

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ACKNOWLEDGMENT

STATE OF _____ }
COUNTY OF _____ } ss:

On this _____ day of _____, 20 ____, before me personally appeared _____ and _____ known to me to be _____, United States Department of Agriculture, and the person(s) described in and who executed the foregoing Subordination By the Government, and acknowledged _____ executed the same as _____ the free act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand affixed my official seal in my office in _____, _____ the day and year first written above.

(SEAL)

My commission expires _____ Notary Public _____

Used to subordinate Agency liens in favor of the Lender to enable borrowers to obtain credit from other sources under certain conditions, including those instances where there has been an assumption plus a subsequent real estate loan to a new borrower or where a present borrower has assumed a debt.

INSTRUCTIONS FOR PREPARATION

- (1) Fill in the name(s) of the party(ies) who executed the security instrument(s).
- (2) List applicable instruments, i.e. Real Estate Mortgage, Deed of Trust, etc. In the subordination of chattel security in Uniform Commercial Code (UCC) States, describe only the Financing Statement.
- (3) Fill in name of Lender; principal amount and interest rate.
- (4) When the Government's security interest is to be subordinated in all crops and chattels described in any of the security instrument(s) which cover that property, insert the following:

“All crops and chattels covered by Security Agreement(s) [title of any other security instrument] dated _____.” In all other cases describe the property sufficiently in detail so that it can be readily identified.

When subordinating only a portion of any livestock security, identify each animal specifically (by ear tag, tattoo, brand and other identification), and state whether or not the increase born to the livestock is covered by the subordination.

- (5) The number of days will be agreed upon by the Agency and lender prior to the signing of the form. *The lender will be requested to stamp the original of Form RD 460-2, “Paid in Full” when the indebtedness has been satisfied and return the form to appropriate office.

If the form is to be returned to USDA by mail, the address of the appropriate USDA office may be stamped on it.