

SUMMARY STATEMENT
Porcello v. Estates of Porcello
Docket No. 46443

This case involves interpretation of a promissory note and a deed of trust involving a home and real property. In 2014, Mark and Jennifer Porcello, who were married at the time, sought to purchase a property located in Hayden Lake, Idaho. After making various pre-payments, the amount the couple needed to complete the purchase was roughly \$312,000. Mark and Jennifer could not qualify for a conventional loan themselves, but hoped that another property in Woodinville, Washington, which was owned by Mark's parents, and in which Mark and Jennifer claimed an interest, could be sold to assist in the purchase of the Hayden Lake property. Mark's parents, Annie and Tony Porcello, obtained a short-term, "hard money" loan through a non-conventional lender to assist Mark and Jennifer with their purchase. Due to the lender's requirements for collateralizing the loan, the amount Annie and Tony borrowed ballooned to \$648,500, greatly exceeding the amount needed to close on the Hayden Lake property.

After Annie and Tony took out the "hard money" loan, Annie and Tony's lawyer drafted a promissory note and deed of trust for Mark and Jennifer to sign which equaled the amount borrowed by Annie and Tony and reflected the same repayment terms. Mark signed the note and a deed of trust; Jennifer initially resisted signing, but ultimately signed. With the funding provided, Mark and Jennifer purchased the Hayden Lake property.

In 2016, Annie and Tony sought non-judicial foreclosure on the Hayden Lake property, claiming that the entire balance of the note was due and owing. By this time Mark and Jennifer had divorced, although Jennifer still occupied the home. Jennifer filed suit against her former in-laws seeking a declaratory judgment and an injunction, arguing that any obligation under the note had been satisfied in full when the Woodinville property sold, notwithstanding the language of the note encumbering the Hayden Lake property. Annie and Tony answered Jennifer's complaint by filing a counter-claim against her and a third-party complaint against Mark.

After trial in April and May 2018, the district court granted Jennifer's request for a declaratory judgment. The district court also denied Annie and Tony's request for judicial foreclosure, and dismissed their third-party claims against Mark. The district court held that the Note and Deed of Trust were latently ambiguous because the amount of the Note was more than twice the amount Mark and Jennifer needed in order to purchase the Hayden Lake property. Because the district court concluded the note and deed of trust were ambiguous, it considered parol evidence to interpret them, and ultimately found that the Note and Deed of Trust conveyed the Hayden Lake property to Jennifer and Mark "free and clear" upon the sale of the Woodinville property.

Annie's and Tony's estates timely appealed the district court's decisions. The Idaho Supreme Court vacated the judgment of the district court and remanded for further proceedings.