

WASHINGTON - Single Family - Fannie Mae/Freddie Mac UNIFORM INSTRUMENT

Borrower's Initials

BORROWER COVENANTS that Borrower is lawfully seized of the estate hereby conveyed and has the right to grant and convey the property and that the property is unencumbered, except for encumbrances of record. Borrower warrants and will defend generally the title to the Property against all claims and demands, subject to any encumbrances of record.

TOGETHER WITH all the improvements now or hereafter erected on the property, and all easements, rights, appurtenances, rents, royalties, mineral, oil and gas rights and profits, water rights and stock and all fixtures now or hereafter a part of the property. All replacements and additions shall also be covered by this Security Instrument. All of the foregoing is referred to in this Security Instrument as the "Property."

Washington 98221 [Zip Code] ("Property Address");

[Street]

[City]

ANACORTES

which has the address of NHN FIDALGO BAY ESTATES

Assessor's Property Tax Parcel Account Number(s) 38410200400015

SEE ATTACHED EXHIBIT "A" FOR COMPLETE LEGAL DESCRIPTION.

PTN LTS 1-8 AND 29-40, BLK 19, FIDALGO BAY

Borrower irrevocably grants and conveys to Trustee, in trust, with power of sale, the following described property located in Skagit County, Washington:

advanced under paragraph 7 to protect the security of this Security Instrument; and (c) the performance interest, and all renewals, extensions, and modifications, (b) the payment of all other sums, with interest, to Lender: (a) the repayment of the debt evidenced by the Note, with This Security Instrument secures to Lender: (a) the debt evidenced by the Note, with not paid earlier, due and payable on August 1st, 2031

Dollars (U.S. \$195,000.00). This debt is evidenced by Borrower's note dated the same date as this Security Instrument ("Note"), which provides for monthly payments, with the full debt, if

ONE HUNDRED NINETY FIVE THOUSAND AND NO/100s ("Lender"/Grantee). Borrower owes Lender the principal sum of

425 Pike Street, Seattle, Washington 98101

(Trustee/Grantee). The beneficiary is Washington Federal Savings, which is organized and existing under the laws of The United States of America, and whose address is

The trustee is ISLAND TITLE COMPANY ("Borrower"/Grantor).

THIS DEED OF TRUST ("Security Instrument") is made on November 14th, 2000

The grantor is VICTOR L PALMER AND LAURA L PALMER, HUSBAND AND WIFE

DEED OF TRUST
ISLAND TITLE COMPANY
Space Above This Line For Recording Data
014 201 237578-0

11/14/2000 Page 1 of 11 3:50:07PM
Return to: WASHINGTON FEDERAL SAVINGS
Anacortes Office
PO Box 97
200011140074
Attn: _____
, Skagit County Auditor
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THIS SECURITY INSTRUMENT combines uniform covenants for national use and non-uniform covenants with limited variations by jurisdiction to constitute a uniform security instrument covering real property.

UNIFORM COVENANTS. Borrower and Lender covenant and agree as follows:

1. Payment of Principal and Interest; Prepayment and Late Charges. Borrower shall promptly pay when due the principal of and interest on the debt evidenced by the Note and any prepayment and late charges due under the Note.

2. Funds for Taxes and Insurance. Subject to applicable law or to a written waiver by Lender, Borrower shall pay to Lender on the day monthly payments are due under the Note, until the Note is paid in full, a sum ("Funds") for: (a) yearly taxes and assessments which may attain priority over this Security Instrument as a lien on the Property; (b) yearly leasehold payments or ground rents on the Property, if any; (c) yearly hazard or property insurance premiums; (d) yearly flood insurance premiums, if any; (e) yearly mortgage insurance premiums, if any; and (f) any sums payable by Borrower to Lender, in accordance with the provisions of paragraph 8, in lieu of the payment of mortgage insurance premiums. These items are called "Escrow Items." Lender may, at any time, collect and hold Funds in an amount not to exceed the maximum amount a lender for a federally related mortgage loan may require for Borrower's escrow account under the federal Real Estate Settlement Procedures Act of 1974 as amended from time to time, 12 U.S.C. Section 2601 *et seq.* ("RESPA"), unless another law that applies to the Funds sets a lesser amount. If so, Lender may, at any time, collect and hold Funds in an amount not to exceed the lesser amount. Lender may estimate the amount of Funds due on the basis of current data and reasonable estimates of expenditures of future Escrow Items or otherwise in accordance with applicable law.

The Funds shall be held in an institution whose deposits are insured by a federal agency, instrumentality, or entity (including Lender, if Lender is such an institution) or in any Federal Home Loan Bank. Lender shall apply the Funds to pay the Escrow Items. Lender may not charge Borrower for holding and applying the Funds, annually analyzing the escrow account, or verifying the Escrow Items, unless Lender pays Borrower interest on the Funds and applicable law permits Lender to make such a charge. However, Lender may require Borrower to pay a one-time charge for an independent real estate tax reporting service used by Lender in connection with this loan, unless applicable law provides otherwise. Borrower and Lender may agree in writing, however, that interest shall be paid on the Funds. Unless an agreement is made or applicable law requires interest to be paid, Lender shall not be required to pay Borrower any interest or earnings on the Funds. Lender shall give to Borrower, without charge, an annual accounting of the Funds showing credits and debits to the Funds and the purpose for which each debit to the Funds was made. The Funds are pledged as additional security for all sums secured by this Security Instrument.

If the Funds held by Lender exceed the amounts permitted to be held by applicable law, Lender shall account to Borrower for the excess Funds in accordance with the requirements of applicable law. If the amount of the Funds held by Lender at any time is not sufficient to pay the Escrow Items when due, Lender may so notify Borrower in writing, and, in such case Borrower shall pay to Lender the amount necessary to make up the deficiency. Borrower shall make up the deficiency in no more than twelve monthly payments, at Lender's sole discretion.

Upon payment in full of all sums secured by this Security Instrument, Lender shall promptly refund to Borrower any Funds held by Lender. If under paragraph 21, Lender shall acquire or sell the Property, Lender, prior to the acquisition or sale of the Property, shall apply any Funds held by Lender at the time of acquisition or sale as a credit against the sums secured by this Security Instrument.

3. Application of Payments. Unless applicable law provides otherwise, all payments received by Lender under paragraphs 1 and 2 shall be applied: first, to any prepayment charges due under the Note; second, to amounts payable under paragraph 2; third, to interest due; fourth, to principal due; and last, to any late charges due under the Note.

4. Charges; Liens. Borrower shall pay all taxes, assessments, charges, fines and impositions attributable to the Property which may attain priority over this Security Instrument, and leasehold payments or ground rents, if any. Borrower shall pay these obligations in the manner provided in paragraph 2, or, if not paid in that manner, Borrower shall pay them on time directly to the person owed payment. Borrower shall promptly furnish to Lender all notices of amounts to be paid under this paragraph. If Borrower makes these payments directly, Borrower shall promptly furnish to Lender receipts evidencing the payments.

Borrower shall promptly discharge any lien which has priority over this Security Instrument unless Borrower: (a) agrees in writing to the payment of the obligation secured by the lien in a manner acceptable to Lender; (b) contests in good faith the lien by, or defends against enforcement of the lien in, legal proceedings which in the Lender's opinion operate to prevent the enforcement of the lien or forfeiture of any part of the Property; or (c) secures from the holder of the lien an agreement satisfactory to Lender subordinating the lien to this Security Instrument. If Lender determines that any part of the Property is subject to a lien which may attain priority over this Security Instrument, Lender may give Borrower a notice identifying the lien. Borrower shall satisfy the lien or take one or more of the actions set forth above within 10 days of the giving of notice.

5. Hazard or Property Insurance. Borrower shall keep the improvements now existing or hereafter erected on the Property insured against loss by fire, hazards included within the term "extended coverage" and any other hazards, including floods or flooding, for which Lender requires insurance. This insurance shall be maintained in the amounts and for the periods that Lender requires. The



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, Skagit County Auditor

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Borrower's initials

8. Mortgage Insurance. If Lender requires mortgage insurance as a condition of making the loan secured by this Security Instrument, Borrower shall pay the premiums required to maintain the mortgage insurance in effect. If, for any reason, the mortgage insurance coverage required by Lender lapses or ceases to be in effect, Borrower shall pay the premiums required to obtain coverage substantially equivalent to the mortgage insurance previously in effect, at a cost substantially equivalent to the cost to Borrower of the mortgage insurance previously in effect, from an alternate mortgage insurer approved by Lender. If substantially equivalent mortgage insurance is not available, Borrower shall pay to Lender each month a sum equal to one-twelfth of the yearly mortgage insurance premium being paid by Borrower when the insurance coverage lapsed or ceased to be in effect. Lender will accept, use and retain these payments as a loss reserve in lieu of mortgage insurance. Loss reserve payments may no longer be used to apply toward the principal balance of the Note.

Interest, upon notice from Lender to Borrower requesting payment.

Any amounts disbursed by Lender under this paragraph 7 shall become additional debt of Borrower secured by this Security Instrument. Unless borrower and Lender agree to other terms of payment, these amounts shall bear interest from the date of disbursement at the Note rate and shall be payable, with

take action under this paragraph 7, Lennder does not have to do so.

7. Protection of Lender's Rights in the Property. If Borrower fails to perform the covenants and agreements contained in this Security Instrument, or there is a legal proceeding that may significantly affect Lender's rights in the Property (such as a proceeding in bankruptcy, probate, for condemnation or forfeiture or to enforce laws or regulations), then Lender may do and pay for whatever is necessary to protect the value of the Property and Lender's rights in the Property. Lender's actions may include paying reasonable attorney fees and entering on the Property to make repairs. Although Lender may

agrees to the merger in writing.

6. Pre-exposure Maintenance and Protection of the Preoperatively Prepared Skin

Unless Lender and Borrower otherwise agree in writing, any application of proceeds to principal shall not extend or postpone the due date of the monthly payments referred to in paragraphs 1 and 2 or change the amount of the payments. If under paragraph 21 the property is acquired by Lender, Borrower's right to any insurance policies and proceeds resulting from damage to the Property prior to the acquisition shall pass to Lender to the extent of the sums secured by this Security Instrument immediately prior to

or restore the Property or to pay sums secured by this Security Instrument, whether or not then due. The 30-day period will begin when the notice is given.

Unless Lender and Borrower otherwise agree in writing, insurance proceeds shall be applied to restoration or repair of the Property damaged, if the restoration or repair is economically feasible and Lender's security is not lessened. If the restoration or repair is not economically feasible and Lender's security is not lessened, the insurance proceeds shall be applied to the sums secured by this Security instrument, whether or not then due, with any excess paid to Borrower. If Borrower abandons the property, or does not answer within 30 days a notice from Lender that the insurance carrier has offered to settle a claim, then Lender may collect the insurance proceeds. Lender may use the proceeds to repair

Borrower shall have the right to hold the policies and renewals. If Lender requires, mortgage clause. Lender shall give to the right to hold the policies and renewals. In the event of loss, Borrower shall promptly give notice to the insurance carrier and Lender. In the event of loss, Borrower shall promptly give notice to the insurance carrier and Lender. Lender may make proof of loss, Borrower shall give prompt notice to the insurance carrier and Lender. Lender may make proof of loss, if not made promptly by Borrower.

All insurance carrier providing the insurance shall be chosen by Borrower subject to Lennder's approval which shall not be unreasonably withheld. If Borrower fails to maintain coverage described above, Lennder may, at Lennder's option, obtain coverage to protect Lennder's Rights in the Property in accordance with paragraph 7.

longer be required, at the option of Lender, if mortgage insurance coverage (in the amount and for the period that Lender requires) provided by an insurer approved by Lender again becomes available and is obtained. Borrower shall pay any premiums required to maintain mortgage insurance in effect, or to provide a loss reserve, until the requirement for mortgage insurance ends in accordance with any written agreement between Borrower and Lender or applicable law.

9. Inspection. Lender or its agent may make reasonable entries upon and inspections of the Property. Lender shall give Borrower notice at the time of or prior to an inspection specifying reasonable cause for the inspection.

10. Condemnation. The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of any part of the Property, or for conveyance in lieu of condemnation, are hereby assigned and shall be paid to Lender.

In the event of a total taking of the Property, the proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with any excess paid to Borrower. In the event of a partial taking of the Property in which the fair market value of the Property immediately before the taking is equal to or greater than the amount of the sums secured by this Security Instrument immediately before the taking, unless Borrower and Lender otherwise agree in writing, the sums secured by this Security Instrument shall be reduced by the amount of the proceeds multiplied by the following fraction: (a) the total amount of the sums secured immediately before the taking, divided by (b) the fair market value of the Property immediately before the taking. Any balance shall be paid to Borrower. In the event of a partial taking of the Property in which the fair market value of the Property immediately before the taking is less than the amount of the sums secured immediately before the taking, unless Borrower and Lender otherwise agree in writing or unless applicable law otherwise provides, the proceeds shall be applied to the sums secured by this Security Instrument whether or not the sums are then due.

If the Property is abandoned by Borrower, or if, after notice by Lender to Borrower that the condemnor offers to make an award or settle a claim for damages, Borrower fails to respond to Lender within 30 days after the date the notice is given, Lender is authorized to collect and apply the proceeds, at its option, either to restoration or repair of the Property or to the sums secured by this Security Instrument, whether or not then due.

Unless Lender and Borrower otherwise agree in writing, any application of proceeds to principal shall not extend or postpone the due date of the monthly payments referred to in paragraphs 1 and 2 or change the amount of such payments.

11. Borrower Not Released; Forbearance By Lender Not a Waiver. Extension of the time for payment or modification of amortization of the sums secured by this Security Instrument granted by Lender to any successor in interest of Borrower shall not operate to release the liability of the original Borrower or Borrower's successors in interest. Lender shall not be required to commence proceedings against any successor in interest or refuse to extend time for payment or otherwise modify amortization of the sums secured by this Security Instrument by reason of any demand made by the original Borrower or Borrower's successors in interest. Any forbearance by Lender in exercising any right or remedy shall not be a waiver of or preclude the exercise of any right or remedy.

12. Successors and Assigns Bound; Joint and Several Liability; Co-signers. The covenants and agreements of this Security Instrument shall bind and benefit the successors and assigns of Lender and Borrower, subject to the provisions of paragraph 17. Borrower's covenants and agreements shall be joint and several. Any Borrower who co-signs this Security Instrument but does not execute the Note: (a) is co-signing this Security Instrument only to mortgage, grant and convey that Borrower's interest in the Property under the terms of this Security Instrument; (b) is not personally obligated to pay the sums secured by this Security Instrument; and (c) agrees that Lender and any other Borrower may agree to extend, modify, forebear or make any accommodations with regard to the terms of this Security Instrument or the Note without that Borrower's consent.

13. Loan Charges. If the loan secured by this Security Instrument is subject to a law which sets maximum loan charges, and that law is finally interpreted so that the interest or other loan charges collected or to be collected in connection with the loan exceed the permitted limits, then: (a) any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit; and (b) any sums already collected from Borrower which exceeded permitted limits will be refunded to Borrower. Lender may choose to make this refund by reducing the principal owed under the Note or by making a direct payment to Borrower. If a refund reduces principal, the reduction will be treated as a partial prepayment without any prepayment charge under the Note.

14. Notices. Any notice to Borrower provided for in this Security Instrument shall be given by delivering it or by mailing it by first class mail unless applicable law requires use of another method. The notice shall be directed to the Property Address or any other address Borrower designates by notice to Lender. Any notice to Lender shall be given by first class mail to Lender's address stated herein or any other address Lender designates by notice to Borrower. Any notice provided for in this Security Instrument shall be deemed to have been given to Borrower or Lender when given as provided in this paragraph.

15. Governing Law; Severability. This Security Instrument shall be governed by federal law and the law of the jurisdiction in which the Property is located. In the event that any provision or clause of this Security Instrument or the Note conflicts with applicable law, such conflict shall not affect other provisions of this Security Instrument or the Note which can be given effect without the conflicting provision. To this end the provisions of this Security Instrument and the Note are declared to be severable.

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included in the notice by applicable law. If the default is not cured on or before the date specified or any other defense of Borrower to acceleration and sale, and any other matters required to be reinstated after acceleration, the right to bring a court action to assert the non-existence of a default not less than 120 days in the future. The notice shall further inform Borrower of the right to the sums secured by this Security Instrument and sale of the Property at public auction at a date failing to cure the default on or before the date specified in the notice may result in acceleration of days from the date the notice is given to Borrower, by which the default must be cured; and (d) that shall specify: (a) the default; (b) the action required to cure the default; (c) a date, not less than 30 prior to acceleration under paragraph 17 unless applicable law provides otherwise). The notice following Borrower's breach of any covenant or agreement in this Security Instrument (but not 21. Acceleration; Remedies. Lender shall give notice to Borrower prior to acceleration NON-UNIFORM COVENANTS. Borrower and Lender further covenant and agree as follows:

relate to health, safety or environmental protection.

"Environmental Law" means federal laws and laws of the jurisdiction where the Property is located that containing asbestos or formaldehyde, and radioactive materials. As used in this paragraph 20, flammable or toxic petroleum products, toxic pesticides and herbicides, volatile solvents, materials hazardous substances by Environmental Law and the following substances: gasoline, kerosene, other As used in this paragraph 20, "Hazardous Substances" are those substances defined as toxic or necessary remedial actions in accordance with Environmental Law.

of any Hazardous Substance affecting the Property is necessary, Borrower shall promptly take all hazards, or is notified by any governmental or regulatory authority, that any removal or other remediation action by any government agency or private party involving the Property and any other action by any government or regulatory agency or party involved in the investigation, claim, demand, lawsuit or Borrower shall promptly give Lender written notice of any investigation, claim, demand, lawsuit or maintenance of the Property.

Hazardous Substances that are generally recognized to be appropriate to normal residential uses and to two sentences shall not apply to the presence, or storage on the Property of small quantities of else to do, anything affecting the Property that is in violation of any Environmental Law. The preceding or release of any Hazardous Substances on or in the Property. Borrower shall not do, nor allow anyone made. The notice will also contain any other information required by applicable law.

given written notice of the change in accordance with paragraph 14 above and applicable law. The notice Servicer unrelated to a sale of the Note. If there is a change of the Loan Servicer, Borrower will be under the Note and this Security Instrument. There also may be one or more changes of the Loan may result in a change in the entity (known as the "Loan Servicer") that collects monthly payments due with this Security Instrument may be sold one or more times without notice to Borrower. A sale of released of Note or a partial interest in the Note (together with the case of acceleration under paragraph 17.

Upon full effective as if no acceleration had occurred. However, this right to reinstate shall not apply and Borrower's obligation to pay the sum secured by this Security Instrument shall continue unchanged. and reasonably require to assure that the Lien of this Security Instrument, Lender's rights in the Property instrument, including, but not limited to, reasonable attorney fees; and (d) takes such action as Lender default of any other covenants or agreements; (c) pays all expenses incurred in enforcing this Security would be due under this Security Instrument and the Note as if no acceleration occurred; (b) cures any pursuant to any power of sale contained in this Security Instrument; or (b) entry of a judgment enforcing 5 days (or such other period as applicable law may specify for reinstatement) before sale of the Property right to have enforcement of this Security Instrument discontinued at any time prior to the earlier of: (a) instrument without further notice or demand on Borrower.

If Lender exercises this option, Lender shall give Borrower notice of acceleration. The notice shall provide a period of not less than 30 days from the date the notice is delivered or mailed within which Borrower must pay all sums secured by this Security Instrument. If Borrower fails to pay these sums prior to the expiration of this period, Lender may invoke any remedies permitted by this Security instrument.

This option shall not be exercised by Lender if exercise is prohibited by federal law as of the date of this transfer and Borrower is not a natural person) without Lender's prior written consent, Lender may, at its option, require immediate payment in full of all sums secured by this Security Instrument. However, property or any interest in it is sold or transferred (or if a beneficial interest in Borrower is sold or transferred and Borrower is not a natural person) without Lender's prior written consent, Lender may, at its option shall be exercised by Lender if exercise is prohibited by federal law as of the date of this instrument.

16. Borrower's Copy. Borrower shall be given one conforming copy of the Note and of this Security

in the notice, Lender at its option may require immediate payment in full of all sums secured by this Security Instrument without further demand and may invoke the power of sale and any other remedies permitted by applicable law. Lender shall be entitled to collect all expenses incurred in pursuing the remedies provided in this paragraph 21, including, but not limited to, reasonable attorneys' fees and costs of title evidence.

If Lender invokes the power of sale, Lender shall give written notice to Trustee of the occurrence of an event of default and of Lender's election to cause the Property to be sold. Trustee and Lender shall take such action regarding notice of sale and shall give such notices to Borrower and to other persons as applicable law may require. After the time required by applicable law and after publication of the notice of sale, Trustee, without demand on Borrower, shall sell the Property at public auction to the highest bidder at the time and place and under the terms designated in the notice of sale in one or more parcels and in any order Trustee determines. Trustee may postpone sale of the Property for a period or periods permitted by applicable law by public announcement at the time and place fixed in the notice of sale. Lender or its designee may purchase the Property at any sale.

Trustee shall deliver to the purchaser Trustee's deed conveying the Property without any covenant or warranty, expressed or implied. The recitals in the Trustee's deed shall be prima facie evidence of the truth of the statements made therein. Trustee shall apply the proceeds of the sale in the following order: (a) to all expenses of the sale, including, but not limited to, reasonable Trustee's and attorneys' fees; (b) to all sums secured by this Security Instrument; and (c) any excess to the person or persons legally entitled to it or to the clerk of the superior court of the county in which the sale took place.

22. Reconveyance. Upon payment of all sums secured by this Security Instrument, Lender shall request Trustee to reconvey the Property and shall surrender this Security Instrument and all notes evidencing debt secured by this Security Instrument to Trustee. Trustee shall reconvey the Property without warranty and without charge to the person or persons legally entitled to it. Such person or persons shall pay any recordation costs.

23. Substitute Trustee. In accordance with applicable law, Lender may from time to time appoint a successor trustee to any Trustee appointed hereunder who has ceased to act. Without conveyance of the Property, the successor trustee shall succeed to all the title, power and duties conferred upon Trustee herein and by applicable law.

24. Use of Property. The Property is not used principally for agricultural or farming purposes.

25. Riders to this Security Instrument. If one or more riders are executed by Borrower and recorded together with this Security Instrument, the covenants and agreements of each such rider shall be incorporated into and shall amend and supplement the covenants and agreements of this Security Instrument as if the rider(s) were a part of this Security Instrument. [Check applicable box(es)]

Condominium Rider

1-4 Family Rider

Adjustable Rate Rider

Planned Unit Development Rider

Other(s) [specify]

Addendum to Uniform Deed of Trust

BY SIGNING BELOW, Borrower accepts and agrees to the terms and covenants contained in this Security Instrument and in any rider(s) executed by Borrower and recorded with it.

VICTOR L PALMER

LAURA L PALMER

(Over for notary acknowledgements)



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, Skagit County Auditor

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se.

Notary Public in and for the State of _____,
(Signature)

(Seal or Stamp)

Dated:

(Name of the Party on Behalf of Whom the Instrument was Executed) _____
to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

of

(Type of Authority, e.g., Officer, Trustee)

[Name(s) of person(s)]
is/are the person(s) who appeared before me, and said person(s) acknowledged that (he/she/they) signed
this instrument, on oath stated that (he/she/they) was/were authorized to execute the instrument and
acknowledged it as the

I certify that I know of no adverse satisfactory evidence that

COUNTY OF

STATE OF

Notary Public in and for the State of Washington,
residing at Anacortes, My commission expires 2-17-01

Dated: November 14, 2000

[Name(s) of person(s)]
is/are the person(s) who appeared before me, and said person(s) acknowledged that (he/she/they) signed
this instrument and acknowledged it to be (his/her/their) free and voluntary act for the uses and purposes
mentioned in the instrument.

COUNTY OF Skagit)
I certify that I know or have satisfactory evidence that)
Victor L Palmer and)
Laura L Palmer
ss.



EXHIBIT "A"

PARCEL A:

Skagit County, Washington;

Lots 1 through 8, inclusive, and 29 through 40, inclusive, Block 19, PLAT OF FIDALGO BAY ADDITION TO ANACORTES, as per plat recorded in Volume 2 of Plats, page 24, records of Skagit County Superior Court Cause No. 91-2-00133-5;

TOGETHER WITH those portions of streets and vacated and abandoned by operation of law,

EXCEPT any portion lying Southerly and Westerly of that 60 foot strip described in instrument recorded October 5, 1989 under Auditor's File No. 8910050001, records of Skagit County, Washington;

TOGETHER WITH a non-exclusive easement for ingress, egress and utilities over, across and under that certain 40 foot wide strip of land described in that certain Deed recorded August 17, 1989 under Auditor's File No. 8908170011;

TOGETHER WITH a non-exclusive easement for ingress, egress and utilities over, across and under that certain 48 foot wide strip of land described in that certain Deed recorded November 3, 1977 under Auditor's File No. 867962;

- END OF EXHIBIT "A" -

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This Security Instrument also secures the payment of any further sums advanced or loaned by Lender to Borrower, or any of its successors or assigns, if (1) the Note or other writing evidencing the future advance or loan specifically states that it is secured by this Security Instrument, or (2) the Lender to Borrower, or any other documents incurred by Lender, is made pursuant to this Security Advance, including costs and expenses incurred by Lender, whether executed by Borrower evidencing, securing, or relating to the instrument or any other documents executed by Borrower evidencing, securing, or relating to the Note and/or the Collateral, whether executed prior to, contemporaneously with, or subsequent to this Security Instrument (this Security Instrument, the Note and such other documents, including any construction loan, land loan or other loan agreement, are hereinafter collectively referred to as the "Loan Documents"), together with interest thereon at the rate set forth in the Note unless otherwise specified in the Loan Documents or agreed to in writing.

Z. ADDITIONAL SPECIAL COVENANTS:

Occupancy of Property By Borrower Waived. Uniform Covenant 6 of the Security Instrument is deleted.

Borrower shall occupy, establish and use the Property as Borrower's principal residence within sixty (60) days after the execution of this Security Instrument of this Security Instrument and shall continue to occupy the Property as Borrower's principal residence for at least one year after the date of occupancy, unless Lender otherwise agrees in writing and in its sole discretion; provided, however, that if the loan evidenced by the Security Instrument is a "custom" construction loan as defined by a Construction Loan Agreement between Lender and Borrower, then Borrower shall begin to occupy, establish and use the Property as Borrower's principal residence within sixty (60) days after receipt of Certificate of Occupancy, or similar official document, from the applicable governmental authority, unless Lender in its discretion agrees in writing to waive any governmental requirement. Borrower acknowledges that Uniform Covenant 6, as here amended, is required by Lender in consideration of Lender extending Borrower an Occupancy Note Rate which is less than the prevailing Non-Occupancy Note Rate. If Borrower shall default on the terms of occupancy as stated above, Lender may elect, at its option and notwithstanding any other terms of the Security instrument to the contrary, any of the following remedies: (a) Lender may accelerate the terms of the Note and, upon fifteen (15) days notice, call the loan immediately due and payable in full, and if Borrower fails to make payment in full, Lender may thereafte exercise any remedy permitted by the Security instrument, including suit on the Note or foreclosure upon the Security interest and the date of the Note and Security instrument to Lender's, Non-Occupancy Note Rate, which existed as of the occasioned by such adjustment) to Lender's, Non-Occupancy Note Rate (and any monthly payment property; or (b) Lender may adjust the interest rate on the Note (and any monthly payment immediately due and payable, including but not limited to (i) having Borrower convey to Lender a amount of principal on the loan necessary (if at all) to make the loan conform to whatever loan-to-value ratio conditions Lender would have required of a "Non-Owner-Occupied Loan" on the property as of the date of the Note and Security Instrument."

X Occupancy of Property by Borrower Required. Uniform Covenant 6 of the Security Instrument is amended by substituting the following language:

There are two alternative covenants stated below which refer to occupancy of the Property by the Borrower, and only one alternative shall be a part of this Addendum. Lender has determined which alternative is a covenant of the Borrower by checking below the appropriate box opposite the paragraph immediately preceding the paragraph Lender has determined to be applicable to Borrower, and Borrower has agreed to this chosen alternative by executing this Addendum to the Security Instrument and pursuant to the terms of Lender's loan commitment.

M. OCCUPANCY OF THE PROPERTY BY BORROWER.

as Trustee; and WASHINGTON FEDERAL SAVINGS as Beneficiary/Lender.

as Grantor/Borrower; ISLAND TITLE COMPANY

VICTOR L PALMER AND LAURA L PALMER, HUSBAND AND WIFE

Addendum attached to and forming part of the Deed of Trust ("Security Instrument") of even date by and between

Date: November 14th, 2000

ADDENDUM TO UNIFORM DEED OF TRUST

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B. Lender's Right of Acceleration and Judicial Foreclosure.

Uniform Covenant 19 and Non-Uniform Covenant 22 of the Security Instrument are amended by the addition of the following language, which shall modify the terms of Uniform Covenant 19 and Non-Uniform Covenant 22 to the extent set forth immediately below:

"Borrower acknowledges that the terms and conditions of Uniform Covenant 19 and Non-Uniform Covenant 22 are intended to avail Borrower of certain notice and reinstatement rights if Lender elects non-judicial foreclosure under its power of sale in the event of default, and that Borrower has a statutory right of redemption protecting Borrower in the event of judicial foreclosure. Therefore, notwithstanding any provision of Uniform Covenant 19 and Non-Uniform Covenant 22 of this Security Instrument, if Lender, at its own option, elects to accelerate the Security Instrument by commencement of judicial foreclosure for any default or breach by Borrower, the Borrower shall not have the right of reinstatement or entitlement to certain notices as provided for in Uniform Covenant 19 and Non-Uniform Covenant 22."

C. Reconveyance After Payment of Loan in Full. Non-Uniform Covenant 23 of the Security Instrument is revised to read as follows:

"23. Release or Reconveyance. Upon payment of all sums secured by this Security Instrument, Lender shall request Trustee to release or reconvey the Property and shall surrender this Security Instrument and all notes evidencing debt secured by this Security Instrument to Trustee. Trustee shall release or reconvey the Property without warranty to the person or persons legally entitled to it. Such person or persons shall pay any recordation costs and reasonable trustee's fee for release or reconveyance."

D. Mandatory Flood Insurance for Property in Special Flood Hazard Areas. Uniform Covenants 3 and 5 are modified so as to add the following language which affects both covenants:

"If the Property is now or shall ever during this loan be determined by the Federal Emergency Management Agency (FEMA), or its successor agency, to be within a Special Flood Hazard Area (SFHA), then to the extent flood insurance is available for the Property, Lender will require, upon notice to Borrower of such determination, that adequate flood insurance be maintained for the improvements of the Property at Borrower's expense, and Lender shall be entitled to collect, as part of the Funds defined under Covenant 3, and to the extent authorized by federal law and regulation, "Escrow Items" (reserves) for flood insurance premiums; and if Borrower does not voluntarily pay for the flood insurance as part of said Funds, Lender shall be entitled to obtain "forced place" flood insurance coverage for the Property improvements and, in so doing, either capitalize the cost of such coverage to the principal balance of the loan or apply the payment as a "negative reserve", whereupon Borrower shall be deemed to be in default of this Security Instrument.

E. "Custom" Construction Loans. If this Security Instrument secures permanent financing to construct or remodel a residential dwelling on the Property ("custom" construction loan"), then the Construction Loan Agreement & Assignment of Account signed by Borrower along with this Security Instrument and Addendum shall be incorporated by reference in and be a part of this Security Instrument, and any default or breach by Borrower of the Construction Loan Agreement & Assignment of Account shall constitute a default or breach of this Security Instrument, thereby entitling Lender to any and all remedies allowed by the Security Instrument and applicable law for such default or breach.

F. E-Z Pay Option. If Borrower elects the E-Z Pay option at the inception of this loan, then Lender shall temporarily defer the two hundred dollar (\$200) payment processing charge which is otherwise due and payable in full at closing. However, if at any time, Borrower's E-Z Pay bank account has insufficient funds to cover a payment when due, or if Borrower's E-Z Pay bank account is closed or otherwise becomes unavailable to Lender for the payment of the loan, or in the event Borrower elects, at any time, to terminate the E-Z Pay option, then Lender may reinstate and demand the two hundred dollar (\$200) payment processing charge from Borrower in which event this charge shall then be due and payable in full. Lender shall inform Borrower of this election in writing and Lender may, at Lender's option, either require Borrower to pay the payment processing charge within 10 days of receipt of written notice or add the amount of the charge to the remaining principal balance of the loan. If the charge is added to the loan, then it shall become additional debt of Borrower secured by this Security Instrument and shall bear interest at the Note rate and shall be payable in accordance with the terms of the Note.



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Laura K Palmer
Victor N Palmer

I. Assignment of the Loan. If Lender transfers its interest in or a right to receive loan payments under the Note secured by the Security Instrument, this Addendum, or any part of it, may be cancelled at the option of Lender and without advance notice to Borrower, and Lender may make and record any instrument, without signature of Borrower, which may be necessary to give record notice of such cancellation.

H. Late Charges and Other Fees. Lender may, at Lender's option, either require Borrower to pay any late charge for overdue payments or NSF/returned item fees related to any payments under the Note, or add the amount of any such charges or fees to the remaining principal balance of the loan. If these charges and/or fees are added to the loan, then they shall become additional debt of Borrower secured by this Security Instrument and shall bear interest at the Note rate and shall be payable in accordance with the terms of the Note.

The coverage Lender purchases may be considerably more expensive than insurance Borrower can obtain on its own and may not satisfy any need for property damage coverage or any mandatory liability insurance requirements imposed by applicable law.

Borrower is responsible for the cost of any insurance purchased by Lender. The cost of this insurance may be added to the loan balance. If the cost is added to the loan balance, the interest rate on the underlying loan will apply to this added amount. The effective date of coverage may be the date the prior coverage lapses or the date Borrower fails to provide proof of coverage.

Unless Borrower provides Lender with evidence of the insurance coverage as required by the deed of trust or loan agreement, Lender may purchase insurance at Borrower's expense to protect Lender's interest. This insurance may protect Borrower's interest. If the collateral becomes damaged, the coverage Lender purchases may not pay any claim Borrower makes or any claim made against Borrower. Borrower may later cancel this coverage by providing evidence that it has obtained property coverage elsewhere.

G. Hazard, Property, or Flood Insurance. Without affecting the language contained in Covenants 2, 5, and 7 of the Security Instrument and paragraph D above, Borrower is advised as follows:

WARNING

