



200209300164

Skagit County Auditor

9/30/2002 Page 1 of 6 11:22AM

AFTER RECORDING MAIL TO:

Name FIRST AMERICAN TITLE
Address 3202 COMMERCIAL AVENUE
City / State ANACORTES, WA 98221
A70231

Document Title(s): (for transactions contained therein)

1. SUBORDINATION AGREEMENT
- 2.
- 3.
- 4.

Reference Number(s) of Documents assigned or released:

200202080184

AF# 200209300163

Additional numbers on page _____ of document

Grantor(s): (Last name first, then first name and initials)

1. PENTAGON FEDERAL CREDIT UNION
- 2.
- 3.
- 4.
5. Additional names on page _____ of document

Grantee(s): (Last name first, then first name and initials)

1. USAA FEDERAL SAVINGS BANK
- 2.
- 3.
- 4.
5. Additional names on page _____ of document

Abbreviated Legal Description as follows: (i.e. lot/block/plat or section/township/range/quarter/quarter)

Lots 5 and 6 and a Portion Lot 4, Block 906 "Northern Pacific Addition to Anacortes"

Complete legal description is on page _____ of document

Assessor's Property Tax Parcel / Account Number(s): 3809-906-006-0009 P58551



First American Title Insurance Company

A70231E-2

(this space for title company use only)

NOTE: The auditor/recorder will rely on the information on the form. The staff will not read the document to verify the accuracy or completeness of the indexing information provided herein.

SUBORDINATION AGREEMENT

THIS SUBORDINATION AGREEMENT, (the "Agreement"), is made this 25th day of August, 2002, by and between USAA Federal Savings Bank, having an address at 10750 McDermott Freeway, San Antonio, Texas 78288, ("USAA"), Pentagon Federal Credit Union ("Lender"), and Albert G. Arnold and Shirley L. Arnold (individually and collectively the "Borrower").

WHEREAS, USAA has approved an extension of credit to Borrower (the "Mortgage Loan") in the original principal amount of ninety-one thousand five hundred nineteen dollars (US \$91,519.00) (the "Mortgage Loan Amount"); and

WHEREAS, payment of the Mortgage Loan is to be evidenced by a promissory note (the "Mortgage Note") executed by Borrower and made payable to the order of USAA in the Mortgage Loan Amount; and

WHEREAS, payment of the Mortgage Note is to be secured by a mortgage/deed of trust/security deed to be executed by Borrower for the benefit of USAA and recorded among the land Records of Skagit County, Washington (the "Mortgage Security Instrument"), encumbering property known as 3405 West 3rd Street, Anacortes, Washington 98221, all of which will be described in the Mortgage Security Instrument (the "Property"). All documentation securing and evidencing the Mortgage Loan, including, without limitation, the Mortgage Note and the Mortgage Security Instrument, shall be referred to as the "Mortgage Loan Documents"; and

WHEREAS, Borrower previously received a home equity line of credit loan from Lender in the original principal amount of twenty-five thousand dollars (US \$25,000.00) (the "Equity Loan"), which has a current outstanding balance of approximately nine thousand six dollars (US \$9,006.00) (the "Equity Balance") evidenced by a promissory note ("Equity Note") and secured by a mortgage/deed of trust encumbering the Property recorded at Recording Number 200202080184 at the Skagit County, Washington Recorder's Office (the "Equity Security Instrument"). All documentation securing and evidencing the Equity Loan, including without limitation, the Equity Note and Equity Security Instrument, shall be referred to as the "Equity Loan Documents"; and

WHEREAS, as a condition precedent to the making of the Mortgage Loan, USAA has required Borrower and Lender to each execute this Agreement; and

WHEREAS, Lender has agreed to execute this Agreement and to subordinate the lien of the Equity Security Instrument to the lien of the Mortgage Security Instrument and it is for this purpose that the parties to this Agreement execute, acknowledge, and deliver this Agreement;



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NOW, THEREFORE, IN CONSIDERATION of the foregoing, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Lender subordinates and waives the priority of the Equity Security Instrument in favor of the Mortgage Security Instrument, so that, as between the Equity Security Instrument and the Mortgage Security Instrument, the Mortgage Security Instrument shall be a prior lien, mortgage, encumbrance and security instrument upon the Property with all the rights and remedies of a prior lien, mortgage, encumbrance and security interest incident thereto. This is a subordination only of lien priority position as to security instruments and does not constitute a subordination of debt.
2. As between the Equity Security Instrument and the Mortgage Security Instrument, the rights, privileges and remedies of the Mortgage Security Instrument shall include, without limitation, the right to first payment from the proceeds of the sale of the Property, if the Property is sold by Borrower, Lender, their respective trustees or otherwise, to satisfy their respective indebtedness. The subordination effected by this Agreement extends to the Equity Security Instrument and all other documentation securing the Equity Loan, the Equity Balance, the Equity Note and any subsequent advances made under the Equity Loan or to any future advances made by Lender.
3. This Agreement does not require that the Mortgage Note or the Mortgage Loan be satisfied prior to satisfaction of the Equity Note or Equity Loan.
4. This Agreement in no way modifies, affects or impairs the obligations of Borrower under either the Equity Loan Documents or the Mortgage Loan Documents, nor does it modify, affect or impair any of the respective rights of USAA or Lender as to Borrower, either individually or collectively. All further modifications or amendments to the Mortgage Security Instrument shall be binding upon, and effective against, Lender, its successors and assigns, without any further consent or documentation from or on the part of Lender, its successors and assigns.
5. Lender agrees that it shall not commence exercise of any right or remedy against, or seek possession or control of, the Property unless and until Lender shall have given USAA thirty (30) days' prior written notice thereof at USAA's address set forth above. In the event Lender exercises its rights as a secured party with respect to the Property, Lender agrees to deliver to USAA (or, in the case of a foreclosure sale, to the party responsible for disbursement) that portion of any proceeds actually received by Lender solely through the exercise of such rights, in excess of such amounts as are lawfully owed to Lender and are secured by the Equity Security Instrument (the "Excess Proceeds"). Lender shall deliver the Excess Proceeds to



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WITNESS:

Patricia Campbell
John H. Bledar

Pentagon Federal Credit Union

By: Barry G. Stricklin (Seal)

Name: Barry G. Stricklin

Title: Vice President

STATE OF Virginia

COUNTY OF Alexandria

This instrument was acknowledged before me on this 26 day of August, 2002 by Barry G. Stricklin the Vice President of Pentagon Federal Credit Union

Richard H. Schalk

Notary

My Commission Expires: 5/31/2004



The Borrower(s) join in the execution of this Agreement to evidence their request for such subordination and their consent to be bound by the terms hereof.

WITNESS:

Albert G. Arnold
Borrower

Tracy H. Arnold
Borrower



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USAA within fifteen (15) days after receipt thereof and of a good faith accounting of the amount thereof.

- 6. This Agreement shall only be construed to determine the rights of the parties hereto with respect to each other and shall not be construed to provide any benefit to any persons or entity not a party hereto.
- 7. Nothing herein contained shall obligate either party to grant credit to, or continue any existing financing arrangements with, Borrower.
- 8. This Agreement shall be binding upon, and inure to the benefit of, the parties to the Agreement and to their successors and assigns.
- 9. Any modification of this Agreement shall not be effective unless in writing and signed by the party to be charged.
- 10. This Agreement shall be governed by, construed and enforced in accordance with the laws of the state of Texas.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement under seal as of the date and year first above written.

WITNESS:

Margaret Truitt
Ann Harms

USAA Federal Savings Bank

By: Deborah Powell (Seal)

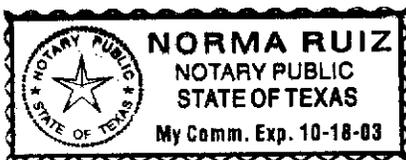
Name: Deborah Powell

Title: Processing & Closing Manager

STATE OF TEXAS

COUNTY OF BEXAR

This instrument was acknowledged before me on this 25 day of August, 2002 by Deborah Powell, the manager of USAA Federal Savings Bank.



Norma Ruiz
 Notary Norma Ruiz
 My Commission Expires: 10/18/03

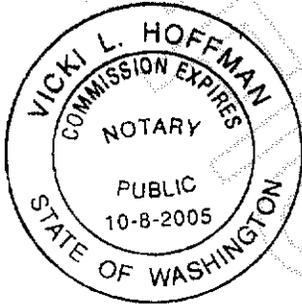


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STATE OF WA

COUNTY OF SKAGIT

This instrument was acknowledged before me on this 23rd day of ~~August~~ ^{SEPT.}, 2002 by
Albert G. Arnold and Shirley W. Arnold.



Vicki L. Hoffman
Notary

My Commission Expires: 10-8-05



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