

Return to:
WASHINGTON FEDERAL SAVINGS
Mount Vernon Office
PO Box 639
Mount Vernon WA 98273
Attn: A1 Collins

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200305090016
Skagit County Auditor
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050 200 268531-1

Assessor's Parcel or Account Number: 38810000090306 P64377

Abbreviated Legal Description: **PORTION LOTS 8 AND 9, CHASE ACREAGE
(AKA LOT 2 AND PORTION LOT 1, SHORT PLAT 19-84)**

Full legal description on page 2.

[Space Above This Line For Recording Data]

DEED OF TRUST

FIRST AMERICAN TITLE CO.

72878

DEFINITIONS

Words used in multiple sections of this document are defined below and other words are defined in Sections 3, 11, 13, 18, 20 and 21. Certain rules regarding the usage of words used in this document are also provided in Section 16.

(A) "Security Instrument" means this document, which is dated May 5th, 2003, together with all Riders to this document.

(B) "Borrower" is STEVEN G HAYES AND CHERYL R HAYES, HUSBAND AND WIFE.

Borrower is the trustor under this Security Instrument.

(C) "Lender" is Washington Federal Savings. Lender is a Federally Chartered Savings and Loan Association organized and existing under the laws of The United States of America. Lender's mailing address is 425 Pike Street, Seattle, Washington 98101.

Lender is the beneficiary under this Security Instrument.

(D) "Trustee" is Washington Services, Inc., A Washington Corporation.

(E) "Note" means the promissory note signed by Borrower and dated May 5th, 2003.

The Note states that Borrower owes Lender

ONE HUNDRED SIXTY THOUSAND AND NO/100S

Dollars (U.S. \$160,000.00) plus interest. Borrower has promised to pay this debt in regular Periodic Payments and to pay the debt in full not later than June 1st, 2018.

(F) "Property" means the property that is described below under the heading "Transfer of Rights in the Property".

(G) "Loan" means the debt evidenced by the Note, plus interest, any prepayment charges and late charges due under the Note, and all sums due under this Security Instrument, plus interest.

(H) "Riders" means all Riders to this Security Instrument that are executed by Borrower. The following Riders are to be executed by Borrower [check box as applicable]:

- Adjustable Rate Rider Condominium Rider Second Home Rider
 Balloon Rider Planned Unit Development Rider Other(s) [specify] _____
 1-4 Family Rider Addendum to Uniform Deed of Trust

(I) "Applicable Law" means all controlling applicable federal, state and local statutes, regulations, ordinances and administrative rules and orders (that have the effect of law) as well as all applicable final, non-appealable judicial opinions.

(J) "Community Association Dues, Fees, and Assessments" means all dues, fees, assessments and other charges that are imposed on Borrower or the Property by a condominium association, homeowners association or similar organization.

(K) "Electronic Funds Transfer" means any transfer of funds, other than a transaction originated by check, draft, or similar paper instrument, which is initiated through an electronic terminal,

Borrower's Initials JL

CAB

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WASHINGTON - Single Family - Fannie Mae/Freddie Mac UNIFORM

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.

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, appurtenances, and 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".

[Street]	[City]
SEDRU WOOLLEY	Washington 98284

which currently has the address of 2485 CHASE RD

TOGETHER WITH THAT PORTION OF LOT 1 OF SAID SKAGIT COUNTY SHORT PLAT NO. 1984, LYING SOUTH OF THE EASTERN PROJECTION OF THE NORTHERN LINE OF LOT 2 OF SAID SHORT PLAT NO. 19-84.

LOT 2 OF SKAGIT COUNTY SHORT PLAT NO. 19-84, APPROVED MAY 29, 1984, RECORDED MAY 29, 1984, IN VOLUME 6, PAGE 147 OF SHORT PLATS, UNDER AUDITOR'S FILE NO. 8405290029, BEING A PORTION OF TRACTS 8 AND 9 OF "CHASE ACREAGE", ACCORDING TO THE PLAT RECORDED IN VOLUME 3 OF PLATS, PAGE 64, RECORDS OF SKAGIT COUNTY, WASHINGTON.

This Security Instrument secures to Lender: (i) the repayment of the Loan, and all renewals, extensions and modifications of the Note; and (ii) the performance of Borrower's covenants and agreements under this Security Instrument and the Note. For this purpose, Borrower irrevocably grants and conveys to Lender, in trust, with power of sale, the following described property located in Trustee, in trust, with power of sale, the following described property located in Skagit County, Washington.

TRANSFER OF RIGHTS IN THE PROPERTY

(Q) "Successor in Interest of Borrower" means any party that has taken title to the Property, whether or not that party has assumed Borrower's obligations under the Note and/or this Security Instrument.

(P) "RESPA" means the Real Estate Settlement Procedures Act (12 U.S.C. §2601 et seq.) and its implementing regulation, Regulation X (24 C.F.R. Part 3500), as they might be amended from time to time, or any additional regulation, legislation or rule of the same subject matter. As used in this Security Instrument, RESPA refers to all requirements and restrictions that are imposed in regard to a "federally related mortgage loan", even if the Loan does not qualify as a "federally related mortgage loan" under RESPA.

(Q) "Periodic Payment" means the regularly scheduled amount due for (i) principal and interest under the Note, plus (ii) any amounts under Section 3 of this Security Instrument.

(N) "Mortgage Insurance" means insurance protecting Lender against the non payment of, or default on, the value and/or condition of the Property.

(M) "Miscellaneous Proceeds" means any compensation, settlement, award of damages, or proceeds paid by any third party (other than insurance proceeds paid under the coverages described in Section 5) for: (i) damage to, or destruction of, the Property; (ii) condemnation or other taking of all or any part of the Property; (iii) conveyance in lieu of condemnation; or (iv) misrepresentations of, or omissions as to, the value and/or condition of the Property.

(L) "Scrow Item" means items those items that are described in Section 3.

telephonic instrument, computer, or magnetic tape so as to order, instruct, or authorize a financial institution to debit or credit an account. Such term includes, but is not limited to, point-of-sale transfers, automated clearinghouse transfers, and transfers initiated by telephone, wire transfers, and transfers, either machine transactions, transfers initiated by telephone, wire transfers, and

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

1. Payment of Principal, Interest, Escrow Items, Prepayment Charges, and Late Charges.

Borrower shall pay when due the principal of, and interest on, the debt evidenced by the Note and any prepayment charges and late charges due under the Note. Borrower shall also pay funds for Escrow Items pursuant to Section 3. Payments due under the Note and this Security Instrument shall be made in U.S. currency. However, if any check or other instrument received by Lender as payment under the Note or this Security Instrument is returned to Lender unpaid, Lender may require that any or all subsequent payments due under the Note and this Security Instrument be made in one or more of the following forms, as selected by Lender: (a) cash; (b) money order; (c) certified check, bank check, treasurer's check or cashier's check, provided any such check is drawn upon an institution whose deposits are insured by a federal agency, instrumentality, or entity; or (d) Electronic Funds Transfer.

Payments are deemed received by Lender when received at the location designated in the Note or at such other location as may be designated by Lender in accordance with the notice provisions in Section 15. Lender may return any payment or partial payment if the payment or partial payments are insufficient to bring the Loan current. Lender may accept any payment or partial payment insufficient to bring the Loan current, without waiver of any rights hereunder or prejudice to its rights to refuse such payment or partial payments in the future, but Lender is not obligated to apply such payments at the time such payments are accepted. If each Periodic Payment is applied as of its scheduled due date, then Lender need not pay interest on unapplied funds. Lender may hold such unapplied funds until Borrower makes payment to bring the Loan current. If Borrower does not do so within a reasonable period of time, Lender shall either apply such funds or return them to Borrower. If not applied earlier, such funds will be applied to the outstanding principal balance under the Note immediately prior to foreclosure. No offset or claim which Borrower might have now or in the future against Lender shall relieve Borrower from making payments due under the Note and this Security Instrument or performing the covenants and agreements secured by this Security Instrument.

2. Application of Payments or Proceeds. Except as otherwise described in this Section 2, all payments accepted and applied by Lender shall be applied in the following order of priority: (a) interest due under the Note; (b) principal due under the Note; (c) amounts due under Section 3. Such payments shall be applied to each Periodic Payment in the order in which it became due. Any remaining amounts shall be applied first to late charges, second to any other amounts due under this Security Instrument, and then to reduce the principal balance of the Note.

If Lender receives a payment from Borrower for a delinquent Periodic Payment which includes a sufficient amount to pay any late charge due, the payment may be applied to the delinquent payment and the late charge. If more than one Periodic Payment is outstanding, Lender may apply any payment received from Borrower to the repayment of the Periodic Payments if, and to the extent that, each payment can be paid in full. To the extent that any excess exists after the payment is applied to the full payment of one or more Periodic Payments, such excess may be applied to any late charges due. Voluntary prepayments shall be applied first to any prepayment charges and then as described in the Note.

Any application of payments, insurance proceeds, or Miscellaneous Proceeds to principal due under the Note shall not extend or postpone the due date, or change the amount, of the Periodic Payments.

3. Funds for Escrow Items. Borrower shall pay to Lender on the day Periodic Payments are due under the Note, until the Note is paid in full, a sum (the "Funds") to provide for payment of amounts due for: (a) taxes and assessments and other items which can attain priority over this Security Instrument as a lien or encumbrance on the Property; (b) leasehold payments or ground rents on the Property, if any; (c) premiums for any and all insurance required by Lender under Section 5; and (d) Mortgage Insurance premiums, if any, or any sums payable by Borrower to Lender in lieu of the payment of Mortgage Insurance premiums in accordance with the provisions of Section 10. These items are called "Escrow Items." At origination or at any time during the term of the Loan, Lender may require that Community Association Dues, Fees and Assessments, if any, be escrowed by Borrower, and such dues, fees and assessments shall be an Escrow Item. Borrower shall promptly furnish to Lender all notices of amounts to be paid under this Section. Borrower shall pay Lender the Funds for Escrow Items unless Lender waives Borrower's obligation to pay the Funds for any or all Escrow Items. Lender may waive Borrower's obligation to pay to Lender Funds for any or all Escrow Items at any time. Any such waiver may only be in writing. In the event of such waiver, Borrower shall pay directly, when and where payable, the amounts due for any Escrow Items for which payment of Funds has been waived by Lender and, if Lender requires, shall furnish to Lender receipts evidencing such payment within such time period as Lender may require. Borrower's obligation to make such payments and to provide receipts shall for all purposes be deemed to be a covenant and agreement contained in this Security Instrument, as the phrase "covenant and agreement" is used in Section 9. If Borrower is obligated to pay Escrow Items directly, pursuant to a waiver, and Borrower fails to pay the amount due for an Escrow Item, Lender may exercise its rights under Section 9 and pay such amount and Borrower shall then be obligated under Section 9 to

Borrower's Initials JLH

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If Borrower fails to maintain any of the coverage described above, Lender may obtain insurance upon notice from Lender to Borrower requesting payment.

Section 5 shall become additional debt by this Security Instrument. These amounts shall bear interest at the Note rate from the date of disbursement and shall be payable, with such interest, to Lender under this cost of insurance that Borrower could have obtained. Any amounts disbursed by Lender under this Borrower acknowledges that the cost of the insurance coverage so obtained might significantly exceed the risk, hazard or liability and might provide greater or lesser coverage than was previously in effect, not protect Borrower, Borrower's equity in the Property, or the contents of the Property, against any particular type of coverage. Therefore, such coverage shall cover Lender, but might not purchase any coverage, at Lender's option and Borrower's expense. Lender is under no obligation to purchase any coverage in connection with the review of any flood zone determination resulting from an objection by Borrower.

also be responsible for the payment of any fees imposed by the Federal Emergency Management Agency similar changes occur which reasonably might affect such subsequent charges each time remappings or flood zone determination and certification services and subsequently charged services, or (b) a one-time charge for charge for flood zone determination, certification and tracking services; or (c) a one-time increase normally. Lender may require Borrower to pay, in connection with this Loan, either: (a) a one-time subject to Lender's right to disapprove Borrower's choice, which right shall not be exercised during the term of the Loan. The insurance carrier providing the insurance shall be chosen by Borrower periods that Lender requires. What Lender requires pursuant to the preceding sentences can change insurance. This insurance shall be maintained in the amounts (including deductible levels) and for the any other hazards including, but not limited to, earthquakes and floods, for which Lender requires on the Property insured against loss by fire, hazards included within the term "extended coverage", and reporting service used by Lender in connection with this Loan.

5. PROPERTY INSURANCE. Borrower shall keep the improvements now existing or hereafter erected Lender may require Borrower to pay a one-time charge for a real estate tax verification and/or reporting service used by Lender in connection with this Loan.

Borrower shall promptly disclose any lien which has priority over this Security Instrument to satisfy the lien or take one or more of the actions set forth above in this Section 4.

To the extent that these items are Escrow items, Borrower shall pay them in the manner provided in To the extent that these items are Escrow items, Borrower shall pay them in the manner provided in ground rents on the Property, if any, and Community Association Dues, Fees, and Assessments, if any, attributable to the Property which can attain priority over this Security Instrument, lessorhold payments or unless Borrower: (a) agrees in writing to the payment is secured by the lien in a manner acceptable to Lender, but only so long as Borrower is performing such agreement; (b) certifies the lien in good faith by, or defers against enforcement of the lien in, legal proceedings which in Lender's opinion acceptable to Lender, but only so long as Borrower is performing such agreement; (c) certifies the lien in unless Borrower shall promptly disclose any lien which has priority over this Security Instrument Section 3.

Upon payment in full of all sums secured by this Security Instrument, Lender shall promptly make up the deficiency in accordance with RESPA, but in no more than 12 months. Borrower shall notify Borrower as required by RESPA, and Borrower shall pay to Lender the amount necessary to 12 monthly payments. If there is a deficiency of Funds held in escrow, as defined under RESPA, Lender to Lender the amount necessary to make up the shortage in accordance with RESPA, but in no more than as defined under RESPA. Lender shall notify Borrower as required by RESPA, and Borrower shall pay Borrower for the excess funds in accordance with RESPA. If there is a shortage of Funds held in escrow, if there is a surplus of Funds held by Lender, as defined under RESPA, Lender shall account to charge, an annual accounting of the Funds held by RESPA.

If there is a surplus of Funds held in escrow, as defined under RESPA, Lender shall account to charge, an annual accounting of the Funds held by RESPA. However, that interest shall be paid on the Funds. Lender shall give to Borrower, without writing, however, any interest or earnings on the Funds. Borrower and Lender can agree in required to pay Borrower any interest or earnings on the Funds, unless Lender pays Borrower made in writing or applicable Law requires interest to be paid on the Funds, Lender shall not be interest on the Funds and Applicable Law permits Lender to make such a charge. Unless an agreement is annually analyzing the escrow account, or verifying the Escrow items, unless Lender pays Borrower time specified under RESPA. Lender shall not charge Borrower for holding and applying the Funds, in any Federal Home Loan Bank. Lender shall apply the Funds to pay the Escrow items no later than the instrumentality, or entity (including Lender, if Lender is an institution whose deposits are so insured) or instrumentality, or entity (including Lender, if Lender is an institution whose deposits are insured by a federal agency, The Funds shall be held in an institution whose deposits are insured by a federal agency, accountance with Applicable Law.

Lender may, at any time, collect and hold Funds in an amount (a) sufficient to permit Lender current data and reasonable estimates of expenditures of future Escrow items or otherwise in a Lender can require RESPA. Lender shall estimate the amount of Funds due on the basis of to apply the Funds at the time specified under RESPA, and (b) not to exceed the maximum amount in any Federal Home Loan Bank. Lender shall apply the Funds to pay the Escrow items no later than the time specified under RESPA. Lender shall not charge Borrower for holding and applying the Funds, in any institution whose deposits are insured by a federal agency, The Funds shall be held in an institution whose deposits are insured by a federal agency, accountance with Applicable Law.

Lender may, at any time, revoke the waiver as to any or all Escrow items at any time by a notice given in accordance with Section 15 and, upon such revocation, Borrower shall pay to repay to Lender any such amount, Lender may require the waiver as to any or all Escrow items at any time by a notice given in accordance with Section 15 and, upon such revocation, Borrower shall pay to Lender all Funds, and in such amounts, that are then required under this Section 3.

upon notice from Lender to Borrower requesting payment.

All insurance policies required by Lender and renewals of such policies shall be subject to Lender's right to disapprove such policies, shall include a standard mortgage clause, and shall name Lender as mortgagee and/or as an additional loss payee. Lender shall have the right to hold the policies and renewal certificates. If Lender requires, Borrower shall promptly give to Lender all receipts of paid premiums and renewal notices. If Borrower obtains any form of insurance coverage, not otherwise required by Lender, for damage to, or destruction of, the Property, such policy shall include a standard mortgage clause and shall name Lender as mortgagee and/or as an additional loss payee.

In the event 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. Unless Lender and Borrower otherwise agree in writing, any insurance proceeds, whether or not the underlying insurance was required by Lender, shall be applied to restoration or repair of the Property, if the restoration or repair is economically feasible and Lender's security is not lessened. During such repair and restoration period, Lender shall have the right to hold such insurance proceeds until Lender has had an opportunity to inspect such Property to ensure the work has been completed to Lender's satisfaction, provided that such inspection shall be undertaken promptly. Lender may disburse proceeds for the repairs and restoration in a single payment or in a series of progress payments as the work is completed. Unless an agreement is made in writing or Applicable Law requires interest to be paid on such insurance proceeds, Lender shall not be required to pay Borrower any interest or earnings on such proceeds. Fees for public adjusters, or other third parties, retained by Borrower shall not be paid out of the insurance proceeds and shall be the sole obligation of Borrower. If the restoration or repair is not economically feasible or Lender's security would be lessened, the insurance proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with the excess, if any, paid to Borrower. Such insurance proceeds shall be applied in the order provided for in Section 2.

If Borrower abandons the Property, Lender may file, negotiate and settle any available insurance claim and related matters. If Borrower does not respond within 30 days to a notice from Lender that the insurance carrier has offered to settle a claim, then Lender may negotiate and settle the claim. The 30-day period will begin when the notice is given. In either event, or if Lender acquires the Property under Section 22 or otherwise, Borrower hereby assigns to Lender (a) Borrower's rights to any insurance proceeds in an amount not to exceed the amounts unpaid under the Note or this Security Instrument, and (b) any other of Borrower's rights (other than the right to any refund of unearned premiums paid by Borrower) under all insurance policies covering the Property, insofar as such rights are applicable to the coverage of the Property. Lender may use the insurance proceeds either to repair or restore the Property or to pay amounts unpaid under the Note or this Security Instrument, whether or not then due.

6. Occupancy. Borrower shall occupy, establish, and use the Property as Borrower's principal residence within 60 days after the execution 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, which consent shall not be unreasonably withheld, or unless extenuating circumstances exist which are beyond Borrower's control.

7. Preservation, Maintenance and Protection of the Property; Inspections. Borrower shall not destroy, damage or impair the Property, allow the Property to deteriorate or commit waste on the Property. Whether or not Borrower is residing in the Property, Borrower shall maintain the Property in order to prevent the Property from deteriorating or decreasing in value due to its condition. Unless it is determined pursuant to Section 5 that repair or restoration is not economically feasible, Borrower shall promptly repair the Property if damaged to avoid further deterioration or damage. If insurance or condemnation proceeds are paid in connection with damage to, or the taking of, the Property, Borrower shall be responsible for repairing or restoring the Property only if Lender has released proceeds for such purposes. Lender may disburse proceeds for the repairs and restoration in a single payment or in a series of progress payments as the work is completed. If the insurance or condemnation proceeds are not sufficient to repair or restore the Property, Borrower is not relieved of Borrower's obligation for the completion of such repair or restoration.

Lender or its agent may make reasonable entries upon and inspections of the Property. If it has reasonable cause, Lender may inspect the interior of the improvements on the Property. Lender shall give Borrower notice at the time of or prior to such an interior inspection specifying such reasonable cause.

8. Borrower's Loan Application. Borrower shall be in default if, during the Loan application process, Borrower or any persons or entities acting at the direction of Borrower or with Borrower's knowledge or consent gave materially false, misleading, or inaccurate information or statements to Lender (or failed to provide Lender with material information) in connection with the Loan. Material representations include, but are not limited to, representations concerning Borrower's occupancy of the Property as Borrower's principal residence.

9. Protection of Lender's Interest in the Property and Rights Under this Security Instrument. If (a) Borrower fails to perform the covenants and agreements contained in this Security Instrument, (b) there is a legal proceeding that might significantly affect Lender's interest in the Property and/or rights under this Security Instrument (such as a proceeding in bankruptcy, probate, for

Borrower's Initials SJM

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(b) Any such agreements will not affect the rights Borrower has - if any - with respect to the Mortgage Insurance under the Homeowners Protection Act of 1998 or any other law. These rights may include the right to receive certain disclosures, to request and obtain cancellation of the Mortgage Insurance, to have the Mortgage Insurance terminated automatically, and/or to receive a refund of any Mortgage Premiums that were unearned at the time of such cancellation or termination.

(a) Any such agreements will not affect the amounts that Borrower has agreed to pay for Mortgage Insurance, or any other terms of the Loan. Such agreements will not increase the amount Borrower will owe for Mortgage Insurance, and they will not entitle Borrower to any refund.

Further: share of the premiums paid to the insurer, the arrangement is often termed "capitive reinsurance." It such arrangement provides that an affiliate of Lender takes a share of the insurer's risk in exchange for a insurance, in exchange for sharing or modifying the borrower's risk, or reducing losses. amounts that derive from (or might be characterized as) a portion of Borrower's payments for Mortgage reinsurance, any other entity, or any affiliate of the foregoing, may receive (directly or indirectly) amounts from these agreements, Lender, any purchaser of the Note, another insurer, any As a result of these agreements, Lender, any purchaser of the Note, another insurer, any obtained from Mortgage Premiums).

Mortgage insurers evaluate their total risk on all such insurance in force from time to time, and it may incur if Borrower does not repay the Loan as agreed. Borrower is not a party to the Mortgage Insurance. Mortgagel insurance remunerates Lender (or any entity that purchases the Note) for certain losses (or parties) to these agreements. These agreements may require the mortgage insurer to make payments agreements are on terms and conditions that are satisfactory to the mortgage insurer and the other party may enter into agreements with other parties that share or modify their risk, or reduce losses. These may require separately designated payments toward the premiums for Mortgage Insurance, Borrower shall pay the premiums required to maintain Mortgage Insurance in effect, or to provide a non-refundable loss reserve, until Lender's requirement for Mortgage Insurance ends in accordance with any written agreement between Borrower and Lender providing for such termination or until termination is required by Applicable Law. Noticing in this Section 10 affects Borrower's obligation to pay interest at the rate provided in the Note.

Mortgage Insurance requires payment of making the Loan and Borrower was required to make separately required to pay separately designated payments toward the premiums for Mortgage Insurance. If Lender required reserves payable separately designated payments toward the premiums for Mortgage Insurance, Borrower shall pay the premiums required to pay Borrower any interest or earnings on such a loss reserve. Lender can no longer require non-refundable, notwithstanding the fact that the Loan is ultimately paid in full, and Lender shall be these payments as a non-refundable loss reserve in lieu of Mortgage Insurance. Such loss reserve shall be that were due when the insurance coverage ceases to be in effect. Lender will accept, use and retain ultimate mortgage insurer selected by Lender again becomes available, is obtained, and Lender losses reserved to pay Borrower any interest or earnings on such a loss reserve. Lender shall continue to pay to Lender the amount of the separately designated payments that are due when the insurance coverage ceases to be in effect. Lender will accept, use and retain not available, Borrower shall continue to pay to Lender the amount of the separately designated payments substantially equivalent to the cost to Borrower of the Mortgage Insurance previously in effect, at a cost obtain coverage substantially equivalent to the cost to Borrower of the Mortgage Insurance previously in effect, at a cost payments toward the premiums for Mortgage Insurance, Borrower shall pay the premiums required to insure that previously provided such insurance and Borrower was required to make separately designated reason, the Mortgage Insurance coverage required by Lender ceases to be available from the mortgage loan, Borrower shall pay the premiums required to maintain the Mortgage Insurance in effect. If, for any unless Lender agrees to the merger in writing.

If this Security Instrument is on a leasehold, Borrower shall comply with all the provisions of the lease. If Borrower acquires fee title to the Property, the leasehold and the fee title shall not merge unless Lender retains the title to the Property, the leasehold and the fee title shall not merge.

Any amounts disbursed by Lender under this Section 9 shall become additional debt of Borrower disbursed and shall be payable, with such interest, upon notice from Lender to Borrower requesting secured by this Security Instrument. These amounts shall bear interest at the Note rate from the date of incurs no liability for not taking any or all actions authorized under this Section 9.

Lender does not have to do so and is not under any duty or obligation to do so. It is agreed that Lender conditions, and have utilities turned on or off. Although Lender may take action under this Section 9, doors and windows, drain water from pipes, eliminate building or other code violations or dangerous includes, but is not limited to, entering the Property to make repairs, change locks, replace or board up Security instrument, including its secured position in a bankruptcy proceeding. Securing the Property (c) paying reasonable attorney fees to protect its interest in the Property and/or rights under this instrument, securing and/or repairing the Property. Lender's actions can include, but are not limited to: (a) paying any sums secured by a lien which has priority over this Security Instrument; (b) appearing in court; and (c) paying and/or repairing the Property. Lender's actions can include, but are not limited to: (a) paying security under this Security instrument, including protecting the value of the Property, and negotiating with whomever is reasonable or appropriate to protect Lender's interest in the Property, and may do and pay for whatever is reasonable or appropriate to protect Lender's interest in the Property and instrument or to enforce laws or regulations), or (c) Borrower has abandoned the Property, then Lender condominium or forfeiture, for enforcement of a lien which may attain priority over this Security instrument or to

11. Assignment of Miscellaneous Proceeds; Forfeiture. All Miscellaneous Proceeds are hereby assigned to and shall be paid to Lender.

If the Property is damaged, such Miscellaneous Proceeds shall be applied to restoration or repair of the Property, if the restoration or repair is economically feasible and Lender's security is not lessened. During such repair and restoration period, Lender shall have the right to hold such Miscellaneous Proceeds until Lender has had an opportunity to inspect such Property to ensure the work has been completed to Lender's satisfaction, provided that such inspection shall be undertaken promptly. Lender may pay for the repairs and restoration in a single disbursement or in a series of progress payments as the work is completed. Unless an agreement is made in writing or Applicable Law requires interest to be paid on such Miscellaneous Proceeds, Lender shall not be required to pay Borrower any interest or earnings on such Miscellaneous Proceeds. If the restoration or repair is not economically feasible or Lender's security would be lessened, the Miscellaneous Proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with the excess, if any, paid to Borrower. Such Miscellaneous Proceeds shall be applied in the order provided for in Section 2.

In the event of a total taking, destruction, or loss in value of the Property, the Miscellaneous Proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with the excess, if any, paid to Borrower.

In the event of a partial taking, destruction, or loss in value of the Property in which the fair market value of the Property immediately before the partial taking, destruction, or loss in value is equal to or greater than the amount of the sums secured by this Security Instrument immediately before the partial taking, destruction, or loss in value, unless Borrower and Lender otherwise agree in writing, the sums secured by this Security Instrument shall be reduced by the amount of the Miscellaneous Proceeds multiplied by the following fraction: (a) the total amount of the sums secured immediately before the partial taking, destruction, or loss in value divided by (b) the fair market value of the Property immediately before the partial taking, destruction, or loss in value. Any balance shall be paid to Borrower.

In the event of a partial taking, destruction, or loss in value of the Property in which the fair market value of the Property immediately before the partial taking, destruction, or loss in value is less than the amount of the sums secured immediately before the partial taking, destruction, or loss in value, unless Borrower and Lender otherwise agree in writing, the Miscellaneous Proceeds shall be applied to the sums secured by this Security Instrument whether or not the sums are then due.

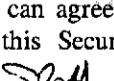
If the Property is abandoned by Borrower, or if, after notice by Lender to Borrower that the Opposing Party (as defined in the next sentence) offers to make an award to settle a claim for damages, Borrower fails to respond to Lender within 30 days after the date the notice is given, Lender is authorized to collect and apply the Miscellaneous Proceeds either to restoration or repair of the Property or to the sums secured by this Security Instrument, whether or not then due. "Opposing Party" means the third party that owes Borrower Miscellaneous Proceeds or the party against whom Borrower has a right of action in regard to Miscellaneous Proceeds.

Borrower shall be in default if any action or proceeding, whether civil or criminal, is begun that, in Lender's judgment, could result in forfeiture of the Property or other material impairment of Lender's interest in the Property or rights under this Security Instrument. Borrower can cure such a default and, if acceleration has occurred, reinstate as provided in Section 19, by causing the action or proceeding to be dismissed with a ruling that, in Lender's judgment, precludes forfeiture of the Property or other material impairment of Lender's interest in the Property or rights under this Security Instrument. The proceeds of any award or claim for damages that are attributable to the impairment of Lender's interest in the Property are hereby assigned and shall be paid to Lender.

All Miscellaneous Proceeds that are not applied to restoration or repair of the Property shall be applied in the order provided for in Section 2.

12. 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 Borrower or any Successor in Interest of Borrower shall not operate to release the liability of Borrower or any Successors in Interest of Borrower. Lender shall not be required to commence proceedings against any Successor in Interest of Borrower or to 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 any Successors in Interest of Borrower. Any forbearance by Lender in exercising any right or remedy including, without limitation, Lender's acceptance of payments from third persons, entities or Successors in Interest of Borrower or in amounts less than the amount then due, shall not be a waiver of or preclude the exercise of any right or remedy.

13. Joint and Several Liability; Co-signers; Successors and Assigns Bound. Borrower covenants and agrees that Borrower's obligations and liability shall be joint and several. However, any Borrower who co-signs this Security Instrument but does not execute the Note (a "co-signer"): (a) is co-signing this Security Instrument only to mortgage, grant and convey the co-signer'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 can agree to extend, modify, forbear or make any accommodations with regard to the terms of this Security Instrument or the Note without the co-signer's consent.

Borrower's Initials 

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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 given in accordance with Section 15 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 without further notice or demand on Borrower.

Borrower is not a natural person and a beneficial interest in Borrower is sold or transferred (or 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 given in accordance with Section 15 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. However, this option shall not be exercised by Lender if such exercise is prohibited by Applicable Law.

Lender's prior written consent, Lender may require immediate payment in full of all sums secured by this Security Instrument. However, this option shall not be exercised by Lender if such exercise is prohibited by Applicable Law.

If all or any part of the Property or any interest in the Property is sold or transferred (or if purchaser is not a natural person and a beneficial interest in Borrower is sold or transferred) without Lender's prior written consent, Lender may require immediate payment in full of all sums secured by this Security Instrument. However, this option shall not be exercised by Lender if such exercise is prohibited by Applicable Law.

If all or any part of the Property or any interest in the Property is sold or transferred (or if purchaser is not a natural person and a beneficial interest in Borrower is sold or transferred) without Lender's prior written consent, Lender may require immediate payment in full of all sums secured by this Security Instrument. However, this option shall not be exercised by Lender if such exercise is prohibited by Applicable Law.

18. Transfer of the Property or a Beneficial Interest in Borrower. As used in this Section 18, "Interest in the Property" means any legal or beneficial interest in the Property, including, but not limited to, those beneficial interests transferred in a bond for deed, contract for deed, installment sales contract or escrow agreement, the intent of which is the transfer of title by Borrower at a future date to a purchaser.

If all or any part of the Property or any interest in the Property is sold or transferred (or if purchaser is not a natural person and a beneficial interest in Borrower is sold or transferred) without Lender's prior written consent, Lender may require immediate payment in full of all sums secured by this Security Instrument.

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

As used in this Security Instrument: (a) words of the masculine gender shall mean and include

words of the plural and vice versa; and (c) the word "may" gives sole discretion without any obligation to take any action.

Given effect without the conflicting provisions.

16. Governing Law; Severability; Rules of Construction. This Security Instrument shall be governed by federal law and the law of the state in which the Property is located. All rights and

obligations contained in this Security Instrument are subject to any requirements and limitations of Applicable Law. Applicable Law might expressly allow the parties to agree by contract or in the event that any provision of this Security Instrument or clause of the Note conflicts with Applicable Law, such conflict shall not affect other provisions of this Security Instrument or the Note which can be

settled by Lender. If any notice required by this Security Instrument is also required under Applicable Law, such notice shall not be construed as a prohibition against any contract. In

the event that any provision of this Security Instrument or clause of the Note conflicts with Applicable Law, such notice shall not be construed as a prohibition against any contract. In

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19. Borrower's Right to Reinstate After Acceleration. If Borrower meets certain conditions, Borrower shall have the right to have enforcement of this Security Instrument discontinued at any time prior to the earliest of: (a) five days before sale of the Property pursuant to any power of sale contained in this Security Instrument; (b) such other period as Applicable Law might specify for the termination of Borrower's right to reinstate; or (c) entry of a judgment enforcing this Security Instrument. Those conditions are that Borrower: (a) pays Lender all sums which then would be due under this Security Instrument and the Note as if no acceleration had occurred; (b) cures any default of any other covenants or agreements; (c) pays all expenses incurred in enforcing this Security Instrument, including, but not limited to reasonable attorneys' fees, property inspection and valuation fees, and other fees incurred for the purpose of protecting Lender's interest in the Property and rights under this Security Instrument; and (d) takes such action as Lender may reasonably require to assure that Lender's interest in the Property and rights under this Security Instrument, and Borrower's obligation to pay the sums secured by this Security Instrument, shall continue unchanged. Lender may require that Borrower pay such reinstatement sums and expenses in one or more of the following forms, as selected by Lender: (a) cash; (b) money order; (c) certified check, bank check, treasurer's check or cashier's check, provided any such check is drawn upon an institution whose deposits are insured by a federal agency, instrumentality or entity; or (d) Electronic Funds Transfer. Upon reinstatement by Borrower, this Security Instrument and obligations secured hereby shall remain fully effective as if no acceleration had occurred. However, this right to reinstate shall not apply in the case of acceleration under Section 18.

20. Sale of Note; Change of Loan Servicer; Notice of Grievance. The Note or a partial interest in the Note (together with this Security Instrument) can be sold one or more times without prior notice to Borrower. A sale might result in a change in the entity (known as the "Loan Servicer") that collects Periodic Payments due under the Note and this Security Instrument and performs other mortgage loan servicing obligations under the Note, this Security Instrument, and Applicable Law. There also might be one or more changes of the Loan Servicer unrelated to a sale of the Note. If there is a change of the Loan Servicer, Borrower will be given written notice of the change which will state the name and address of the new Loan Servicer, the address to which payments should be made and any other information RESPA requires in connection with a notice of transfer of servicing. If the Note is sold and thereafter the Loan is serviced by a Loan Servicer other than the purchaser of the Note, the mortgage loan servicing obligations to Borrower will remain with the Loan Servicer or be transferred to a successor Loan Servicer and are not assumed by the Note purchaser unless otherwise provided by the Note purchaser.

Neither Borrower nor Lender may commence, join, or be joined to any judicial action (as either an individual litigant or the member of a class) that arises from the other party's actions pursuant to this Security Instrument or that alleges that the other party has breached any provision of, or any duty owed by reason of, this Security Instrument, until such Borrower or Lender has notified the other party (with such notice given in compliance with the requirements of Section 15) of such alleged breach and afforded the other party hereto a reasonable period after the giving of such notice to take corrective action. If Applicable Law provides a time period which must elapse before certain action can be taken, that time period will be deemed to be reasonable for purposes of this paragraph. The notice of acceleration and opportunity to cure given to Borrower pursuant to Section 22 and the notice of acceleration given to Borrower pursuant to Section 18 shall be deemed to satisfy the notice and opportunity to take corrective action provisions of this Section 20.

21. Hazardous Substances. As used in this Section 21: (a) "Hazardous Substances" are those substances defined as toxic or hazardous substances, pollutants, or wastes by Environmental Law and the following substances: gasoline, kerosene, other flammable or toxic petroleum products, toxic pesticides and herbicides, volatile solvents, materials containing asbestos or formaldehyde, and radioactive materials; (b) "Environmental Law" means federal laws and laws of the jurisdiction where the Property is located that relate to health, safety or environmental protection; (c) "Environmental Cleanup" includes any response action, remedial action, or removal action, as defined in Environmental Law; and (d) an "Environmental Condition" means a condition that can cause, contribute to, or otherwise trigger an Environmental Cleanup.

Borrower shall not cause or permit the presence, use, disposal, storage, or release of any Hazardous Substances, or threaten to release any Hazardous Substances, on or in the Property. Borrower shall not do, nor allow anyone else to do, anything affecting the Property (a) that is in violation of any Environmental Law, (b) which creates an Environmental Condition, or (c) which, due to the presence, use, or release of a Hazardous Substance, creates a condition that adversely affects the value of the Property. The preceding two sentences shall not apply to the presence, use, or storage on the Property of small quantities of Hazardous Substances that are generally recognized to be appropriate to normal residential uses and to maintenance of the Property (including, but not limited to, hazardous substances in consumer products).

Borrower's Initials SJH

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EXTEND CREDIT, OR TO FORBEAR FROM ENFORCING REPAYMENT
ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY,

OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

26. Attorneys' Fees. Lender shall be entitled to recover its reasonable attorneys' fees and costs in any action or proceeding to enforce any term of this Security Instrument. The term "attorneys' fees", whenever used in this Security Instrument, shall include without limitation attorney's fees incurred by Lender in any bankruptcy proceeding or on appeal.

25. Use of Property. The Property is not used principally for agricultural purposes.

24. 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.

23. Recoveryance. Upon payment of all sums secured by this Security Instrument, Lender shall receive payment of the Trustee's fee for preparing the recoveryance.

22. Acceleration; Remedies. If Lender invokes the power of sale under this Security Instrument at any time and place fixed in the notice of sale, Lender or its designee may purchase 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 auction of the Property 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/or any other remedies permitted by Applicable Law. Lender 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, Trustee, without demand on Borrower, shall sell the Property at public auction of the notice of sale, after persons as Applicable Law may require. After the time required by Applicable Law and to other persons as Applicable Law may require notice 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 Lender in event of default and of Lender's election to assert the non-existence of a default occurring at any time and place and under the terms of this Agreement.

21. Lender's Power of Sale. If Lender invokes the power of sale, Lender shall give written notice to Trustee of the non-existence of a default and Lender shall take such action to bring a court action to assert the non-existence of a default occurring at any time and place and under the terms of this Agreement. Trustee shall deliver to the purchaser Trustee's deed conveying the Property without any documentation at the time and place fixed in the notice of sale. Lender or its designee may purchase the Property at any sale.

20. Lender's Power of Sale. If Lender invokes the power of sale, Lender shall give written notice to Trustee of the non-existence of a default occurring at any time and place and under the terms of this Agreement. Trustee shall deliver to the purchaser Trustee's deed conveying the Property without any documentation at the time and place fixed in the notice of sale. Lender or its designee may purchase the Property at any sale.

19. Lender's Power of Sale. If Lender invokes the power of sale, Lender shall give written notice to Trustee of the non-existence of a default occurring at any time and place and under the terms of this Agreement. Trustee shall deliver to the purchaser Trustee's deed conveying the Property without any documentation at the time and place fixed in the notice of sale. Lender or its designee may purchase the Property at any sale.

18. Acceleration; Remedies. Lender shall further covenant and agree as follows:

NON-UNIFORM COVENANTS. Borrower and Lender further covenant and agree as follows:

Borrower shall promptly give Lender written notice of (a) any investigation, claim, demand, acceleration on Lender for an Environmental Clean-up, necessary remedial actions in accordance with Environmental Law. Nothing herein shall create any liability for Lender for an Environmental Clean-up.

Lawsuit or other action by any governmental or regulatory agency or private party involving the Property and any Hazardous Substance or agreement or condition causing the release of a Hazardous Substance affecting the value of the Property. If Borrower learns, or is notified

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

Steven G Hayes
STEVEN G HAYES

Cheryl R Hayes
CHERYL R HAYES

[Space Below This Line for Acknowledgment]

STATE OF WASHINGTON)

) ss.

COUNTY OF SKAGIT)

I certify that I know or have satisfactory evidence that _____

STEVEN G HAYES AND CHERYL R HAYES

[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.

Dated: MAY 5 2003

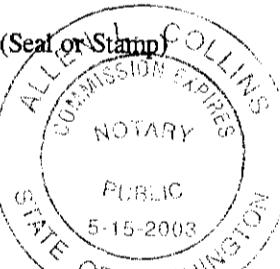
Allison J. Collins
(Signature)

Notary Public in and for the State of Washington,

residing at Mount Vernon

My commission expires 05-15-2003

STATE OF _____)



) ss.

COUNTY OF _____)

I certify that I know or have satisfactory evidence that _____

[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 _____

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

(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.

Dated: _____

(Seal or Stamp)

(Signature)

Notary Public in and for the State of _____,

residing at _____

My commission expires _____

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ADDENDUM TO UNIFORM DEED OF TRUST

Date: May 5th, 2003

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

STEVEN G HAYES AND CHERYL R HAYES, HUSBAND AND WIFE

as Grantor/Borrower; Washington Services, Inc., A Washington Corporation
as Trustee; and WASHINGTON FEDERAL SAVINGS as Beneficiary/Lender.

1. OCCUPANCY OF THE PROPERTY BY BORROWER.

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.

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

"Borrower shall occupy, establish and use the Property as Borrower's principal residence within sixty (60) days after the execution 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 thereafter exercise any remedy permitted by the Security Instrument, including suit on the Note or foreclosure upon the Security Interest and the Property; or (b) Lender may adjust the interest rate on the Note (and any monthly payment occasioned by such adjustment) to Lender's 'Non-Occupancy Note Rate' which existed as of the date of the Note and Security Instrument and require further consideration for not calling the loan immediately due and payable, including but not limited to (i) having Borrower convey to Lender a Fannie Mae Multistate 1-4 Family Rider (Assignment of Rents) and (ii) having Borrower pay any 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."

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

2. ADDITIONAL SPECIAL COVENANTS.

A. **Additional Advance(s)**

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 advance, including costs and expenses incurred by Lender, is made pursuant to this Security 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.

Borrower's Initials SCH

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E. **E-Z Pay Option.** If Borrower elects the E-Z Pay option at the inception of this loan, then Lender shall receive payment from Borrower in two hundred dollar (\$200) pay periods. If Lender's account balance falls below the minimum amount required for the E-Z Pay option, then Lender may demand that Borrower pay the difference in full. Lender shall inform Borrower of this election in writing and then be due and payable in full. Lender shall bear interest on this charge at the rate set forth in the Note. 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 rate set forth in the Note.

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 has otherwise becomes unavailable to Lender for the loan, or in the event Borrower otherwise fails to timely make a payment when due, Lender to terminate the E-Z Pay option, then Lender shall immediately begin to demand payment in full. Lender shall demand payment in full upon default or breach of this Security Instrument and Addendum shall be incorporated by reference in and be a part of this Security Instrument and Addendum shall be breached by Borrower along with this Construction Loan Agreement & Assignment of Account signed by Borrower and Lender ("Construction Loan"), then the construct or remodel a residential dwelling on the Property ("custom construction loan"), then the "Custom" Construction Loans. If this Security Instrument secures permanent financing to whereupon Borrower shall be deemed to be in default of this Security Instrument.

G. **Mandatory Flood Insurance for Property in Special Flood Hazard Areas.** Upon notice to Borrower of such determinations, that adequate flood insurance be maintained for the flood insurance as part of said funds, Lender shall be entitled to obtain "forced place" flood insurance coverage for the property improvements of the Borrower 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 such coverage to the property balance of the loan or apply the payment as a "negative reserve", such coverage to the principal balance of the loan or apply the payment as a "negative reserve", insurance coverage for the property improvements and, in so doing, either capitalize the cost of insurance as part of said funds, Lender shall be entitled to obtain "forced place" flood insurance as part of the principal balance of the loan or apply the payment as a "negative reserve".

H. **"Custom" Construction Loans.** If this Security Instrument secures permanent financing to whereupon Borrower shall be deemed to be in default of this Security Instrument, whereupon Borrower shall be deemed to be in default of this Security Instrument.

I. **"Recovery of Non-Uniform Covenants.** Lender shall determine whether this Security Instrument 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 determinations, that adequate flood insurance be maintained for the SFHA), then to the extent flood insurance is available for the property, Lender will require, upon notice to Borrower of such determinations, that adequate flood insurance be maintained for the SFHA), then to the extent flood insurance is available for the property, Lender will require, upon notice to Borrower of such determinations, that adequate flood insurance be maintained for the SFHA).

J. **Non-Uniform Covenants.** Lender shall release to recipient the Property and shall surrender this Security Instrument and all notes evidencing debt secured by this Security Instrument to Trustee. Trustee shall release or record 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.

K. **Repayment After Payment of Loan in Full.** Non-Uniform Covenant 23 of this Security Instrument is revised to read as follows:

Lender shall request Trustee to release to recipient the Property and shall surrender this Security Instrument and all notes evidencing debt secured by this Security Instrument to Trustee. Trustee shall release or record 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.

M. **Lender's Right of Acceleration and Judicial Foreclosure.** Lender's rights under this instrument are amended by the addition of the following language, which shall modify the terms of Uniform Covenant 22 to the extreme set forth immediately below:

- G. **Hazard, Property, or Flood Insurance.** Without affecting the language contained in Covenants 3, 5, and 7 of the Security Instrument and paragraph D above, Borrower is advised as follows:

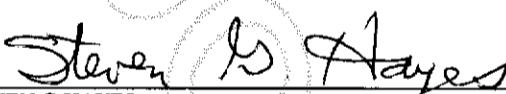
WARNING

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, but need not, also 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.

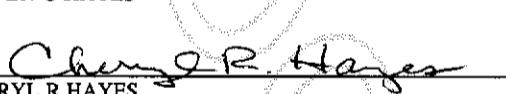
Borrower is responsible for the cost of any insurance purchased by Lender. The cost of this insurance may be added to the loan balance. If the cost is added to the loan balance, the interest rate on the underlying loan will apply to this added amount. The effective date of coverage may be the date the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

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.

- 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.
- 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.



STEVEN G HAYES



CHERYL R HAYES

