

Return to:
WASHINGTON FEDERAL SAVINGS
Anacortes Office
PO Box 97
Anacortes WA 98221
Attn: _____

200308210140
Skagit County Auditor
8/21/2003 Page 1 of 14 3:50PM

050 200 272072-0

Assessor's Parcel or Account Number: 38097060220003

Abbreviated Legal Description: LTS 21 AND 22, BLK 706, NORTHERN PACIFIC ADDITION TO THE CITY OF ANACORTES

Full legal description on page 2.

[Space Above This Line For Recording Data] _____

CHICAGO TITLE CO.
C28294

DEED OF TRUST

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 August 18th 2003, together with all Riders to this document.

(B) "Borrower" is VITOMIR R Ruzich AND MARIA J Ruzich, 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 August 18th 2003.

The Note states that Borrower owes Lender

ONE HUNDRED EIGHTY FIVE THOUSAND AND NO/100S

Dollars (U.S. \$185,000.00) plus interest. Borrower has promised to pay this debt in regular Periodic Payments and to pay the debt in full not later than September 1st 2033.

(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 *J.R.*

Skagit County Auditor
200308210140


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

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 replacement and additions shall also be by the Security Instrument. All of the foregoing is referred to in this Security Instrument as the "Property".

ANACORTES	[City]
[Street]	Washington 98221
[Zip Code]	

which currently has the address of 3319 W 3RD STREET

SITUATED IN SKAGIT COUNTY, WASHINGTON.

LOTS 21 AND 22, BLOCK 706, NORTHERN PARCIAL ADDITION TO THE CITY OF ANACORTES, ACCORDING TO THE PLAT THEREOF RECORDED IN VOLUME 2 OF PLATS, PAGES 9 THROUGH 11, 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 to Lender, in trust, with power of sale, the following described property located in County, Washington.

SKAGIT
This Security Instrument and the Note, and/or this Security Instrument, not that party has assumed Borrower's obligations under the Note and/or this Security Instrument, (Q) "Successor in Interest of Borrower" means any party that has taken title to the Property, whether or regarding to a "federally related mortgage loan", even if the Loan does not qualify as a "federally related mortgage loan" under RESPA. used in this Security Instrument, RESPA refers to all requirements and restrictions that are imposed in time, or any additional or successor legislation or regulation that governs the same subject matter. As (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, plus (ii) any amounts under Section 3 of this Security Instrument.

(O) "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 Loan.

(M) "Miscellaneous Proceeds" means any compensation paid under the coverage 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) "Escrow Item" means 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 teller machine transactions, transfers initiated by telephone, wire transfers, and automated clearinghouse transfers.

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 

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

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Skagit County Auditor



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

If Borrower fails to maintain any of the coverages described above, Lender may obtain insurance upon notice from Lender to Borrower requesting payment. Borrower shall bear interest at the Note rate from the date of disbursement and shall be payable, with such interest, Section 5 shall become additional debt of Borrower secured by this Security Instrument. These amounts cost of insurance that the 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 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 or might not provide coverage, at Lender's option and Borrower's expense. Lender is under no obligation to purchase any coverage, except Borrower's liability to pay the review of any flood zone determination resulting from an objection by Borrower.

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 determination or certification. Borrower shall flood zone determination and certification services and subsequent charges each time remappings or charge for flood zone determination, certification and tracking services; or (b) a one-time charge for unreasonability. 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 might 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 other hazards including, but not limited to, earthquakes and floods, for which Lender requires any other hazards insuring the term "extended coverage", and 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.

Lender may require Borrower to pay a one-time charge for a real estate tax verification and/or 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 Section 3.

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, but only so long as Borrower is performing such agreement; (b) conveys the lien in good faith by, or defends against enforcement of the lien in, legal proceedings which in Lender's opinion operate to prevent the enforcement of the lien, but only until such proceedings are concluded; 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 can attain priority over this Security Instrument, Lender may give Borrower a notice identifying the lien. Within 10 days of the date on which that notice is given, Borrower shall notify Borrower as required by RESPA, but in no more than 12 months.

Upon payment in full of all sums secured by this Security Instrument, Lender shall promptly refund to Borrower any Funds held by Lender.

To the extent that these items are Escrow Items, Borrower shall pay them in the manner provided in Section 3.

Attributable to the Property which can attain priority over this Security Instrument, Lender shall make up the deficiency in accordance with RESPA, but in no more than 12 months.

If there is a surplus of Funds held in escrow, as defined under RESPA, Lender shall account to Borrower for the excess funds in accordance with RESPA. If there is a shortage of Funds held in escrow, as defined under RESPA, Lender shall notify Borrower as required by RESPA, and Borrower shall pay to Lender the amount necessary to make up the shortage in accordance with RESPA, but in no more than 12 months.

Unless Borrower has priority over this Security Instrument, Lender shall make up the deficiency in accordance with RESPA, but in no more than 12 months.

The Funds shall be held in an institution whose deposits are insured by a federal agency, 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, instrumentality, or entity (including Lender, if Lender is an institution whose deposits are so insured) or in any Federal Home Bank. Lender shall apply the Funds to pay the Escrow Items no later than the charge, an annual accounting of the Funds as required by RESPA.

The Funds shall be held in an institution whose deposits are insured by a federal agency, according to the time specified under RESPA, and (b) not to exceed the maximum amount current data and reasonable estimates of expenditures of future Escrow Items or otherwise in a, Lender can require under RESPA. Lender shall estimate the amount of Funds due on the basis of to apply the Funds at the time specified under RESPA, and (a) sufficient to permit Lender to repay 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 

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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.

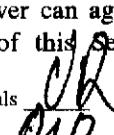
If the Property is abandoned by Borrower, or if, after notice by Lender to Borrower that the Opposing Party (as defined in the next sentence) offers to make an award to settle a claim for damages, Borrower fails to respond to Lender within 30 days after the date the notice is given, Lender is authorized 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 

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

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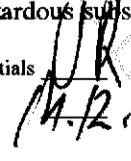
19. Borrower's Right to Reinstate After Acceleration. If Borrower meets certain conditions, Borrower shall have the right to have enforcement of this Security Instrument discontinued at any time prior to the earliest of: (a) five days before sale of the Property pursuant to any power of sale contained 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 

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Skagit County Auditor

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

ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY
EXTEND CREDIT, OR TO FORBEAR FROM ENFORCING REPAYMENT
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 convenience of the Property, the successor trustee shall succeed to all the title, power and duties conferred upon Trustee herein and by Applicable Law.

23. **Recovery.** Upon payment of all sums secured by this Security Instrument, Lender shall recordation costs and the Trustee's fee for preparing the conveyance.

Trustee to recover the Property and shall surrender this Security Instrument and all notes evidencing debt secured by this Security Instrument to Trustee. Trustee shall recover the Property without warranty to the person or persons legally entitled to it. Such persons shall pay any Trustee's and attorney's fees; (b) to all sums secured by this Security Instrument; and (c) any excess following order: (a) to all expenses of the sale, including, but not limited to, reasonable evidence of the truth of the statements made herein. Trustee shall apply the proceeds of the sale in accordance with Article 3 of implied. The details in the Trustee's deed shall be prima facie covenant or warranty, expressed or implied. After the time required by Applicable Law and to other persons as Applicable Law may require. After the time demanded on Borrower, shall sell the property at public auction to the highest bidder at the time and place and under the terms designed 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.

II 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 shall take such action regarding notice of sale and shall give such notices to Borrower and Lender at the time and place specified in the notice of sale. Lender gives written notice to Trustee of the reasonable attorney's fees and costs of title evidence.

II Lender invokes the remedies provided in this Section 22, including, but not limited to, incurred in pursuing the remedies provided in this Section 22, including, but not limited to, other remedies permitted by Applicable Law. Lender shall be entitled to collect all expenses in the notice of 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 in the notice, Lender at its option, may require immediate payment before the date specified 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 asserted 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 fail to cure the default on or before the date specified in the notice of acceleration of the sums secured by this Security Instrument and sale of the Property at public auction at a date prior to acceleration unless Applicable Law provides otherwise. The notice shall provide for acceleration: (a) the default; (b) the action required to cure the default; (c) a date, not less than 30 days prior to acceleration under Section 18 unless Applicable Law provides otherwise). The notice shall follow the date the notice is given to Borrower, by which the default must be cured; and (d) that Borrower shall give notice to Borrower to accelerate prior to acceleration of the date specified: (a) the default; (b) the action required to cure the default; (c) a date, not less than 30 days prior to acceleration under Section 18 unless Applicable Law provides otherwise).

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, lawsuit or other action by any governmental or regulatory agency or private party involving the Property and any Hazardous Substance under Environmental Law of which Borrower has actual knowledge, (b) any Environmental Condition, including but not limited to, any spilling, leaking, discharging, release or threat of release of any Hazardous Substance, and (c) any condition caused by the presence, use or release of a Hazardous Substance which adversely affects the value of the Property. If Borrower learns, or is notified of any Hazardous Substance affecting the Property, or any private party, that any removal or other remediation by any government or regulatory authority, or any private party, of any Hazardous Substance is necessary or necessary to protect the health and safety of the public or environment, Borrower shall promptly take all necessary remedial actions in accordance with Environmental Clean-up.

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.

VITOMIR R. RUZICH
MARIA J. RUZICH

[Space Below This Line for Acknowledgment]

STATE OF WASHINGTON

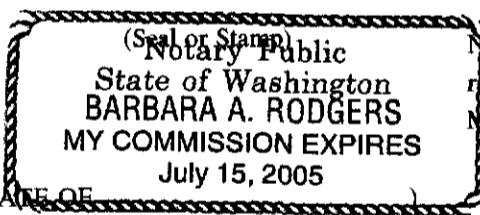
COUNTY OF SKAGIT

I certify that I know or have satisfactory evidence that VITOMIR R RUZICH AND
MARIA J RUZICH

[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: 8/18/03



STATE OF _____
COUNTY OF _____

I certify that I know or have satisfactory evidence that _____

(Signature)

Notary Public in and for the State of WASHINGTON,
residing at ANACORTES
My commission expires 7/15/05

[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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Skagit County Auditor

ADDENDUM TO UNIFORM DEED OF TRUST

Date: August 18th, 2003

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

VITOMIR R Ruzich AND MARIA J Ruzich, 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 VR

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Skagit County Auditor



payable in accordance with the terms of the Note.

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

such default or breach.

entitling Lender to any and all remedies allowed by the Security Instrument and applicable law for Assignment of Account shall constitute a default or breach of this Security Instrument, thereby Security Instrument and Addendum shall be incorporated by reference in and be a part of this Construction Loan Agreement & Assignment of Account signed by Borrower along with this Construction Loan Agreement, that adequate flood insurance does not voluntarily pay "Escrow Items" (reserves) for flood insurance premiums; and if Borrower does not regulate, of the Funds defined under Covenant 3, and to the extent authorized by general law and regulation, improvements of the Property at Borrower's expense, and Lender shall be entitled to collect, as part notice to Borrower of such determination, that adequate flood insurance be maintained for the upon (SFHA), then to the extent flood insurance is available for the Property, Lender will require, Management Agency (FEMA), or its successor agency, to be within a Special Flood Hazard Area "If the Property is now or shall ever during this loan be determined by the Federal Emergency

whereupon Borrower shall be deemed to be in default of this Security Instrument.

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

3 and 5 are modified so as to add the following language which affects both covenants:

D. Mandatory Flood Insurance for Property in Special Flood Hazard Areas. Uniform Covenants

recoveryance."

it. Such person or persons shall pay any recordation costs and reasonable trustee's fee for release or shall release or recover the Property without warranty to the person or persons legally entitled to instrument and all notes evidencing debt secured by this Security Instrument to Trustee. Trustee Lender shall request Trustee to release or recover the Property and shall surrender this Security Lender shall request Trustee to release or recover the Property and shall surrender this Security

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

"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 remittance rights if Lender nonwithstanding any provision of Uniform Covenant 19 and Non-Uniform Covenant 22 of this Security instrument, it is its own option, elects to accelerate the Security Instrument by a statutory right of redemption protection Borrower in the event of judicial foreclosure. Therefore, elects non-judicial foreclosure under its power of sale in the event of default, and that Borrower has Covenant 22 are intended to avail Borrower of certain notice and remittance rights if Lender a statutory right of redemption protection Borrower in the event of judicial foreclosure. Therefore, non-judicial foreclosure under its power of sale in the event of default, and that Borrower has

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

Non-Uniform Covenant 22 to the extent set forth immediately below:

the addition of the following language, which shall modify the terms of Uniform Covenant 19 and Uniform Covenant 19 and Non-Uniform Covenant 22 of the Security instrument are amended by

- 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.

VITOMIR K RUZICH
MARIA J RUZICH

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Skagit County Auditor
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