



200601230198
Skagit County Auditor

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This Space Provided for Recorder's Use

When Recorded Return To: SECURED FUNDING CORP.
2955 REDHILL AVENUE
COSTA MESA, CALIFORNIA 92626

Document Title(s) DEED OF TRUST
Grantor(s) DAVID F. YARNALL AND GAIL YARNALL

Grantee(s) LAWYERS TITLE AND ESCROW
SECURED FUNDING CORP., A CALIFORNIA CORPORATION
Legal Description

Assessor's Property Tax Parcel or Account Number 3772-073-010-0005
Reference Numbers of Documents Assigned or Released

118131-TA

State of Washington Space Above This Line For Recording Data

Loan No. W-0001190738

Title Order No. 118131-TA

Escrow No.

DEED OF TRUST

(With Future Advance Clause)

MIN: 1001371-0001190738-5

1. **DATE AND PARTIES.** The date of this Deed of Trust (Security Instrument) is JANUARY 17, 2006 and the parties, their addresses and tax identification numbers, if required, are as follows:

GRANTOR:

DAVID F. YARNALL AND GAIL YARNALL, HUSBAND AND WIFE

t If checked, refer to the attached Addendum incorporated herein, for additional Grantors, their signatures and acknowledgments.

TRUSTEE:

LAWYERS TITLE AND ESCROW

"MERS" is Mortgage Electronic Registration Systems, Inc. MERS is a separate corporation that is acting solely as a nominee for Lender and Lender's successors and assigns. MERS is the beneficiary under this Security Instrument. MERS is organized and existing under the laws of Delaware, and has an address and telephone number of P.O. Box 2026, Flint, MI 48501-2026, tel. (888) 679-MERS.

LENDER:

SECURED FUNDING CORP., A CALIFORNIA CORPORATION
2955 REDHILL AVENUE; COSTA MESA, CALIFORNIA 92626

2. **CONVEYANCE.** The beneficiary of this Security Instrument is MERS (solely as nominee for Lender and Lender's successors and assigns) and the successors and assigns of MERS. For good and valuable consideration, the receipt and sufficiency of which is acknowledged, and to secure the Secured Debt (defined below) and Grantor's performance under this Security Instrument, Grantor irrevocably grants, conveys and sells to Trustee, in trust for the benefit of Lender, with power of sale, the following described property:

LOTS 9 AND 10, BLOCK 73, "MAP OF THE CITY OF ANACORTES, SKAGIT COUNTY, WASHINGTON," AS PER PLAT RECORDED IN VOLUME 2 OF PLATS, PAGE 4, RECORDS OF SKAGIT COUNTY, WASHINGTON. SITUATE IN THE CITY OF ANACORTES, COUNTY OF SKAGIT, STATE OF WASHINGTON.

PARCEL NUMBER: 3772-073-010-0005

The property is located in SKAGIT (County) at 1219 5TH STREET (Address), ANACORTES (City), Washington (State), 98221 (ZIP Code)

WASHINGTON - HOME EQUITY LINE OF CREDIT DEED OF TRUST

(NOT FOR FNMA, FHLMC, FHA OR VA USE; NOT FOR USE WITH PROPERTY USED FOR AGRICULTURAL PURPOSES)

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Together with all rights, easements, appurtenances, royalties, mineral rights, oil and gas rights, all water and riparian rights, ditches, and water stock and all existing and future improvements, structures, fixtures, and replacements that may now, or at any time in the future, be part of the real estate described above (all referred to as "Property"). Grantor understands and agrees that MERS holds only legal title to the interests granted by Grantor in this Security Instrument; but, if necessary to comply with law or custom, MERS (as nominee for Lender and Lender's successors and assigns) has the right: to exercise any or all of those interests, including, but not limited to, the right to foreclose and sell the Property, and to take any action required of Lender, including but not limited to, releasing and canceling this Security Instrument.

3. **MAXIMUM OBLIGATION LIMIT.** The total principal amount secured by this Security Instrument at any one time shall not exceed \$ 152,000.00 This limitation of amount does not include interest and other fees and charges validly made pursuant to this Security Instrument. Also, this limitation does not apply to advances made under the terms of this Security Instrument to protect Lender's security and to perform any of the covenants contained in this Security Instrument.

4. **SECURED DEBT AND FUTURE ADVANCES.** The term "Secured Debt" is defined as follows:
A. Debt incurred under the terms of all promissory note(s), contract(s), guaranty(s) or other evidence of debt described below and all their extensions, renewals, modifications or substitutions. (You must specifically identify the debt(s) secured and you should include the final maturity date of such debt(s).)

THE TOTAL PRINCIPAL AMOUNT SECURED BY THIS SECURITY INSTRUMENT IS: \$ 152,000.00
HOME EQUITY LINE SECURITY AGREEMENT DATED: JANUARY 17 , 2006
THIS OBLIGATION IS DUE AND PAYABLE ON: FEBRUARY 01 , 2031

B. All future advances from Lender to Grantor or other future obligations of Grantor to Lender under any promissory note, contract, guaranty, or other evidence of debt executed by Grantor in favor of Lender executed after this Security Instrument whether or not this Security Instrument is specifically referenced. If more than one person signs this Security Instrument, each Grantor agrees that this Security Instrument will secure all future advances and future obligations that are given to or incurred by any one or more Grantor, or any one or more Grantor and others. All future advances and other future obligations are secured by this Security Instrument even though all or part may not yet be advanced. All future advances and other future obligations are secured as if made on the date of this Security Instrument. Nothing in this Security Instrument shall constitute a commitment to make additional or future loans or advances in any amount. Any such commitment must be agreed to in a separate writing.

C. All other obligations Grantor owes to Lender, which may later arise, to the extent not prohibited by law, including, but not limited to, liabilities for overdrafts relating to any deposit account agreement between Grantor and Lender.

D. All additional sums advanced and expenses incurred by Lender for insuring, preserving or otherwise protecting the Property and its value and any other sums advanced and expenses incurred by Lender under the terms of this Security Instrument.

In the event that Lender fails to provide any necessary notice of the right of rescission with respect to any additional indebtedness secured under paragraph B of this Section, Lender waives any subsequent security interest in the Grantor's principal dwelling that is created by this Security Instrument (but does not waive the security interest for the debts referenced in paragraph A of this Section).

5. **DEED OF TRUST COVENANTS.** Grantor agrees that the covenants in this section are material obligations under the Secured Debt and this Security Instrument. If Grantor breaches any covenant in this section, Lender may refuse to make additional extensions of credit and reduce the credit limit. By not exercising either remedy on Grantor's breach, Lender does not waive Lender's right to later consider the event a breach if it happens again.

Payments. Grantor agrees that all payments under the Secured Debt will be paid when due and in accordance with the terms of the Secured Debt and this Security Instrument.

Prior Security Interests. With regard to any other mortgage, deed of trust, security agreement or other lien document that created a prior security interest or encumbrance on the Property, Grantor agrees to make all payments when due and to perform or comply with all covenants. Grantor also agrees not to allow any modification or extension of, nor to request any future advances under any note or agreement secured by the lien document without Lender's prior written approval.

Claims Against Title. Grantor will pay all taxes, assessments, liens, encumbrances, lease payments, ground rents, utilities, and other charges relating to the Property when due. Lender may require Grantor to provide to Lender copies of all notices that such amounts are due and the receipts evidencing Grantor's payment. Grantor will defend title to the Property against any claims that would impair the lien of this Security Instrument. Grantor agrees to assign to Lender, as requested by Lender, any rights, claims or defenses Grantor may have against parties who supply labor or materials to maintain or improve the Property.

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Property Condition, Alterations and Inspection. Grantor will keep the Property in good condition and make all repairs that are reasonably necessary. Grantor shall not commit or allow any waste, impairment, or deterioration of the Property. Grantor agrees that the nature of the occupancy and use will not substantially change without Lender's prior written consent. Grantor will not permit any change in any license, restrictive covenant or easement without Lender's prior written consent. Grantor will notify Lender of all demands, proceedings, claims, and actions against Grantor, and of any loss or damage to the Property.

Lender or Lender's agents may, at Lender's option, enter the Property at any reasonable time for the purpose of inspecting the Property. Lender shall give Grantor notice at the time of or before an inspection specifying a reasonable purpose for the inspection. Any inspection of the Property shall be entirely for Lender's benefit and Grantor will in no way rely on Lender's inspection.

Authority to Perform. If Grantor fails to perform any duty or any of the covenants contained in this Security Instrument, Lender may, without notice, perform or cause them to be performed. Grantor appoints Lender as attorney in fact to sign Grantor's name or pay any amount necessary for performance. Lender's right to perform for Grantor shall not create an obligation to perform, and Lender's failure to perform will not preclude Lender from exercising any of Lender's other rights under the law or this Security Instrument.

Leaseholds; Condominiums; Planned Unit Developments. Grantor agrees to comply with the provisions of any lease if this Security Instrument is on a leasehold. If the Property includes a unit in a condominium or a planned unit development, Grantor will perform all of Grantor's duties under the covenants, by-laws, or regulations of the condominium or planned unit development.

Condemnation. Grantor will give Lender prompt notice of any pending or threatened action, by private or public entities to purchase or take any or all of the Property through condemnation, eminent domain, or any other means. Grantor authorizes Lender to intervene in Grantor's name in any of the above described actions or claims. Grantor assigns to Lender the proceeds of any award or claim for damages connected with a condemnation or other taking of all or any part of the Property. Such proceeds shall be considered payments and will be applied as provided in this Security Instrument. This assignment of proceeds is subject to the terms of any prior mortgage, deed of trust, security agreement or other lien document.

Insurance. Grantor shall keep Property insured against loss by fire, flood, theft and other hazards and risks reasonably associated with the Property due to its type and location. This insurance shall be maintained in the amounts and for the periods that Lender requires. The insurance carrier providing the insurance shall be chosen by Grantor subject to Lender's approval, which shall not be unreasonably withheld. If Grantor fails to maintain the coverage described above, Lender may, at Lender's option, obtain coverage to protect Lender's rights in the Property according to the terms of this Security Instrument.

All insurance policies and renewals shall be acceptable to Lender and shall include a standard "mortgage clause" and, where applicable, "loss payee clause." Grantor shall immediately notify Lender of cancellation or termination of the insurance. Lender shall have the right to hold the policies and renewals. If Lender requires, Grantor shall immediately give to Lender all receipts of paid premiums and renewal notices. Upon loss, Grantor shall give immediate notice to the insurance carrier and Lender. Lender may make proof of loss if not made immediately by Grantor.

Unless otherwise agreed in writing, all insurance proceeds shall be applied to the restoration or repair of the Property or to the Secured Debt, whether or not then due, at Lender's option. Any application of proceeds to principal shall not extend or postpone the due date of the scheduled payment nor change the amount of any payment. Any excess will be paid to the Grantor. If the Property is acquired by Lender, Grantor's right to any insurance policies and proceeds resulting from damage to the Property before the acquisition shall pass to Lender to the extent of the Secured Debt immediately before the acquisition.

Financial Reports and Additional Documents. Grantor will provide to Lender upon request, any financial statement or information Lender may deem reasonably necessary. Grantor agrees to sign, deliver, and file any additional documents or certifications that Lender may consider necessary to perfect, continue, and preserve Grantor's obligations under this Security Instrument and Lender's lien status on the Property.

6. **WARRANTY OF TITLE.** Grantor warrants that Grantor is or will be lawfully seized of the estate conveyed by this Security Instrument and has the right to irrevocably grant, convey and sell the Property to Trustee, in trust, with power of sale. Grantor also warrants that the Property is unencumbered, except for encumbrances of record.
7. **DUE ON SALE.** Lender may, at its option, declare the entire balance of the Secured Debt to be immediately due and payable upon the creation of, or contract for the creation of, a transfer or sale of the Property. This right is subject to the restrictions imposed by federal law (12 C.F.R. 591), as applicable.

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8. DEFAULT. Grantor will be in default if any of the following occur:

Fraud. Any Consumer Borrower engages in fraud or material misrepresentation in connection with the Secured Debt that is an open end home equity plan.

Payments. Any Consumer Borrower on any Secured Debt that is an open end home equity plan fails to make a payment when due.

Property. Any action or inaction by the Borrower or Grantor occurs that adversely affects the Property or Lender's rights in the Property. This includes, but is not limited to, the following: (a) Grantor fails to maintain required insurance on the Property; (b) Grantor transfers the Property; (c) Grantor commits waste or otherwise destructively uses or fails to maintain the Property such that the action or inaction adversely affects Lender's security; (d) Grantor fails to pay taxes on the Property or otherwise fails to act and thereby causes a lien to be filed against the Property that is senior to the lien of this Security Instrument; (e) a sole Grantor dies; (f) if more than one Grantor, any Grantor dies and Lender's security is adversely affected; (g) the Property is taken through eminent domain; (h) a judgment is filed against Grantor and subjects Grantor and the Property to action that adversely affects Lender's interest; or (i) a prior lienholder forecloses on the Property and as a result, Lender's interest is adversely affected.

Executive Officers. Any Borrower is an executive officer of Lender or an affiliate and such Borrower becomes indebted to Lender or another lender in an aggregate amount greater than the amount permitted under federal laws and regulations.

9. REMEDIES ON DEFAULT. In addition to any other remedy available under the terms of this Security Instrument, Lender may accelerate the Secured Debt and foreclose this Security Instrument in a manner provided by law if Grantor is in default. In some instances, federal and state law will require Lender to provide Grantor with notice of the right to cure, or other notices and may establish time schedules for foreclosure actions.

At the option of the Lender, all or any part of the agreed fees and charges, accrued interest and principal shall become immediately due and payable, after giving notice if required by law, upon the occurrence of a default or anytime thereafter. Lender shall be entitled to, without limitation, the power to sell the Property.

If there is a default, Trustee shall, at the request of the Lender, advertise and sell the Property as a whole or in separate parcels at public auction to the highest bidder for cash and convey absolute title free and clear of all right, title and interest of Grantor at such time and place as Trustee designates. Trustee shall give notice of sale including the time, terms and place of sale and a description of the Property to be sold as required by the applicable law in effect at the time of the proposed sale.

Upon sale of the Property and to the extent not prohibited by law, Trustee shall make and deliver a deed to the Property sold which conveys absolute title to the purchaser, and after first paying all fees, charges and costs, shall pay to Lender all moneys advanced for repairs, taxes, insurance, liens, assessments and prior encumbrances and interest thereon, and the principal and interest on the Secured Debt, paying the surplus, if any, to Grantor. Lender may purchase the Property. The recitals in any deed of conveyance shall be prima facie evidence of the facts set forth therein.

The acceptance by Lender of any sum in payment or partial payment on the Secured Debt after the balance is due or is accelerated or after foreclosure proceedings are filed shall not constitute a waiver of Lender's right to require complete cure of any existing default. By not exercising any remedy on Grantor's default, Lender does not waive Lender's right to later consider the event a default if it happens again.

10. EXPENSES; ADVANCES ON COVENANTS; ATTORNEYS' FEES; COLLECTION COSTS. If Grantor breaches any covenant in this Security Instrument, Grantor agrees to pay all expenses Lender incurs in performing such covenants or protecting its security interest in the Property. Such expenses include, but are not limited to, fees incurred for inspecting, preserving, or otherwise protecting the Property and Lender's security interest. These expenses are payable on demand and will bear interest from the date of payment until paid in full at the highest rate of interest in effect as provided in the terms of the Secured Debt. Grantor agrees to pay all costs and expenses incurred by Lender in collecting, enforcing or protecting Lender's rights and remedies under this Security Instrument. This amount may include, but is not limited to, attorneys' fees, court costs, and other legal expenses. To the extent permitted by the United States Bankruptcy Code, Grantor agrees to pay the reasonable attorneys' fees Lender incurs to collect the Secured Debt as awarded by any court exercising jurisdiction under the Bankruptcy Code. This Security Instrument shall remain in effect until released. Grantor agrees to pay for any recordation costs of such release.

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11. ENVIRONMENTAL LAWS AND HAZARDOUS SUBSTANCES. As used in this section, (1) Environmental Law means, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA, 42 U.S.C. 9601 et seq.), and all other federal, state and local laws, regulations, ordinances, court orders, attorney general opinions or interpretive letters concerning the public health, safety, welfare, environment or a hazardous substance; and (2) Hazardous Substance means any toxic, radioactive or hazardous material, waste, pollutant or contaminant which has characteristics which render the substance dangerous or potentially dangerous to the public health, safety, welfare or environment. The term includes, without limitation, any substances defined as "hazardous material," "toxic substances," "hazardous waste," "hazardous substance," or "regulated substance" under any Environmental Law.

Grantor represents, warrants and agrees that:

- A. Except as previously disclosed and acknowledged in writing to Lender, no Hazardous Substance is or will be located, stored or released on or in the Property. This restriction does not apply to small quantities of Hazardous Substances that are generally recognized to be appropriate for the normal use and maintenance of the Property.
- B. Except as previously disclosed and acknowledged in writing to Lender, Grantor and every tenant have been, are, and shall remain in full compliance with any applicable Environmental Law.
- C. Grantor shall immediately notify Lender if a release or threatened release of a Hazardous Substance occurs on, under or about the Property or there is a violation of any Environmental Law concerning the Property. In such an event, Grantor shall take all necessary remedial action in accordance with any Environmental Law.
- D. Grantor shall immediately notify Lender in writing as soon as Grantor has reason to believe there is any pending or threatened investigation, claim, or proceeding relating to the release or threatened release of any Hazardous Substance or the violation of any Environmental Law.

12. ESCROW FOR TAXES AND INSURANCE. Unless otherwise provided in a separate agreement, Grantor will not be required to pay to Lender funds for taxes and insurance in escrow.

13. JOINT AND INDIVIDUAL LIABILITY; CO-SIGNERS; SUCCESSORS AND ASSIGNS BOUND. All duties under this Security Instrument are joint and individual. If Grantor signs this Security Instrument but does not sign an evidence of debt, Grantor does so only to mortgage Grantor's interest in the Property to secure payment of the Secured Debt and Grantor does not agree to be personally liable on the Secured Debt. If this Security Instrument secures a guaranty between Lender and Grantor, Grantor agrees to waive any rights that may prevent Lender from bringing any action or claim against Grantor or any party indebted under the obligation. These rights may include, but are not limited to, any anti-deficiency or one-action laws. The duties and benefits of this Security Instrument shall bind and benefit the successors and assigns of Grantor and Lender.

14. SEVERABILITY; INTERPRETATION. This Security Instrument is complete and fully integrated. This Security Instrument may not be amended or modified by oral agreement. Any section in this Security Instrument, attachments, or any agreement related to the Secured Debt that conflicts with applicable law will not be effective, unless that law expressly or impliedly permits the variations by written agreement. If any section of this Security Instrument cannot be enforced according to its terms, that section will be severed and will not affect the enforceability of the remainder of this Security Instrument. Whenever used, the singular shall include the plural and the plural the singular. The captions and headings of the sections of this Security Instrument are for convenience only and are not to be used to interpret or define the terms of this Security Instrument. Time is of the essence in this Security Instrument.

15. SUCCESSOR TRUSTEE. Lender, at Lender's option, may from time to time remove Trustee and appoint a successor trustee without any other formality than the designation in writing. The successor trustee, without conveyance of the Property, shall succeed to all the title, power and duties conferred upon Trustee by this Security Instrument and applicable law.

16. NOTICE. Unless otherwise required by law, any notice shall be given by delivering it or by mailing it by both first class mail and either registered or certified mail, return receipt requested, to the appropriate party's address on page 1 of this Security Instrument, or to any other address designated in writing. Notice to one grantor will be deemed to be notice to all grantors.

17. USE OF PROPERTY. The property subject to this Decd of Trust is not used principally for agricultural purposes.

18. LINE OF CREDIT. The Secured Debt includes a revolving line of credit. Although the Secured Debt may be reduced to a zero balance, this Security Instrument will remain in effect until released.

19. APPLICABLE LAW. This Security Instrument is governed by the laws as agreed to in the Secured Debt, except to the extent required by the laws of the jurisdiction where the Property is located, and applicable federal laws and regulations.

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20. **RIDERS.** The covenants and agreements of each of the riders checked below are incorporated into and supplement and amend the terms of this Security Instrument.

[Check all applicable boxes]

1 Assignment of Leases and Rents Other HOME EQUITY ACCESS LINE

21. **ADDITIONAL TERMS.**

VARIABLE RATE: THE INTEREST RATE ON THE OBLIGATION SECURED BY THIS MORTGAGE MAY VARY ACCORDING TO THE TERMS OF THAT OBLIGATION.

22. **SIGNATURES:** By signing below, Grantor agrees to the terms and covenants contained in this Security Instrument and in any attachments. Grantor also acknowledges receipt of a copy of this Security Instrument on the date stated on page 1.

David F. Yarnall (Signature) _____ (Date) _____ Gail Yarnall (Signature) _____ (Date) _____
DAVID F. YARNALL GAIL YARNALL

(Signature) _____ (Date) _____ (Signature) _____ (Date) _____

ACKNOWLEDGMENT:

STATE OF Washington, COUNTY OF Snohomish } ss.
I certify that I know or have satisfactory evidence that _____
(Individual) DAVID F. YARNALL GAIL YARNALL

_____ is/are the individual(s) who appeared before me, and said individual(s) acknowledged that she/he/they signed this instrument and acknowledged it to be a free and voluntary act for the uses and purposes mentioned in the instrument.

Dated: 1/18/2006 (Seal) Patty Mate
(Notary Public in and for the State of Washington, residing at)

My appointment expires: 8-29-2009 SEATTLE

REQUEST FOR RECONVEYANCE
(Not to be completed until paid in full)

TO TRUSTEE:

The undersigned is the holder of the note or notes secured by this Deed of Trust. Said note or notes, together with all other indebtedness secured by this Deed of Trust, have been paid in full. You are hereby directed to cancel this Deed of Trust, which is delivered hereby, and to reconvey, without warranty, all the estate now held by you under this Deed of Trust to the person or persons legally entitled thereto.

(Authorized Bank Signature) Date



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Schedule "A-1"

118131-TA

DESCRIPTION:

Lots 9 And 10, Block 73, "MAP OF THE CITY OF ANACORTES, SKAGIT COUNTY, WASHINGTON,"
as pr plat recorded in Volume 2 of Plats, page 4, records of Skagit County, Washington.

Situate in the City of Anacortes, County of Skagit, State of Washington.



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Skagit County Auditor

HOME EQUITY ACCESS LINE RIDER

(Open end credit with fixed rate variable rate interest)

This Equity Line Rider is dated **JANUARY 17, 2006**, and is an amendment to the Mortgage or Deed of Trust ("Mortgage") of the same date given by the undersigned, **DAVID F. YARNALL AND GAIL YARNALL**

("Borrower") to secure Borrower's Equity Line Agreement with **SECURED FUNDING CORP., A CALIFORNIA CORPORATION**

("Lender") of the same date covering the property described in the Mortgage and located at: **1219 5TH STREET ANACORTES, WASHINGTON 98221**

In addition to the covenants and agreements made in the Mortgage, Borrower and Lender further covenant and agree as follows:

1. The word "Note," as used in the Mortgage and this Rider, refers to the Home Equity Access Line Agreement.
2. The Note evidences an open end revolving line of credit agreement between Borrower and Lender under which future advances may be made. The amount stated in the Mortgage as the principal sum of the indebtedness is the credit limit for the line of credit. All advances made at any time by Lender in accordance with the terms of the Note, and all interest on the advances, shall be secured by the Mortgage. However, at no time shall the principal amount of the indebtedness secured by the Mortgage, not including sums advanced in accordance with the Mortgage to protect the security of the Mortgage, exceed the stated credit limit for the line of credit.
3. The Note provides for:
 - a fixed rate of interest expressed as a daily periodic rate of _____%. This corresponds to an annual percentage rate of _____%.
 - a variable rate of interest expressed as a daily periodic rate equal to 1/365 of an actual rate of **5.600** % plus the "Index Rate." The daily periodic rate may increase if the highest prime rate published in *The Wall Street Journal* "Money Rates" table (the "Index Rate") increases. The initial daily periodic rate is **.0352** %, which corresponds to an initial annual percentage rate of **12.850** %. The annual percentage rate will never be more than **18.000** %. The daily periodic rate will be adjusted on the day the Index Rate changes. An increase in the daily periodic rate may increase the monthly payment due.

NOTICE: THIS MORTGAGE SECURES CREDIT IN THE AMOUNT OF 152,000.00 LOANS AND ADVANCES UP TO THIS AMOUNT, TOGETHER WITH INTEREST, ARE SENIOR TO INDEBTEDNESS TO OTHER CREDITORS UNDER SUBSEQUENTLY RECORDED OR FILED MORTGAGES AND LIENS.

David F. Yarnall 1/18/06
Date
DAVID F. YARNALL

Gail Yarnall 1/18/06
Date
GAIL YARNALL

Date

Date

HOME EQUITY ACCESS LINE RIDER
DOCPREP SERVICES, INC. FORM - WFACCESS-2141

LOAN NO.: **W-0001190738**

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ARBITRATION RIDER

Lender:

SECURED FUNDING CORP., A CALIFORNIA CORPORATION

Borrower(s): **DAVID F. YARNALL
GAIL YARNALL**

Property Address:

**1219 5TH STREET
ANACORTES, WASHINGTON 98221**

READ THIS ARBITRATION RIDER CAREFULLY. IF YOU ACCEPT IT, IT WILL HAVE A SUBSTANTIAL IMPACT ON THE WAY IN WHICH YOU OR LENDER WILL RESOLVE ANY CLAIM WHICH YOU OR LENDER HAVE AGAINST EACH OTHER.

This Arbitration Rider, if signed and therefore accepted by You, is made a part of Your Loan Agreement with Lender. By signing this Arbitration Rider, You agree that, upon election by Lender or by You, any Claim shall be resolved by binding arbitration pursuant to this Arbitration Rider and the applicable rules then in effect of the Arbitration Administrator selected at the time the Claim is initiated. Acceptance of this arbitration rider by you is voluntary.

IMPORTANT NOTICE AND LIMITATIONS

If either You or Lender elects to arbitrate a Claim, neither You nor Lender will have the right to: (1) have a court or a jury decide the Claim; (2) engage in pre-arbitration discovery to the same extent that You or Lender could in court; (3) participate in a class action in court or in arbitration, either as a class representative or a class member; (4) act as a private attorney general in court or in arbitration; or (5) join or consolidate your Claim(s) with claims of any other person. The right to appeal is more limited in arbitration than in court. Other rights that You or Lender would have if You or Lender went to court may also not be available in arbitration.

Section 1: DEFINITIONS

"Arbitration Administrator" means either the National Arbitration Forum ("NAF") or JAMS ("JAMS"), as selected according to the provisions of Section 2 of this Arbitration Rider.

"Claim" is to be given the broadest possible meaning, and shall mean any claim, dispute, or controversy, whether based upon contract, tort (intentional or otherwise), constitution, statute, common law, regulation, ordinance or equity, and whether pre-existing, present or future, including initial claims, counter-claims, cross-claims, third party claims and claims seeking relief of any type, including damages and/or injunctive, declaratory or other equitable relief, arising from or relating to this Loan Agreement or the relationships which result from this Loan Agreement, including, except for Excluded Claims or Proceedings as defined herein, the validity or enforceability of this Arbitration Rider, any part thereof or the entire Loan Agreement, and whether or not the Claim is subject to arbitration. Notwithstanding this broad definition of Claim, a Claim shall not include the use by You or by Lender of any self-help or non-judicial remedy, including but not limited to, acceleration of the Note upon the terms provided in the Note and/or Security Instrument, other non-judicial remedies provided in the Note and/or Security Instrument to protect Lender's rights, a non-judicial foreclosure or right of set-off, or any individual judicial action by a party that is limited to preventing the other party from using a self-help or non-judicial remedy and that does not involve a request for damages or monetary relief of any kind.

Arbitration Rider-Multistate Rev 0422041
DOCPREP SERVICES, INC. FORM - ARBITR3-2482

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"Excluded Claims or Proceedings" means any of the following claims or proceedings, which will not be subject to this Arbitration Rider: (1) any individual action brought by You in small claims court or in Your state's equivalent court, unless such action is transferred, removed, or appealed to a different court; (2) any action to effect a judicial or quasi-judicial foreclosure; (3) any eviction or other summary proceeding to secure possession of real property securing a loan; (4) any action to assert, collect, protect, realize upon or obtain possession of the collateral for a loan in any bankruptcy proceeding; (5) any action to quiet title; and (6) any action insofar as it seeks provisional or ancillary remedies in connection with any of the foregoing. Notwithstanding the prior sentence, at Your request, Lender will agree to arbitrate under this Arbitration Rider any matter covered by item (1). **The use of the courts in connection with items (2) - (6) above shall not constitute a waiver of the right of any party to submit any Claim to arbitration, nor render inapplicable the compulsory arbitration provisions contained in this Arbitration Rider.** Lender will agree to a reasonable stay of court proceedings in connection with items (2) - (6) during the pendency of arbitration pursuant to this Arbitration Rider.

"Lender" means the lender under the Loan Agreement and/or any assignee of the Loan Agreement, including any subsequent assignees, together with each of such lender's and/or assignee's parents, subsidiaries, affiliates, successors or predecessors, and any past or present officers, directors and employees thereof.

"Loan Agreement" means the promissory note ("Note"), mortgage or deed of trust ("Security Instrument") and other documents executed by You in connection with Your loan with Lender.

"You" and **"Your"** means the borrower(s) and any person(s) who are permitted to assume the obligations of the borrower(s) under the Loan Agreement, and with each of such persons' heirs and executors.

Section 2: STARTING AN ARBITRATION

To start an arbitration, the party initiating the arbitration proceeding shall select and file a Claim with one of the following arbitration administrators: the National Arbitration Forum ("NAF") or JAMS ("JAMS"). Each of the Administrators maintains an Internet website, publishes pamphlets, and otherwise is available to answer frequently asked questions about arbitration. You can contact them and obtain rules and/or forms at: National Arbitration Forum, P.O. Box 50191, Minneapolis, MN 55405, www.arb-forum.com; or JAMS, 45 Broadway, 28th Floor, New York, NY 10006, www.jamsadr.com.

The arbitrator shall be a lawyer with more than ten years experience or a retired or former judge. The arbitrator shall be independent of, and unrelated to, You or Lender.

Section 3: LOCATION OF HEARING

Unless otherwise required by state law, any arbitration hearing that You or Lender request will take place in the the city nearest to Your residence where a federal district court is located or at such other location as agreed by the parties.

Section 4: COSTS

If Lender files a Claim, Lender shall pay all filing costs.

If You file a Claim, filing costs and administrative fees (other than hearing fees), shall be paid as follows unless otherwise provided by state law:

- (a) You agree to pay for the initial cost of filing the Claim up to the maximum amount of \$100.00; and
- (b) at Your request, or if required by the Arbitration Administrator's rules, Lender will pay for filing costs over \$100.00 and for any administrative fees charged by the Arbitration Administrator for a Claim less than or equal to Your loan amount. Any filing costs and/or administrative fees assessed for a Claim in excess of Your loan amount shall be paid by You.

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Lender shall pay the cost of one full day of arbitration hearings. Fees for subsequent hearing days requested by You or by Lender will be paid by the requesting party. If the arbitrator requests more than one day of hearing, the parties shall share the cost of the additional days, unless another fee arrangement is directed by the arbitrator.

The parties shall each bear the expense of their respective attorney's fees, except as otherwise provided by law. If a statute gives You the right to recover any of these fees, or the fees paid to the Arbitration Administrator, these statutory rights shall apply in the arbitration notwithstanding anything to the contrary contained herein. If the arbitrator issues an award in Lender's favor, You will not be required to reimburse Lender for any fees Lender has previously paid to the Arbitration Administrator or fees for which Lender is responsible.

Section 5: GOVERNING LAW

This Arbitration Rider is made pursuant to a transaction involving interstate commerce and shall be governed by the Federal Arbitration Act, 9 U.S.C. §§ *et seq.* (the "FAA"), and not by any state law concerning arbitration. The arbitrator shall follow applicable substantive law, to the extent consistent with the FAA, this Arbitration Rider and the Arbitration Administrator's rules, and shall be authorized to award all remedies permitted by the substantive law that would apply if the Claim was pending in court. All statutes of limitations and claims of privilege that would otherwise be applicable shall apply to any arbitration proceeding conducted pursuant to this Arbitration Rider. The arbitrator shall, at the request of any party, provide written reasoned findings of fact and conclusions of law. In addition to the parties' rights to obtain information prior to the hearing under the Arbitration Administrator's rules, either party may ask the arbitrator for more information from the other party. The arbitrator will decide whether the discovery of such information is warranted in his or her sole discretion, after allowing the other party the opportunity to object.

Section 6: NO CLASS ACTIONS, PRIVATE ATTORNEY GENERAL ACTIONS OR JOINDER

Notwithstanding any other provision in this Arbitration Rider, if You or Lender elect to arbitrate a Claim, neither You nor Lender will, without written consent of the other party, have the right to: (1) participate in a class action in court or in arbitration, either as a class representative or a class member; (2) act as a private attorney general in court or in arbitration; or (3) join or consolidate Claims with claims of any other person. The validity and effect of this Section shall be determined exclusively by a court and not by an arbitrator.

Section 7: EFFECT OF ARBITRATION AWARD

Any court of competent jurisdiction may enter judgment upon the arbitrator's award. The arbitrator's award shall be final and binding, except for: (1) any right of appeal under the FAA; and (2) awards of more than \$200,000 as provided herein. For awards of more than \$200,000, any party may appeal the award to a three-arbitrator panel appointed by the Arbitration Administrator, which will reconsider *de novo* any aspect of the initial award that is appealed. The panel's decision will be final and binding, except for any right of appeal under the FAA. Unless otherwise provided by applicable law or directed otherwise by the panel, the party requesting the appeal will pay the cost of the appeal unless the requesting party prevails on appeal.

Section 8: CONTINUED EFFECT OF ARBITRATION RIDER; SEVERABILITY; CONFLICTS

This Arbitration Rider shall survive: (1) any modification, extension or forbearance of the Loan Agreement; (2) Your full repayment of Your loan and/or termination of the Loan Agreement; (3) Lender's sale or transfer of Your loan; (4) any foreclosure or other legal proceeding by Lender to collect a debt owed by You; (5) the transfer of any property securing the loan; (6) Your bankruptcy (except where prohibited by applicable bankruptcy law); and (7) any rescission by You or attempt by You to rescind the Loan Agreement pursuant to any applicable law. If any portion of this Arbitration Rider or the Loan Agreement is deemed invalid or unenforceable under any law or statute, the remaining portions of this Arbitration Rider and/or the Loan Agreement continue to apply; provided, however, that if Section 6 of this Arbitration Rider is invalidated in a

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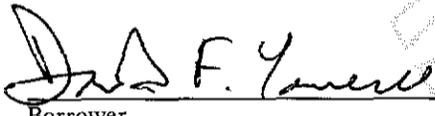
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proceeding in which You and Lender are involved, this entire Arbitration Rider shall be null and void with respect to such proceeding. In the event of any conflict or inconsistency between the rules of the Arbitration Administrator or any other documents relating to Your Loan Agreement and this Arbitration Rider, this Arbitration Rider shall govern.

Section 9: ACKNOWLEDGMENT: SIGNATURES

BY SIGNING BELOW, THE PARTIES ACKNOWLEDGE THAT THEY HAD A RIGHT TO LITIGATE CERTAIN CLAIMS THROUGH A COURT BEFORE A JUDGE OR JURY, AND THAT THEY WILL NOT HAVE THAT RIGHT IF EITHER PARTY ELECTS ARBITRATION PURSUANT TO THIS RIDER, EXCEPT AS PROVIDED OTHERWISE HEREIN. THE PARTIES HEREBY KNOWINGLY AND VOLUNTARILY WAIVE THEIR RIGHTS TO LITIGATE SUCH CLAIMS UPON ELECTION OF ARBITRATION BY EITHER PARTY. THE PARTIES FURTHER ACKNOWLEDGE THAT THEY HAVE READ THIS ENTIRE ARBITRATION RIDER CAREFULLY, THAT THEY RECEIVED A DUPLICATE COPY OF THIS RIDER, AND THAT THEY ARE ENTERING INTO THIS ARBITRATION RIDER VOLUNTARILY AND NOT IN RELIANCE ON ANY PROMISES OR REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THE ARBITRATION RIDER.


Borrower
DAVID F. YARNALL


Borrower
GAIL YARNALL

Borrower

Borrower

LENDER:

SECURED FUNDING CORP., A CALIFORNIA CORPORATION

By: _____

