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Skagit County Auditor

6/28/2006 Page 1 of 2 11:21AM

CHICAGO TITLE CO.

1135221

AFTER RECORDING RETURN TO:

FIRST MUTUAL BANK
CONSTRUCTION ADMINISTRATION DEPARTMENT
P.O. BOX 1647
BELLEVUE, WA 98009

ACCOMMODATION RECORDING

(Space Above Line for Recording Date)

Loan # 71-431408-08*km
Bmc*

LOAN MODIFICATION AGREEMENT
(Construction/Perm. Interest Only ARM)

THIS LOAN MODIFICATION AGREEMENT ("Agreement") is made this 24TH day of MAY, 2006, between JEREMY HAWKINSON AND KELLI HAWKINSON, HUSBAND AND WIFE (individually and collectively, if more than one, "Borrower") and FIRST MUTUAL BANK ("Lender") and amends and supplements: (1) the Deed of Trust from Borrower, as grantor, for the benefit of Lender, as beneficiary, as modified by an Adjustable Rate Rider of the same date (the "Security Instrument") dated JULY 6, 2005 and recorded under Recording Number 200507140062, Records of SKAGIT County, WASHINGTON, and (2) the Promissory Note (the "Note") bearing the same date as, and secured by, the Security Instrument. The Security Instrument encumbers the following described Property, the street address of which is 4519 BEAVER POND DR N, MOUNT VERNON, WASHINGTON 98274 (the "Property"). Capitalized terms that are defined in the Note or Security Instrument shall have the same meaning when used herein:

LOT 69, PLAT OF EAGLEMONT PHASE 1B, DIV I

Tax Parcel/Account Number(s): 4789-000-069-0000

THE TERMS OF MY LOAN DOCUMENTS PROVIDE FOR CONVERSION OF MY CONSTRUCTION LOAN TO A PERMANENT LOAN UNDER CERTAIN CIRCUMSTANCES. THIS AGREEMENT IMPLEMENTS THE CONVERSION TO A PERMANENT LOAN

Borrower and Lender agree that the Note and Security Instrument are modified, effective as of the date of this Agreement, as follows:

- 1. Conversion Date.** My Loan will be deemed to have been converted from a construction loan to a permanent loan as of MAY 1, 2006 (the "Conversion Date").
- 2. Principal Balance.** The unpaid principal balance of the Loan as of the Conversion Date, after application of the payment due on that date, will be **\$297,000.00**.
- 3. Interest Rate.** Effective as of the Conversion Date, my interest rate will be changed to **SEVEN AND ONE-QUARTER** percent (7.750%) per annum.

My interest rate may change on the first day of MAY 1, 2009, (the "Initial Change Date") and on the same day of every 12TH calendar month thereafter (each such date, together with the Initial Change Date, is referred to in this Agreement as a "Change Date"). Beginning with the Initial Change Date, my interest rate will be based on an Index. The "Index" is the one-year London Interbank Offered Rate ("LIBOR") which is the average of interbank offered rates for one-year U.S. dollar-denominated deposits in the London market, as published in The Wall Street Journal. The most recent Index figure available as of the date 45 days before each Change Date is called the "Current Index". If the Index is no longer available, the Note Holder will choose a new index that is based upon comparable information. The Note Holder will give me notice of its choice.

Before each Change Date, the Note Holder will calculate my new interest rate by adding **TWO AND NINETEEN TWENTIETHS** percentage points (**2.950%**) per annum to the Current Index and rounding the result to the nearest one eighth of one percentage point (0.125%).

My new interest rate at the Initial Change Date will not be greater than **9.750%** per annum or less than **5.750%** per annum. Thereafter, my interest rate will never be increased or decreased on any single Change Date by more than **TWO** percentage point(s) (**2.000%**) per annum from the rate in effect immediately prior to the adjustment. In addition, my interest rate will never be increased above **13.750%** at any time during the remaining term of my Loan, or be less than the margin.

4. Payments. My last monthly payment under the old Construction Loan terms will be due on the Conversion Date. On **JUNE 1, 2006** I will begin making permanent loan payments. Until the First Change Date, these payments will be in an amount equal to one twelfth (1/12) of one year's interest on the unpaid principal balance of my loan at the then applicable interest rate. Assuming I do not make any principal prepayments, this payment amount will be \$1,918.13. Beginning on **JUNE 1, 2009** I will make monthly principal and interest payments in an amount sufficient to fully repay the unpaid principal balance of the Note as of the Initial Change Date, in full by the Maturity Date (as defined below) at the then applicable interest rate in substantially equal payments. The payment amount will be adjusted on the first payment due date following each subsequent Change Date to reflect any changes in my interest rate and any principal prepayments made prior to that Change Date. If on **MAY 1, 2036** (the "Maturity Date"), I still owe any amounts under the Note or the Security instrument, as amended by this Agreement, I will pay those amounts in full on the Maturity Date.

All payments shall be made at **PO Box 1647, Bellevue, WA 98009** or at such other place as the Lender may require.

5. Borrower Representations and Warranties. I warrant and represent to the Lender that I am the sole owner of the Property, free and clear of liens (other than the lien created by the Security Instrument) and that I have complied with all conditions to conversion of my construction loan to a permanent loan.

6. Miscellaneous. Except as otherwise specifically provided in this Agreement, the Note and Security instrument remain in full force and effect without modification or change.

DATED as of the day and year set forth above.

FIRST MUTUAL BANK:

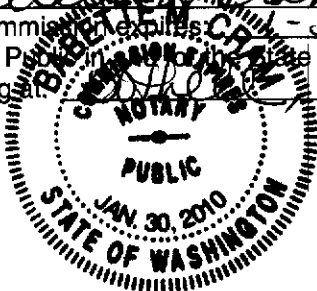
By: Erma Christoe A/P
[Authorized Officer Name]

[Signature]
JEREMY HAWKINSON
[Signature]
KELLI HAWKINSON

------(Space Below this Line for Acknowledgments)-----

STATE OF WASHINGTON,
County: King
I hereby certify that I know or have satisfactory evidence that Erma Christoe is the person(s) who appeared before me, and said person(s) acknowledged that she signed this instrument, on oath stated that Erma Christoe authorized to execute the instrument and acknowledged it as the A/P of First Mutual Bank to be her free and voluntary act for the uses and purposes mentioned in this instrument.
GIVEN under my hand and official seal this 26th day of June, 2006.

[Signature]
My Commission expires: 05-30-10
Notary Public in and for the State of WASHINGTON
residing at: Bellevue, WA



STATE OF WASHINGTON
County: Whatcom
On this day personally appeared before me JEREMY HAWKINSON AND KELLI HAWKINSON to me known to be the individual(s) described in and who executed the within and foregoing instrument, and acknowledged that they signed the same as their free and voluntary act and deed, for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this 1 day of June, 2006
[Signature]
My Commission expires: 05-27-07
Notary Public in and for the State of WA
at: Bellevue, WA residing

