



200609260083  
Skagit County Auditor

9/26/2006 Page

1 of

4 11:17AM

After Recording Return To:  
CONSTRUCTION ADMINISTRATION DEPT.  
FIRST MUTUAL BANK  
P O. BOX 1647  
BELLEVUE, WA 98009

*Bmc  
OR*

-----Space Above Line for Recording Date)-----

Loan# 71-432146-03

**LOAN MODIFICATION AGREEMENT**  
**(Providing for Adjustable Interest Rate)**

This Loan Modification Agreement ("Agreement"), made this 7TH day of SEPTEMBER, 2006, between CHERI M WHEATLEY, AN UNMARRIED INDIVIDUAL ("Borrower") and First Mutual Bank ("Lender"), amends and supplements (1) the Mortgage, Deed of Trust or Deed to Secure Debt (as modified by an Adjustable Rate Rider of the same date) (the "Security Instrument") dated NOVEMBER 18, 2005 and recorded in Book or Liber **Recording #:** 200511220107 at page(s) N/A, of the N/A Records of SKAGIT County, WA, and (2) the Note Bearing the same date as, and secured by, the Security Instrument, which covers the real and personal property described in the Security Instrument and defined therein as the "Property", located at 625 ALEXANDER STREET, SEDRO WOOLLEY, WASHINGTON 98284 the real property described being set forth as follows:

LT 3, BLOCK 103, "PLAT OF THE TOWN OF SEDRO"

FIRST AMERICAN TITLE CO.  
*B86359*  
**ACCOMMODATION RECORDING ONLY**

Assessor's Property Tax Parcel/Account Number(s): 4152-103-003-0007 (P76198)

In consideration of the mutual promises and agreements exchanged, the parties hereto agree as follows (notwithstanding anything to the contrary contained in the Note or Security Instrument):

1. As of SEPTEMBER 1, 2006 the amount payable under the Note and the Security Instrument (the "Unpaid Principal Balance") is U. S. \$180,000.00, consisting of the amount(s) loaned to the Borrower by the Lender and any interest capitalized to date.
2. The Borrower promises to pay the Unpaid Principal Balance, plus interest, to the order of the Lender. Interest will be charged on the Unpaid Principal Balance at the yearly rate of 8.125% (the "initial rate of interest"), from SEPTEMBER 1, 2006. The Borrower promises to make monthly payments of principal and interest of U.S. \$1,336.49 beginning on the first day of OCTOBER 2006, and continuing thereafter on the same day of each succeeding month until principal and interest are paid in full. If on SEPTEMBER 1, 2036 (the "Maturity Date"), the Borrower still owes amounts under the Note and the Security instrument, as amended by this Agreement, the Borrower will pay these amounts in full on the Maturity Date.

The Borrower understand and agrees that the initial rate of interest may change on the first day of SEPTEMBER 2007, and on that day every 12TH month thereafter on the "Change Date", as such term is defined in the Note and Security Instrument.

The Borrower will make such payment at PO Box 1647, Bellevue, WA 98009 or at such other place as the Lender may require.

**The Index:** Beginning with the first Change Date, the 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 which is based upon comparable information. The Note Holder will give the Borrower notice of its choice.

Before each Change Date, the Note Holder will calculate my new interest rate by adding THREE AND ONE QUARTER percentage points (3.250%) to the current index.

The Borrower understand the interest rate they are required to pay at the first Change Date will not be greater than 10.125% or less than 6.125%. Thereafter, the Borrower's interest rate will never be increased or decreased on any single Change Date by more than TWO percentage point(s) (2.000%) from the rate of interest they have been paying for the preceding 12 months. The Borrower understands that their interest rate will never be greater than 14.125%.

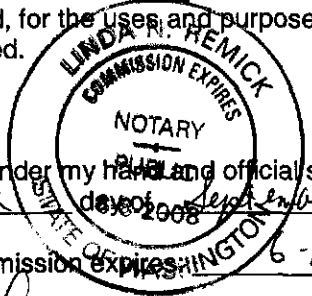
- 3. The Borrower also will comply with all other covenants, agreements, and requirements of the Security Instrument, including without limitation, the Borrower's covenants and agreements to make all payments of taxes, insurance premiums, assessments, escrow items, impounds, and all other payments that the borrower is obligated to make under the Security Instrument, including:
  - a. all terms and provisions of the Note and Security Instrument (if any) providing for, implementing, or relating to, any change or adjustment in the rate of interest payable under the Note; and
  - b. all terms and provisions of any adjustable rate rider or other instrument or document that is affixed to, wholly or partially incorporated into, or is part of, the Note or Security Instrument and that contains any such terms and provisions as those referred to in (a) above.
- 4. Nothing in this Agreement shall be understood or construed to be a satisfaction or release in whole or in part of the Note and Security Instrument. Except as otherwise specifically provided in this Agreement, the Note and Security instrument will remain unchanged, and the Borrower and Lender will be bound by, and comply with, all the terms and provisions thereof, as amended by the Agreement.

\_\_\_\_\_(Seal) Cheri M. Wheatley (Seal)  
 \_\_\_\_\_ (Seal) \_\_\_\_\_ (Seal)  
 \_\_\_\_\_ (Seal) \_\_\_\_\_ (Seal)

Lender: First Mutual Bank  
 By: Erma Christine [Authorized Officer Name] Its: AOB [Authorized Officer Title]

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

STATE OF WASHINGTON,  
 County: Skagit  
 On this day personally appeared before me CHERI M WHEATLEY to me known to be the individual(s) described in and who executed the within and foregoing instrument, any acknowledged that SHE signed the same as HER free and voluntary act and deed, for the uses and purposes therein mentioned.

  
 GIVEN under my hand and official seal this 14th day of September, 2006.  
 My Commission expires 6-8-08  
Linda N. Remick  
 Notary Public in and for the State of WASHINGTON residing at: Stawood

STATE OF WASHINGTON,  
 County: King  
 I hereby certify that I know or have satisfactory evidence that \_\_\_\_\_ is the person(s) who appeared before me, and said person(s) acknowledged that she signed this instrument, on oath stated that \_\_\_\_\_ authorized to execute the instrument and acknowledged it as the \_\_\_\_\_ 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 \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.  
 My Commission expires: \_\_\_\_\_  
 \_\_\_\_\_  
 Notary Public in and for the State of Washington residing at: \_\_\_\_\_



LIBOR ARM Program	Amortization (years)	Index Value (%) (1)	Margin (%) (2)	Premium (%) (3)	Initial Rate (%) (4)	Initial Payment (5)	Adjustment Caps (6)	Max. Rate (7)	Max. Payment	Year Of Max. Payment
3-1	30	3.210	2.950	.625	6.750	64.86	2/2/6	12.750	105.29	6
2-2	30	3.210	3.250	.125	6.625	64.03	2/2/6	12.625	104.43	7
1-1	30	3.210	3.250	.000	6.500	63.21	2/2/6	12.500	105.17	4

- (1) Average of interbank offered rates for one-year U.S. dollar-denominated deposits in the London market ("LIBOR") for January 11th 2005.
- (2) This is a margin we have used recently for this program; your margin may be different
- (3) This is the amount of premium or discount we have provided recently for this program; your loan premium or discount may be a different amount
- (4) This is a sample interest rate as of January 2005.
- (5) Prior to First Change Date: monthly payments of both principal and interest
- (6) First Adjustment Cap/Subsequent Adjustment Cap/Lifetime Cap. Adjustment Cap limits upward or downward movement.
- (7) Initial Rate plus Lifetime Cap

You will be notified in writing at least 25 days, but not more than 120 days, before the due date of a payment at a new level. This notice will contain information about your interest rates, payment amount and loan balance.

To see what your payment would have been for any program during the Interest Only period, divide your mortgage amount by \$10,000; then multiply the monthly payment by that amount. For example, the initial monthly payment on a 3-1 Interest Only ARM loan for a mortgage amount of \$60,000 with a 30-year term would be:  $\$60,000/\$10,000 = 6$ ;  $6 \times \$48.96 = \$293.76$

**PrePayment Option**

This only applies only if you choose our prepayment pricing option or you have selected a loan program that requires this type of prepayment. Information on this is available on request.

Someone buying your principal dwelling may, subject to conditions, be allowed to assume the remaining balance of your loan based upon the original terms.

By Signing below you acknowledge that you have received a copy of this ARM Program Disclosure and a copy of the booklet titled Consumer Handbook on Adjustable Rate Mortgages. You further acknowledge that this Disclosure does not obligate us to make any loan and that you must provide us with a completed loan application and other required information before being considered for loan approval.

Cheri M. Wheatley  
 \_\_\_\_\_  
 CHERI M WHEATLEY

\_\_\_\_\_

  
 200609260083  
 Skagit County Auditor

## 1/1, 2/2, 3/1 LIBOR ARM Disclosure 2/2/6 Caps (Nonconvertible)

### Your Lender's ARM Disclosures and Description of Programs

This disclosure describes the features of the adjustable-rate mortgage (ARM) programs the Bank offers. This disclosure is not a commitment by the Bank to make you a loan on any of the terms described in this disclosure. It is intended solely to provide you with a general description of our loan programs. Information on any other ARM programs we may have is available on request.

### How Your Interest Rate and Payments are Determined

Your interest rate will be based on an index plus a margin. Your payment will be based on the interest rate, loan balance, loan term, and other provisions of your loan documents.

Ask us for the amount of current interest discounts or premiums. After the initial period, your interest rate will equal the current index rate plus the margin rounded to the nearest 1/8 of one percentage point (0.125%), unless an Adjustment Cap or the Lifetime Cap limits the amount of the change in the interest rate. Ask us for our current interest rate and margin.

The index is based on the average of interbank offered rates for one-year U.S. dollar-denominated deposits in the London market ("LIBOR") plus our margin. Information about this index is published in the Wall Street Journal.

### How Your Interest Rate Can Change

Your interest rate can change every twelve months after the first interest rate change date ("First Change Date"). The First Change Date will depend on which ARM program you select as set forth in the following chart.

<b>Program</b>	<b>First Change Date</b>
3-1 Fully Amortizing	36 months from loan closing
2-2 Fully Amortizing	24 months from loan closing
1-1 Fully Amortizing	12 months from loan closing

At the First Change Date, your interest rate cannot increase or decrease more than the First Adjustment Cap. No interest rate change after the First Change Date will be more than the Subsequent Adjustment Cap. Your First Adjustment Cap will be set at an amount of 2 percentage points. Your Subsequent Adjustment Cap will be set at an amount of 2 percentage points for each adjustment. There is no limitation on the total amount by which your interest rate can decrease over the life of your loan except that your interest rate can never be lower than the margin, regardless of how low the index may drop.

Regardless of the current value of the index plus margin, your interest rate can never exceed the Lifetime Cap which will be established when you "lock-in" with the Bank the initial interest rate and discount or premium applicable to your loan. Your Lifetime Cap will be set at 6 percentage points above your initial rate. Ask for our current First and Subsequent Adjustment Caps and Lifetime Cap information.

### How Your Monthly Payment Can Change

Your monthly payment can change every twelve (12) months for the 1/1 and the 3/1 programs or every twenty four (24) months for the 2/2 program after the first change date and increase or decrease substantially based on the changes in the interest rate. For example, on a \$10,000 loan with the terms and the initial interest rates shown below (minus a recent discount or plus a recent premium offered for the program, which premium or discount is set forth below), the maximum amount that the interest rate can rise under the program is shown below. The monthly payments can increase from the initial payment shown below to the maximum payment shown in the year indicated.

