



Skagit County Auditor

12/19/2017 Page

1 of

30

\$104.00

3:44PM

ACCOMMODATION RECORDING

This Space Provided for Recorder's Use

WHEN RECORDED MAIL TO:  
Mortgage Brokers Services Inc, dba Kief Mortgage  
604 Oaksdale Avenue SW, Suite B-103  
Renton, WA 98057

CHICAGO TITLE

020032420

**ADJUSTABLE RATE  
HOME EQUITY CONVERSION SECOND DEED OF TRUST**  
This deed of trust secures a reverse mortgage loan

Grantor(s): *Bonnie J Bodin-Johnson, an unmarried woman as her separate estate*  
Grantee(s): Secretary of Housing and Urban Development, whose address is 451 Seventh Street, SW,  
Washington, DC 20410, Beneficiary

SENIOR OFFICIAL WITH RESPONSIBILITY FOR SINGLE FAMILY MORTGAGE  
INSURANCE PROGRAMS IN THE DEPARTMENT OF HOUSING AND URBAN  
DEVELOPMENT FIELD OFFICE WITH JURISDICTION OVER THE PROPERTY  
DESCRIBED BELOW, OR A DESIGNEE OF THAT OFFICIAL, Trustee

Abbreviated Legal Description:

Lot(s): LOT A SKAGIT COUNTY SHORT PLAT NO. 96-008

Assessor's Property Tax Parcel or Account No.: P15436 330305-1-001-0000

Prepared By:

Mortgage Brokers Services Inc, dba Kiel Mortgage  
604 Oaksdale Avenue SW, Suite B-103  
Renton, WA 98057

[Space Above This Line For Recording Data]

State of WASHINGTON

FHA Case No. 566-235553-962  
Loan No. 1217107791  
MIN: 1004534-0005000122-3

**ADJUSTABLE RATE  
HOME EQUITY CONVERSION SECOND DEED OF TRUST**  
This deed of trust secures a reverse mortgage loan

THIS DEED OF TRUST ("Security Instrument" or "Second Security Instrument") is made on December 13, 2017. The grantor is Bonnie J Bodin-Johnson whose address is 18416 Valentine Road, Mount Vernon, Washington 98273 ("Borrower"). The term "Borrower" does not include the Borrower's successors and assigns. The trustee is the SENIOR OFFICIAL WITH RESPONSIBILITY FOR SINGLE FAMILY MORTGAGE INSURANCE PROGRAMS IN THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT FIELD OFFICE WITH JURISDICTION OVER THE PROPERTY DESCRIBED BELOW, OR A DESIGNEE OF THAT OFFICIAL ("Trustee"). The beneficiary is the Secretary of Housing and Urban Development, whose address is 451 Seventh Street, SW, Washington, DC 20410 ("Lender" or "Secretary"). Borrower has agreed to repay to Lender amounts which Lender is obligated to advance, including future advances, under the terms of a Home Equity Conversion Adjustable Rate Loan Agreement dated the same date as this Security Instrument ("Loan Agreement"). The agreement to repay is evidenced by Borrower's Adjustable-Rate Note dated the same date as this Security Instrument ("Second Note"). This Security Instrument secures to Lender: (a) the repayment of the debt evidenced by the Second Note, with interest at a rate subject to adjustment (interest), and all renewals, extensions and modifications of the Note, up to a maximum principal amount of Nine Hundred Forty Five Thousand Dollars and Zero Cents (U.S. \$945,000.00); (b) the payment of all other sums, with interest, advanced under Paragraph 5 to protect the security of this Security Instrument or otherwise due under the terms of this Security Instrument; and (c) the performance of Borrower's covenants and agreements under this Security Instrument and the Second Note. The full debt, including amounts described in (a), (b), and (c) above, if not due earlier, is due and payable on July 31, 2104. This security instrument shall remain in full force and effect notwithstanding any zero outstanding balance on the debt from time to time and our lien shall not be released except when the property is reconveyed. For this purpose, Borrower irrevocably grants and conveys to Trustee, in trust, with power of sale, the following described property located in SKAGIT County.

\* an unmarried woman, as her separate estate.

WASHINGTON:

**See legal description as Exhibit A attached hereto and made a part hereof for all intents and purposes**

which has the address of

**18416 Valentine Road, Mount Vernon, Washington 98273, ("Property Address")**

TOGETHER WITH all the improvements now or hereafter erected on the property, and all easements, rights, appurtenances, and fixtures now or hereafter a part of the property. All replacements and additions shall also be covered by this Security Instrument. All of the foregoing is referred to in this Security Instrument as the "Property."

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 only encumbered by a First Security Instrument given by Borrower and dated the same date as this Security Instrument ("First Security Instrument"). Borrower warrants and will defend generally the title to the Property against all claims and demands, subject to any encumbrances of record.

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.

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

**1. Payment of Principal and Interest.** Borrower shall pay when due the principal of, and interest on, the debt evidenced by the Second Note. Since regular periodic payments by Borrower to Lender are not required under the Note and the interest that accrues and other amounts Borrower may owe under the Note are added to the loan balance, "negative amortization" will occur. Negative amortization and the compounding of interest will increase the amount Borrower owes Lender and will reduce Borrower equity in the Property.

**2. Payment of Property Charges.** Borrower shall pay all property charges consisting of property taxes, hazard insurance premiums, flood insurance premiums, ground rents, condominium fees, planned unit development fees, homeowner's association fees, and any other special assessments that may be required by local or state law in a timely manner, and shall provide evidence of payment to Lender, unless Lender pays property charges as provided for and in accordance with the Loan Agreement.

**3. Fire, Flood and Other Hazard Insurance.** Borrower shall insure all improvements on the Property, whether now in existence or subsequently erected, against any hazards, casualties, and contingencies, including, but not limited to, fire and flood, for which Lender requires insurance. Such insurance shall be maintained in the amounts, and for the periods that Lender requires; Lender has the discretion to increase or decrease the amount of any insurance required at any time provided the amount is equal to or greater than any minimum required by the Secretary. Whether or not Lender imposes a flood insurance requirement, Borrower shall at a minimum insure all improvements on the Property, whether now in existence or subsequently erected, against loss by floods to the extent required by the Secretary. If the Lender imposes insurance requirements, all insurance shall be carried with companies approved by Lender, and the insurance policies and any renewals shall be held by Lender and shall include loss payable clauses in favor of, and in a form acceptable to, Lender.

In the event of loss, Borrower shall give Lender immediate notice by mail. Lender may make proof of loss if not made promptly by Borrower. Each insurance company concerned is hereby authorized and directed to make payment for such loss to Lender, instead of to Borrower and Lender jointly. Insurance proceeds shall be applied to restoration or repair of the damaged Property, if the restoration or repair is economically feasible and Lender's security is not lessened. If the restoration or repair is not economically feasible or Lender's security would be lessened, the insurance proceeds shall be applied first to the reduction of any indebtedness under the Second Note and this Security Instrument and then to the reduction of the indebtedness under the First Note and First Security Instrument. Any excess insurance proceeds over an amount required to pay all outstanding indebtedness under the Second Note and this Security Instrument and the First Note and the First Security Instrument shall be paid to the entity legally entitled thereto.

In the event of foreclosure of this Security Instrument or other transfer of title to the Property that extinguishes the indebtedness, all right, title and interest of Borrower in and to insurance policies in force shall pass to the purchaser.

**4. Occupancy, Preservation, Maintenance and Protection of the Property; Borrower's Loan Application; Leaseholds.** Borrower shall occupy, establish, and use the Property as Borrower's Principal Residence after the execution of this Security Instrument and Borrower (or at least one Borrower, if initially more than one person are Borrowers) shall continue to occupy the Property as Borrower's Principal Residence for the term of the Security Instrument.

Borrower shall not commit waste or destroy, damage or substantially change the Property or allow the Property to deteriorate, reasonable wear and tear excepted. Borrower shall also be in default if Borrower, during the loan application process, gave materially false or inaccurate information or statements to

Lender (or failed to provide Lender with any material information) in connection with the loan evidenced by the Note, including, but not limited to, representations concerning Borrower's occupancy of the Property as a Principal Residence. If this Security Instrument is on a leasehold, Borrower shall comply with the provisions of the lease. If Borrower acquires fee title to the Property, the leasehold and fee title shall not be merged unless Lender agrees to the merger in writing.

**5. Charges to Borrower and Protection of Lender's Rights in the Property.** Borrower shall pay all governmental or municipal charges, fines and impositions that are not included in Paragraph 2. Borrower shall pay these obligations on time directly to the entity which is owed the payment. If failure to pay would adversely affect Lender's interest in the Property, upon Lender's request Borrower shall promptly furnish to Lender receipts evidencing these payments. Borrower shall promptly discharge any lien which has priority over this Security Instrument in the manner provided in Paragraph 14(c).

If Borrower fails to make these payments or pay the property charges required by Paragraph 2, or fails to perform any other covenants and agreements contained in this Security Instrument, or there is a legal proceeding that may significantly affect Lender's rights in the Property (such as a proceeding in bankruptcy, for condemnation or to enforce laws or regulations), then Lender may do and pay whatever is necessary to protect the value of the Property and Lender's rights in the Property, including payment of property taxes, hazard insurance and other items mentioned in Paragraph 2.

To protect Lender's security in the Property, Lender shall advance and charge to Borrower all amounts due to the Secretary for the Mortgage Insurance Premium as defined in the Loan Agreement as well as all sums due to the loan servicer for servicing activities as defined in the Loan Agreement. Any amounts disbursed by Lender under this Paragraph shall become an additional debt of Borrower and accrue interest as provided for in the Loan Agreement and shall be secured by this Security Instrument.

**6. Inspection.** Lender or its agent may enter on, inspect or make appraisals of the Property in a reasonable manner and at reasonable times provided that Lender shall give the Borrower notice prior to any inspection or appraisal specifying a purpose for the inspection or appraisal which must be related to Lender's interest in the Property. If the Property is vacant or abandoned or the loan is in default, Lender may take reasonable action to protect and preserve such vacant or abandoned Property without notice to the Borrower.

**7. Condemnation.** The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of any part of the Property, or for conveyance in place of condemnation, shall be paid to Lender. The proceeds shall be applied first to the reduction of any indebtedness under the Second Note and this Security Instrument, and then to the reduction of the indebtedness under the First Note and First Security Instrument. Any excess proceeds over an amount required to pay all outstanding indebtedness under the Second Note and this Security Instrument and the First Note and First Security Instrument shall be paid to the entity legally entitled thereto.

**8. Fees.** Lender may collect fees and charges authorized by the Secretary, which fees and charges may be added to the Borrower's principal balance and accrue interest as described in the Loan Agreement and shall be secured by this Security Instrument.

**9. Non-Borrowing Spouse.** Borrower, N/A is married under the laws of Washington to N/A ("Non-Borrowing Spouse"), who is not a Borrower under the terms of the "Second Note," "the Loan Agreement" or this Security Instrument.

**(a) Eligible Non-Borrowing Spouse** - A Non-Borrowing Spouse identified by the Borrower who meets, and continues to meet, the *Qualifying Attributes* requirements established by the Secretary that the Non-Borrowing Spouse must satisfy in order to be eligible for the Deferral Period.

**(b) Ineligible Non-Borrowing Spouse** - A Non-Borrowing Spouse who does not meet the *Qualifying Attributes* requirements established by the Secretary that the Non-Borrowing Spouse must satisfy in order to be eligible for the Deferral Period.

#### **10. Grounds for Acceleration of Debt.**

##### **(a) Due and Payable - Death.**

(i) Except as provided in Paragraph 10(a)(ii), Lender may require immediate payment in full of all sums secured by this Security Instrument if a Borrower dies and the Property is not the Principal Residence of at least one surviving Borrower.

(ii) Lender shall defer the due and payable requirement under Paragraph 10(a)(i) above for any period of time ("Deferral Period") in which a Non-Borrowing Spouse identified in Paragraph 9 qualifies as an Eligible Non-Borrowing Spouse resides in the Property as [his/her] Principal Residence and certifies all of the following conditions are, and continue to be, met:

- a. Such Eligible Non-Borrowing Spouse remained the spouse of the identified Borrower for the duration of such Borrower's lifetime;
- b. Such Eligible Non-Borrowing Spouse has occupied, and continues to occupy, the Property as [his/her] Principal Residence;
- c. Such Eligible Non-Borrowing Spouse has established legal ownership or other ongoing legal right to remain in the Property;
- d. All other obligations of the Borrower under the *Second Note*, the *Loan Agreement* and this Security Instrument continue to be satisfied;
- e. The *Second Note* is not eligible to be called due and payable for any other reason; and
- f. If requested by Lender, such Eligible Non-Borrowing Spouse and the Borrower's successors and assigns, if different, sign an enforceable agreement suspending the statute of limitations applicable to the enforcement of a real property lien and any other document(s) Lender deems necessary to preserve (I) the priority of Lender's lien on the Property, (II) Lender's right to foreclose the security interest in the Property, and (III) Lender's right to exercise its default remedies available under this Security Instrument and the Note.

This sub paragraph (ii) is inapplicable or null and void if an Eligible Non-Borrowing Spouse is or becomes an Ineligible Non-Borrowing Spouse at any time. Further, during a deferral of the due and payable status, should any of the conditions for deferral cease to be met, such a deferral shall immediately cease and the Note will become immediately due and payable in accordance with the provisions of Paragraph 7(A)(i) of the Note.

**(b) Due and Payable - Sale.** Lender may require immediate payment in full of all sums secured by this Security Instrument if all of a Borrower's title in the Property (or his or her beneficial interest in a trust owning all or part of the Property) is sold or otherwise transferred and no other Borrower retains title to the Property in fee simple or retains a leasehold under a lease for not less than 99 years which is renewable or a lease having a remaining period of not less than 50 years beyond the date of the 100th birthday of the youngest Borrower or retains a life estate (or retaining a beneficial interest in a trust with such an interest in the Property). A deferral of due and payable status is not permitted when a Lender requires immediate payment in full under this Paragraph.

**(c) Due and Payable with Secretary Approval.** Lender may require immediate payment in full of all sums secured by this Security Instrument, upon approval of the Secretary, if:

- (i) The Property ceases to be the Principal Residence of a Borrower for reasons other than death and the Property is not the Principal Residence of at least one other Borrower; or
- (ii) For a period of longer than twelve (12) consecutive months, a Borrower fails to occupy the Property because of physical or mental illness and the Property is not the Principal Residence of at least one other Borrower; or
- (iii) An obligation of the Borrower under this Security Instrument is not performed.

A deferral of due and payable status is not permitted when a Lender requires immediate payment in full under this Paragraph 10(c).

**(d) Notice and Certification to Lender.** Borrower shall complete and provide to the Lender on an annual basis a certification, in a form prescribed by the Lender, stating whether the Property remains the Borrower's Principal Residence and, if applicable, the Principal Residence of his or her Non-Borrowing Spouse. Where a Borrower has identified a Non-Borrowing Spouse in Paragraph 9 and the identified Non-Borrowing Spouse qualifies as an Eligible Non-Borrowing Spouse, the Borrower shall also complete and provide to the Lender on an annual basis an Eligible Non-Borrowing Spouse certification, in a form prescribed by the Lender, certifying that all requirements for the application of a Deferral Period continue to apply and continue to be met. During a Deferral Period, the Borrower's annual Principal Residence certification must continue to be completed and provided to the Lender by the Eligible Non-Borrowing Spouse. The Borrower shall also notify Lender whenever any of the events listed in Paragraph 10 (b) and (c) occur.

**(e) Notice to Borrower.** Lender shall notify the Borrower whenever the loan becomes due and payable under Paragraph 10 (b) and (c). Lender shall not have the right to commence foreclosure until Borrower has had thirty (30) days after notice to either:

- (i) Correct the matter which resulted in the Security Instrument coming due and payable; or
- (ii) Pay the balance in full; or
- (iii) Sell the Property for the lesser of the balance or ninety-five percent (95%) of the appraised value and apply the net proceeds of the sale toward the balance; or
- (iv) Provide the Lender with a deed-in-lieu of foreclosure.

**(f) Notice to Secretary and Eligible Non-Borrowing Spouse.** Lender shall notify the Secretary and any Non-Borrowing Spouse identified in Paragraph 9 who qualifies as an Eligible Non-Borrowing Spouse whenever any event listed in Paragraph 10 (b) and (c) occurs during a Deferral Period.

**(g) Trusts.** Conveyance of a Borrower's interest in the Property to a trust which meets the requirements of the Secretary, or conveyance of a trust's interests in the Property to a Borrower, shall not be considered a conveyance for purposes of this Paragraph 10. A trust shall not be considered an occupant or be considered as having a Principal Residence for purposes of this Paragraph 10.

**11. No Deficiency Judgments.** Borrower shall have no personal liability for payment of the debt secured by this Security Instrument. Lender may enforce the debt only through sale of the Property. Lender shall not be permitted to obtain a deficiency judgment against Borrower if the Security Instrument is foreclosed.

**12. Reinstatement.** Borrower has a right to be reinstated if Lender has required immediate payment in full. This right applies even after foreclosure proceedings are instituted. To reinstate this Security Instrument, Borrower shall correct the condition which resulted in the requirement for immediate payment in full. Foreclosure costs and reasonable and customary attorney's fees and expenses properly associated with the foreclosure proceeding shall be added to the Principal Balance. Upon reinstatement by Borrower, this Security Instrument and the obligations that it secures shall remain in effect as if Lender had not required immediate payment in full. However, Lender is not required to permit reinstatement if: (i) Lender has accepted reinstatement after the commencement of foreclosure proceedings within two (2) years immediately preceding the commencement of a current foreclosure proceeding, (ii) reinstatement will preclude foreclosure on different grounds in the future, or (iii) reinstatement will adversely affect the priority of the Security Instrument.

**13. Deferral Period Reinstatement.** If a Deferral Period ceases or becomes unavailable because the Non-Borrowing Spouse no longer satisfies the Qualifying Attributes for a Deferral Period and has become an Ineligible Non-Borrowing Spouse, neither the Deferral Period nor the Security Instrument may be reinstated. In the event a Deferral Period ceases because an obligation of the Note, the Loan Agreement, or this Security Instrument has not been met or the Note has become eligible to be called due and payable and is in default for a reason other than death, the Eligible Non-Borrowing Spouse may

have a Deferral Period and this Security Instrument reinstated provided that the condition which resulted in the Deferral Period ceasing is corrected within thirty (30) days. A Lender may require the Eligible Non-Borrowing Spouse to pay for foreclosure costs and reasonable and customary attorney's fees and expenses properly associated with the foreclosure proceeding, such costs may not be added to the Principal Balance. Upon reinstatement by the Eligible Non-Borrowing Spouse, the Deferral Period and this Security Instrument and the obligations that it secures shall remain in effect as if the Deferral Period had not ceased and the Lender had not required immediate payment in full. However, Lender is not required to permit reinstatement if: (i) the Lender has accepted a reinstatement of either the Deferral Period or this Security Instrument within the past two (2) years immediately preceding the current notification to the Eligible Non-Borrowing Spouse that the mortgage is due and payable; (ii) reinstatement of either the Deferral Period or this Security Instrument will preclude foreclosure in the future, or (iii) reinstatement of either the Deferral Period or Security Instrument will adversely affect the priority of this Security Instrument.

#### **14. Lien Status.**

##### **(a) Modification.**

Borrower agrees to extend this Security Instrument in accordance with this Paragraph 14(a). If Lender determines that the original lien status of the Security Instrument is jeopardized under state law (including but not limited to situations where the amount secured by the Security Instrument equals or exceeds the maximum principal amount stated or the maximum period under which loan advances retain the same lien priority initially granted to loan advances has expired) and state law permits the original lien status to be maintained for future loan advances through the execution and recordation of one or more documents, then Lender shall obtain title evidence at Borrower's expense. If the title evidence indicates that the Property is not encumbered by any liens (except the First Security Instrument described in Paragraph 15(a), this Second Security Instrument and any subordinate liens that the Lender determines will also be subordinate to any future loan advances), Lender shall request the Borrower to execute any documents necessary to protect the lien status of future loan advances. Borrower agrees to execute such documents. If state law does not permit the original lien status to be extended to future loan advances, Borrower will be deemed to have failed to have performed an obligation under this Security Instrument.

##### **(b) Tax Deferral Programs.**

Borrower shall not participate in a real estate tax deferral program, if any liens created by the tax deferral are not subordinate to this Security Instrument.

##### **(c) Prior Liens.**

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; (b) contests in good faith the lien by, or defends against enforcement of the lien in, legal proceedings which in the Lender's opinion operate to prevent the enforcement of the lien or forfeiture of any part of the Property; or (c) secures from the holder of the lien an agreement satisfactory to Lender subordinating the lien to all amounts secured by this Security Instrument. If Lender determines that any part of the Property is subject to a lien which may attain priority over this Security Instrument, Lender may give Borrower a notice identifying the lien. Borrower shall satisfy the lien or take one or more of

the actions set forth above within ten (10) days of the giving of notice.

**15. Relationship to First Security Instrument.**

**(a) Second Security Instrument.** In order to secure payments which the Secretary may make to or on behalf of Borrower pursuant to Section 255(i)(1)(A) of the National Housing Act and the Loan Agreement, the Secretary has required Borrower to execute a Second Note and this Second Security Instrument. Borrower also has executed a First Note and First Security Instrument.

**(b) Relationship of First and Second Security Instruments.** Payments made by the Secretary shall not be included in the debt under the First Note unless:

- (i) The First Security Instrument is assigned to the Secretary; or
- (ii) The Secretary accepts reimbursement by the holder of the First Note for all payments made by the Secretary.

If the circumstances described in (i) or (ii) occur, then all payments by the Secretary, including interest on the payments but excluding late charges paid by the Secretary, shall be included in the debt under the First Note.

**(c) Effect on Borrower.** Where there is no assignment or reimbursement as described in (b)(i) or (ii) and the Secretary makes payments to Borrower, then Borrower shall not:

- (i) Be required to pay amounts owed under the First Note, or pay any rents and revenues of the Property under Paragraph 24 to the holder of the First Note or a receiver of the Property, until the Secretary has required payment-in-full of all outstanding principal and accrued interest under the Second Note; or
- (ii) Be obligated to pay interest or shared appreciation under the First Note at any time, whether accrued before or after the payments by the Secretary, and whether or not accrued interest has been included in the Principal Balance under the First Note.

**(d) No Duty of the Secretary.** The Secretary has no duty to the holder of the First Note to enforce covenants of the Second Security Instrument or to take actions to preserve the value of the Property, even though the holder of the First Note may be unable to collect amounts owed under the First Note because of restrictions in this Paragraph 15.

**16. Restrictions on Enforcement.** Notwithstanding anything else in this Security Instrument, the Borrower shall not be obligated to comply with the covenants hereof, and Paragraph 24 shall have no force and effect, whenever there is no outstanding balance under the Second Note.

**17. Forbearance by Lender Not a Waiver.** Any forbearance by Lender in exercising any right or remedy shall not be a waiver of or preclude the exercise of any right or remedy.

**18. Successors and Assigns Bound; Joint and Several Liability.** Borrower may not assign any rights or obligations under this Security Instrument or the Second Note, except to a trust that meets the requirements of the Secretary. Borrower's covenants and agreements shall be joint and several. Notwithstanding anything to the contrary herein, upon the death of the last surviving Borrower, the Borrower's successors and assigns will be bound to perform Borrower's obligations under this Security

Instrument.

**19. Notices.** Any notice to Borrower provided for in this Security Instrument shall be given by delivering it or by mailing it by first class mail unless applicable law requires use of another method. The notice shall be directed to the Property Address or any other address all Borrowers jointly designate. Any notice to the Secretary shall be given by first class mail to the HUD Field Office with jurisdiction over the Property or any other address designated by the Secretary. Any notice to Non-Borrowing Spouse provided for in this Security Instrument shall be given by delivering it or by mailing it by first class mail unless applicable law requires use of another method. The notice shall be directed to the Property Address. Any notice provided for in this Security Instrument shall be deemed to have been given to Borrower, Lender, or Non-Borrowing Spouse when given as provided in this Paragraph 19.

**20. Governing Law; Severability.** This Security Instrument shall be governed by Federal law and the law of the jurisdiction in which the Property is located. In the event that any provision or clause of this Security Instrument or the Second Note conflicts with applicable law, such conflict shall not affect other provisions of this Security Instrument or the Second Note which can be given effect without the conflicting provision. To this end the provisions of this Security Instrument and the Second Note are declared to be severable.

**21. Borrower's Copy.** Borrower shall be given one conformed copy of the Second Note and this Security Instrument.

**22. Third-Party Beneficiary.** Except as set forth in Paragraph 10(a)(ii) and only for an Eligible Non-Borrowing Spouse, this Security Instrument does not and is not intended to confer any rights or remedies upon any person other than the parties. Borrower agrees that it is not a third-party beneficiary to the Contract of Insurance between HUD and the holder of the First Note.

**23. Capitalized Terms.** Capitalized terms not defined in this Security Instrument shall have the meanings ascribed to them in the Loan Agreement.

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

**24. Assignment of Rents.** Borrower unconditionally assigns and transfers to Lender all the rents and revenues of the Property. Borrower authorizes Lender or Lender's agents to collect the rents and revenues and hereby directs each tenant of the Property to pay the rents to Lender or Lender's agents. However, prior to Lender's notice to Borrower of Borrower's breach of any covenant or agreement in the Security Instrument, Borrower shall collect and receive all rents and revenues of the Property as trustee for the benefit of Lender and Borrower. This assignment of rents constitutes an absolute assignment and not an assignment for additional security only.

If Lender gives notice of breach to Borrower: (a) all rents received by Borrower shall be held by Borrower as trustee for benefit of Lender only, to be applied to the sums secured by this Security Instrument; (b) Lender shall be entitled to collect and receive all of the rents of the Property; and (c) each tenant of the Property shall pay all rents due and unpaid to Lender or Lender's agent on Lender's written demand to the tenant.

Borrower has not executed any prior assignment of the rents and has not and will not perform any act that would prevent Lender from exercising its rights under this Paragraph 24, except as provided in the First Security Instrument.

Lender shall not be required to enter upon, take control of or maintain the Property before or after giving notice of breach to Borrower. However, Lender or a judicially appointed receiver may do so at any time there is a breach. Any application of rents shall not cure or waive any default or invalidate any other right or remedy of Lender. This assignment of rents of the Property shall terminate when the debt secured by this Security Instrument is paid in full.

**25. Foreclosure Procedure.** If Lender requires immediate payment-in-full under Paragraph 10, Lender may invoke the power of sale and/or any other remedies permitted by applicable law. Lender shall be entitled to collect all expenses incurred in pursuing the remedies provided in this Paragraph 25, including, but not limited to, reasonable attorneys' fees and costs of title evidence.

If 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 and Lender shall take such action regarding notice of sale and shall give such notices to Borrower and to other persons as applicable law may require. After the time required by applicable law and after publication of the notice of sale, Trustee, without demand on Borrower, shall sell the Property at public auction to the highest bidder at the time and place and under the terms designated in the notice of sale 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.

Trustee shall deliver to the purchaser Trustee's deed conveying the Property without any covenant or warranty, expressed or implied. The recitals in the Trustee's deed shall be prima facie evidence of the truth of the statements made therein. Trustee shall apply the proceeds of the sale in the following order: (a) to all expenses of the sale, including, but not limited to, reasonable Trustee's and attorneys' fees; (b) to all sums secured by this Security Instrument; and (c) any excess to the person or persons legally entitled to it or to the clerk of the superior court of the county in which the sale took place.

**26. Lien Priority.** The full amount secured by this Security Instrument shall have a lien priority subordinate only to the full amount secured by the First Security Instrument.

**27. Adjustable-Rate Feature.** Under the Note, the initial stated interest rate of 4.886% which accrues on the unpaid principal balance ("Initial Interest Rate") is subject to change, as described below. When the interest rate changes, the new adjusted interest rate will be applied to the total outstanding principal balance. Each adjustment to the interest rate will be based upon the average of interbank offered rates for one-year U.S. dollar denominated deposits in the London Market ("LIBOR"), as published in The Wall Street Journal ("Index") plus a margin. If the Index is no longer available, Lender will be required to use any index prescribed by the Department of Housing and Urban Development. Lender will give

Borrower notice of new index.

Lender will perform the calculations described below to determine the new adjusted interest rate. The interest rate may change on **January 1, 2019** and on that day of each succeeding year. "Change Date" means each date in which the interest rate could change.

The value of the Index will be determined, using the most recent Index figure available thirty (30) days before the Change Date ("Current Index"). Before each Change Date, the new interest rate will be calculated by adding a margin to the Current Index. The sum of the margin plus the Current Index will be called the "Calculated Interest Rate" for each Change Date. The Calculated Interest Rate will be compared to the interest rate in effect immediately prior to the current Change Date (the "Existing Interest Rate").

The Calculated Interest Rate cannot be more than 2.0 percentage points higher or lower than the Existing Interest Rate, nor can it be more than 5.0 percentage points higher or lower than the Initial Interest Rate.

The Calculated Interest Rate will be adjusted, if necessary, to comply with the rate limitation(s) described above and will be in effect until the next Change Date. At any change date, if the Calculated Interest Rate equals the Existing Interest Rate, the interest rate will not change.

**28. Reconveyance.** Upon payment of all sums secured by this Security Instrument, Lender shall request Trustee to reconvey the Property and shall surrender this Security Instrument and all notes evidencing debt secured by this Security Instrument to Trustee. Trustee shall reconvey the Property without warranty to the person or persons legally entitled to it. Such person or persons shall pay any recordation costs and the Trustee's fee for preparing the reconveyance.

**29. Substitute Trustee.** In accordance with applicable law, Lender may from time to time appoint a successor trustee to any Trustee appointed hereunder who has ceased to act. Without conveyance of the Property, the successor trustee shall succeed to all the title, power and duties conferred upon Trustee herein and by applicable law.

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

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

**32. Obligatory Loan Advances.** Lender's responsibility to make Loan Advances under the terms of the Loan Agreement, including Loan Advances of principal to Borrower as well as Loan Advances of interest, MIP, Servicing Fees, and other charges shall be obligatory.

**33. Riders to this Security Instrument.** If one or more riders are executed by Borrower and recorded together with this Security Instrument, the covenants of each such rider shall be incorporated into and shall amend and supplement the covenants and agreements of this Security Instrument as if the rider(s) were a part of this Security Instrument. [Check applicable box(es).]

Condominium Rider

Planned Unit Development Rider

Other [Specify]

**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.**

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

Bonnie J. Bodin-Johnson (SEAL)  
Bonnie J Bodin-Johnson

12/13/2017  
Date

[Space Below This Line For Acknowledgment]

State of WASHINGTON  
County of Skagit

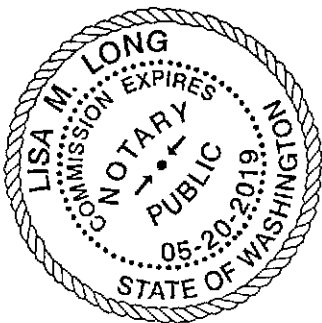
I certify that I know or have satisfactory evidence that Bonnie J. Bodin-Johnson  
is the person who appeared before me, and said person acknowledged that she  
signed this instrument and acknowledged it to be  
his/her free and voluntary act for the uses and purposes mentioned in the instrument.

Dated 12-13-17

Lisa M. Long  
Signature  
Notary Public  
Title

[Seal or Stamp]

My appointment expires: 5/20/2019



**Loan Originator Organization**

Mortgage Loan Originator Organization: **Mortgage Brokers Services Inc, dba Kiel Mortgage**  
Nationwide Mortgage Licensing system and Registry Identification Number: **53969**

**Individual Loan Originator**

Mortgage Loan Originator: **Charles E Butler**  
Nationwide Mortgage Licensing system and Registry Identification Number: **71436**

**EXHIBIT A**

Exhibit A to the Security Instrument made on **December 13, 2017**, by **Bonnie J Bodin-Johnson** ("Borrower") to the Secretary of Housing and Urban Development, and whose address is 451 Seventh Street, S.W., Washington, D.C. 20410, ("Lender" or "Secretary"). The Property is located in the county of **SKAGIT**, state of **Washington**, described as follows:

**Description of Property**

see attached Exhibit "A"

## LEGAL DESCRIPTION

Order No.: 611169394

### PARCEL A:

Lot A, SKAGIT COUNTY SHORT PLAT NO. 96-008, approved December 10, 1996, recorded December 31, 1996 in Volume 12 of Short Plats, page 173, under Auditor's File No. 9612310184, records of Skagit County, Washington.

Situated in Skagit County, Washington.

### PARCEL B:

A 20 foot easement, as delineated, for access and utilities across Lot B of SKAGIT COUNTY SHORT PLAT NO. 96-008, approved December 10, 1996, recorded December 31, 1996 in Volume 12 of Short Plats, page 173, under Auditor's File No. 9612310184, records of Skagit County, Washington.

Also an easement for ingress and egress, over, under and across the South 20 feet of Lot B of SKAGIT COUNTY SHORT PLAT NO. 96-008, approved December 10, 1996, recorded December 31, 1996 in Volume 12 of Short Plats, page 173, under Auditor's File No. 9612310184, records of Skagit County, Washington as reserved within that instrument recorded under Skagit County Auditor's File No. 9901290142.

Situated in Skagit County, Washington.

# Home Equity Conversion Mortgage Adjustable Rate Loan Agreement

FHA Case No. 566-235553-962  
Loan No. 1217107791

THIS AGREEMENT is made on, **December 13, 2017**, among  
**Bonnie J Bodin-Johnson** ("Borrower"), and  
**Mortgage Brokers Services Inc. dba Kiel Mortgage** ("Lender")

## Article 1 - Definitions

- 1.1. Borrower** is defined above. The term does not include the Borrower's successors or assigns.
- 1.2. Deferral Period** means the period of time following the death of the last surviving Borrower during which the due and payable status of a loan is further deferred based on the continued satisfaction of the requirements for an Eligible Non-Borrowing Spouse determined by the Secretary and all other FHA requirements.
- 1.3. Eligible Non-Borrowing Spouse** means a Non-Borrowing Spouse who meets the Qualifying Attributes requirements established for a Deferral Period.
- 1.4. Expected Average Mortgage Interest Rate** means the amount indicated on the Payment Plan. It is a constant interest rate used to calculate monthly payments to the Borrower throughout the life of the loan.
- 1.5 First 12-Month Disbursement Period** means the period that begins on the day of loan closing and ends on the day before the first anniversary date of loan closing. When the day before the anniversary date of loan closing falls on a Federally-observed holiday, Saturday or Sunday, the period end date will be on the next business day.
- 1.6. Ineligible Non-Borrowing Spouse** means a Non-Borrowing Spouse who does not meet the Qualifying Attributes requirements established for a Deferral Period.
- 1.7. Initial Disbursement Limit** means the maximum disbursement to the Borrower allowed at loan closing and during the First 12-Month Disbursement Period which is the greater of sixty percent (60%) of the Principal Limit; or the sum of Mandatory Obligations, plus an additional ten percent (10%) of the Principal Limit. The Initial Disbursement Limit shall not exceed the Principal Limit amount established at loan closing.
- 1.8. LA Property Charges** means certain Property Charges consisting of taxes, hazard insurance premiums, flood insurance premiums, ground rents, and any other assessments that may be required by local or state law if indicated on the Payment Plan.



**1.9. Loan Advances** means all funds advanced from or charged to Borrower's account under conditions set forth in this Loan Agreement, whether or not actually paid to Borrower.

**1.10. Loan Documents** means the Note, Second Note, Security Instrument and Second Security Instrument.

**1.11. Mandatory Obligations** means only those charges, fees, amounts and expenses as authorized by the Secretary.

**1.12. Maximum Claim Amount** means the lesser of the appraised value of the Property, as determined by the appraisal used in underwriting the loan, or the sales price of the Property being purchased for the sole purpose of being the Principal Residence, or the national mortgage limit under Section 255 (g) or (m) of the National Housing Act applicable to this Loan Agreement. Closing costs must not be taken into account in determining the appraised value.

**1.13. Non-Borrowing Spouse** means the spouse N/A, as determined by the law of the state in which the spouse N/A and Borrower N/A reside or the state of celebration, of the Borrower N/A at the time of closing and who is not a Borrower.

**1.14. Note** means the promissory note signed by Borrower together with this Loan Agreement and given to Lender to evidence Borrower's promise to repay, with interest, Loan Advances by Lender or Lender's assignees.

**1.15. Payment Plan** means the payment plan set forth in Exhibit 1, which is attached to and made a part of this Loan Agreement.

**1.16. Principal or Principal Balance** means the sum of all Loan Advances made as of a particular date, including interest and mortgage insurance premiums.

**1.17. Principal Limit** means the amount indicated on the Payment Plan when this Loan Agreement is executed, and increases each month for the life of the loan at a rate equal to the sum of the applicable monthly interest rate charge, plus one-twelfth the annual MIP. The Principal Limit is calculated by multiplying the Maximum Claim Amount by a factor supplied by the Secretary.

**1.18. Principal Residence** means the dwelling where a Borrower, and if applicable, a Non-Borrowing Spouse maintains his or her permanent place of abode, and typically spends the majority of the calendar year. A person may have only one Principal Residence at any one time. The Property shall be considered to be the Principal Residence of any Borrower who is temporarily in a health care institution provided the Borrower's residency in a health care institution does not exceed twelve (12) consecutive months. The Property shall be considered to be the Principal Residence of any Non-Borrowing Spouse, who is temporarily in a health care institution, as long as the Property is the Principal Residence of his or her Borrower spouse, who physically resides in the Property. During a Deferral Period, the Property shall continue to be considered to be the Principal Residence of any Eligible Non-Borrowing Spouse, who is temporarily in a health care institution, provided the Eligible Non-Borrowing Spouse physically occupied the Property immediately prior to entering the health care institution and the Eligible Non-Borrowing Spouse's residency in a health care institution does not exceed twelve (12) consecutive months.

**1.19. Property** means Borrower's property identified in the Security Instrument.

**1.20. Property Charges** means property taxes, hazard insurance premiums, flood insurance premiums, ground rents, condominium fees, planned unit development fees, homeowners association fees, and



any other special assessments that the Borrower may be required to pay by local or state law.

**1.21. Qualifying Attributes** means those requirements established by the Secretary that the Non-Borrowing Spouse must satisfy in order to be eligible for the Deferral Period.

**1.22. Secretary** means the Secretary of the Department of Housing and Urban Development, his or her successors and assigns.

**1.23. Second Note** means the promissory note signed by Borrower together with this Loan Agreement and given to the Secretary to evidence Borrower's promise to repay, with interest, Loan Advances by the Secretary secured by the Second Security Instrument.

**1.24. Second Security Instrument** means the mortgage, deed of trust, security deed or other security instrument which is signed by Borrower together with this Loan Agreement and which secures the Second Note.

**1.25. Security Instrument** means the mortgage, deed of trust, security deed or other security instrument which is signed by Borrower together with this Loan Agreement and which secures the Note.

## Article 2 - Loan Advances

**2.1. General.** Lender agrees to make Loan Advances under the conditions set forth in this Loan Agreement in consideration of the Note and Security Instrument given by Borrower on the same date as this Loan Agreement.

### 2.2. Initial Advances.

**2.2.1.** Loan Advances shall be used by Lender to pay, or reimburse Borrower for, closing costs listed in the Schedule of Closing Costs (Exhibit 2) attached to and made a part of this Loan Agreement, except that Loan Advances will only be used to pay origination fees in an amount not to exceed the greater of two thousand five hundred dollars (\$2,500) or two percent (2%) of the Maximum Claim Amount, up to a Maximum Claim Amount of two hundred thousand dollars (\$200,000), plus one percent (1%) of any portion of the Maximum Claim Amount that is greater than two hundred thousand dollars (\$200,000). The Lender may not charge the Borrower an origination fee in excess of six thousand dollars (\$6,000).

**2.2.2.** Loan Advances shall be used by Lender to discharge those liens on the Property listed in the Schedule of Liens/HECM for Purchase Disbursements to Seller (Exhibit 2) attached to and made a part of this Loan Agreement.

**2.2.3.** Lender shall pay an initial Loan Advance to Borrower in the amount indicated on the Payment Plan.

**2.2.4.** Initial advances required by this Section 2.2 shall be made as soon as such advances are permitted by the applicable provisions of 12 CFR Part 1026 (Truth in Lending) governing Borrower's right of rescission, but not before that time.

**2.2.5.** Borrower's aggregate initial advances and any subsequent advances made, except for any disbursements or accruals under 2.3.3, during the First 12-Month Disbursement Period may not exceed the Initial Disbursement Limit established at closing and in the amount indicated on the



Payment Plan. In the event Borrower makes a payment towards the outstanding loan balance on the line of credit during the First 12-Month Disbursement Period, the Lender may make subsequent Loan Advances during the remainder of the First 12-Month Disbursement Period only to the extent Borrower's payment was applied to the outstanding Principal Balance.

2.2.6. If any requested Loan Advance would exceed the Initial Disbursement Limit established at closing, Lender must make a partial payment to the Borrower for the amount that would not exceed the limit. Prior to Lender paying a partial Loan Advance to avoid causing the aggregate initial advances to exceed the Initial Disbursement Limit within the First 12-Month Disbursement Period, Lender must provide Borrower with written notice about inability to exceed the threshold.

2.2.7. No Loan Advances are permitted during a Deferral Period, except for amounts disbursed or accrued from under 2.3.2, 2.3.3, 2.12.3, 2.13.3, and 2.15.3.

### 2.3. Set Asides.

2.3.1. Amounts set aside from the Principal Limit shall be considered Loan Advances to the extent actually disbursed or earned by Lender.

2.3.2. Lender shall initially set aside from the Principal Limit the amount indicated on the Payment Plan for repairs to be made in accordance with a Repair Rider attached to and made a part of this Loan Agreement (Exhibit 3). This set-aside remains available for disbursement during any Deferral Period and the Lender may add such disbursements to the Principal Balance for the sole purpose of paying the cost of the repairs specifically identified in the Repair Rider. Additionally, such repairs may only be disbursed if the repairs are satisfactorily completed during the time period established in the Repair Rider.

2.3.3. Lender shall initially set aside from the Principal Limit the amount indicated on the Payment Plan to be applied to payment due for a fixed monthly charge for servicing activities of Lender or its servicer. Such servicing activities are necessary to protect Lender's interest in the Property. A servicing fee set-aside, if any, is not available to the Borrower for any purpose, except to pay for loan servicing. A servicing set-aside under this Section remains available for disbursement during any Deferral Period and the Lender may add such disbursements to the Principal Balance.

2.3.4. Lender shall set aside from the Principal Limit any amounts required by Section 2.10 as indicated on the Payment Plan.

2.4. **Charges and Fees.** Borrower shall pay to Lender reasonable and customary charges and fees as permitted under 24 CFR 206.207(a). Such amounts shall be considered Loan Advances when actually disbursed by Lender.

### 2.5. Monthly Payments.

2.5.1. Loan Advances paid directly to Borrower shall be made in equal monthly payments if requested by Borrower.

2.5.2. Monthly payments, if requested under 2.5.1, shall be calculated based on the payment option requested by Borrower.

2.5.3. Monthly payments under the term payment option are made only during a term chosen by Borrower and shall be calculated so that the sum of (i) or (ii) as applicable added to (iii), (iv), (v)



and (vi) shall be equal to or less than the Principal Limit at the end of the term; except that during the First 12-Month Disbursement Period, the amount calculated shall not be greater than the Initial Disbursement Limit:

(i) Initial Advances under Section 2.2, plus any initial servicing fee set aside under Subsection 2.3.3, or

(ii) The Principal Balance at the time of a change in payments under Sections 2.8 and 2.9 plus any remaining servicing fee set aside under Subsection 2.3.3, and

(iii) The portion of the Principal Limit set aside as a line of credit under Section 2.7, including any set asides for repairs (Subsection 2.3.2) and first year LA Property Charges (Subsection 2.3.4 and Section 2.10), and

(iv) All monthly payments due through the payment term, including funds withheld for payment of Property Charges under Section 2.10, and

(v) All mortgage insurance premiums, or monthly charges due to the Secretary in lieu of mortgage insurance premiums, which are due through the payment term (Subsection 2.13), and

(vi) All interest through the payment term. The Expected Average Mortgage Interest Rate shall be used for this purpose.

**2.5.4.** Monthly payments under the tenure payment option shall be calculated as in Subsection 2.5.3 as if there were a payment term with the number of months in the term equal to the sum of one hundred (100) minus the age of the youngest Borrower multiplied by twelve (12), but payments shall continue until the loan becomes due and payable as provided in the Loan Documents.

**2.5.5.** Monthly payments shall be paid to Borrower on the first business day of a month.

**2.5.6.** If Borrower has requested monthly payments, payments shall be indicated on the Payment Plan. The payment option may be changed by Borrower as provided in Sections 2.8 and 2.9.

## **2.6. Line of Credit without Monthly Payments.**

**2.6.1.** Borrower can request Loan Advances under a line of credit payment option in amounts and at times determined by Borrower, if the Principal Balance of the loan after the Loan Advance is made is less than or equal to the applicable Principal Limit, except that during the First 12-Month Disbursement Period the amount available shall not be greater than the maximum amount permitted under 2.2.5, excluding any portion of the Principal Limit set aside under Subsections 2.3.2, 2.3.3, 2.3.4, and 2.10. The line of credit amount increases at the same rate as the total Principal Limit under Section 1.17.

**2.6.2.** Line of credit payments shall be paid to Borrower within five business days after Lender has received a written request for payment by Borrower.

**2.6.3.** Lender may specify a form for line of credit payment requests.

**2.6.4.** Lender shall provide Borrower with a statement of the account every time a line of credit



payment is made. The statement shall include the current interest rate, the previous Principal Balance, the amount of the current Loan Advance, the current Principal Balance after the Loan Advance, and the current Principal Limit.

## **2.7. Line of Credit with Monthly Payments.**

**2.7.1.** Borrower may receive monthly payments under either a term or tenure payment option combined with a line of credit, as indicated on the Payment Plan.

**2.7.2.** Subsections 2.6.2, 2.6.3 and 2.6.4 apply to a line of credit combined with term or tenure payments.

**2.7.3.** If Borrower combines a line of credit with a term or tenure payment option, the Principal Limit is divided into: (a) an amount for the line of credit payments, including any repair set-aside as provided for in Subsection 2.3.3 and amounts set-aside or withheld for Property Charges as provided for in Subsection 2.3.4 and Section 2.10, (b) an amount for monthly payments which shall be calculated under Subsection 2.5.3 or 2.5.4 and (c) an amount for a servicing fee set aside, if required by Lender under Subsection 2.3.3. Amounts designated for line of credit payments and monthly payments increase independently at the same rate as the total Principal Limit increases under Section 1.17. Borrower can request Loan Advances in amounts and at times determined by Borrower, if the requested amount is less than or equal to the difference between (a) the Principal Limit applicable to the line of credit set aside, except that during the First 12-Month Disbursement Period instead of using the applicable Principal Limit, the maximum amount permitted under 2.2.5 shall be used, and (b) the portion of the outstanding Principal Balance attributable to draws on the line of credit, including accrued interest and mortgage insurance premium or monthly charge due to the Secretary, but excluding any portion of the Principal Limit set aside under Subsections 2.3.2, 2.3.3, 2.3.4 and 2.10.

**2.7.4.** A Borrower receiving monthly payments in combination with a line of credit may prepay the outstanding mortgage balance in accordance with the terms of the Note.

## **2.8. Change in Payments Generally.**

**2.8.1.** Whenever the Principal Balance of the loan is less than the Principal Limit, Borrower may change from any payment option allowable under this Loan Agreement to another.

**2.8.2.** If Borrower requests that monthly payments be made after a change in payment option, Lender shall recalculate future monthly payments in accordance with Subsections 2.5.3 or 2.5.4.

**2.8.3.** Lender may charge a fee not to exceed twenty dollars, whenever payments are recalculated and in any other circumstances in which Borrower is required to sign a form acknowledging a change in payment option as provided in Subsection 2.8.5.

**2.8.4.** Loan Advances under a new payment option shall be paid to Borrower in the same manner and within the time period required under Sections 2.5, 2.6 or 2.7.

**2.8.5.** Changes in the payment option must be acknowledged by Borrower by signing a form containing the same information as the Payment Plan. Lender shall provide a copy of the completed form to Borrower.



## **2.9. Change in Payments Due to Initial Repairs.**

**2.9.1.** If initial repairs after closing, made in accordance with the Repair Rider, are completed without using all of the repair set aside, Lender shall inform Borrower of the completion and the amount then available to the Borrower to be drawn under a line of credit.

**2.9.2.** If initial repairs after closing, made in accordance with the Repair Rider, cannot be fully funded from the repair set aside, any additional Loan Advances needed to complete repairs shall be made in the manner provided under Section 2.16.

**2.9.3.** If initial repairs are not completed when required by the Repair Rider, Borrower shall not request and Lender shall not make any further payments, except as needed to pay for repairs required by the Repair Rider and mandatory Loan Advances under Section 4.6. In order to complete the required repairs, Loan Advances shall be made first from the repair set aside, and then in the manner provided under Section 2.16.

## **2.10. Payment of Certain Property Charges.**

**2.10.1.** Except as provided herein, Borrower shall pay all Property Charges and shall provide evidence of payment to the Lender when required by Lender.

**2.10.2.** Borrower may elect to require Lender to use Loan Advances to pay certain Property Charges consisting of taxes, hazard insurance premiums, flood insurance premiums, ground rents, and any other assessments that may be required by local or state law if indicated on the Payment Plan (collectively, the "LA Property Charges"). Borrower may not cancel this election.

**2.10.3.** If Borrower has made the election under Subsection 2.10.2 and Borrower is receiving monthly payments, Lender shall withhold amounts from each monthly payment and use the amounts withheld to make timely payments of the LA Property Charges. The amounts withheld shall be calculated as provided in Subsection 2.10.5. Amounts withheld from monthly payments shall not be treated as Loan Advances and shall not bear interest except to the extent actually disbursed by Lender.

**2.10.4.** If Borrower has made the election under Subsection 2.10.2, Lender shall withhold from each monthly payment an amount to pay (a) taxes and special assessments levied or to be levied against the Property, (b) leasehold payments or ground rents on the Property, (c) premiums for fire, flood and other hazard insurance required by the Security Instrument (d) any other assessments that may be required by local or state law. Each monthly withholding for items (a), (b), (c) and (d) shall equal one-twelfth (1/12th) of the annual amounts, as reasonably estimated by Lender. The full annual amount for each item shall be paid by Lender before an item would become delinquent. Lender shall treat amounts for items (a), (b), (c) and (d) as Loan Advances adding to the Principal Balance when paid. If at any time the withholding for item (a), (b), (c) or (d) exceeds the amount of actual LA Property Charges, Lender shall pay the excess withholding to Borrower and add it to the Principal Balance. If the total of the withholding for item (a), (b), (c) or (d) is insufficient to pay the item when due, the amount necessary to make up the deficiency on or before the date the item becomes due shall be paid as a Loan Advance in the manner provided under Section 2.16.



**2.10.5.** If Borrower has made the election under Subsection 2.10.2 and Borrower is not receiving monthly payments, Lender shall make Loan Advances under the line of credit payment option as needed to make timely payments of LA Property Charges, provided that no such Loan Advance shall exceed the amount permitted by Section 2.6.1.

**2.10.6.** Lender shall immediately notify any Borrower who has made the election under Subsection 2.10.2 whenever Lender determines that amounts available from monthly payments or line of credit payments will be insufficient to pay the LA Property Charges.

**2.10.7.** If Borrower who has made the election under Subsection 2.10.2 fails to timely pay any other Property Charges, Lender shall pay the Property Charges as a Loan Advance as required under Section 2.16; however, Lender's payment of the Property Charges as a Loan Advance shall not preclude the Lender from taking action due to the Borrower's failure to pay Property Charges under this Section.

**2.10.8.** If a Borrower who has not made the election under Subsection 2.10.2 establishes a pattern of missed payments for LA Property Charges, Lender may establish procedures to pay the LA Property Charges from Borrower's funds as if Borrower made such an election.

**2.10.9.** If a Borrower who has not made the election under Subsection 2.10.2, fails to pay any Property Charges in a timely manner, and such Property Charges are not paid under Subsection 2.10.8 above, Lender shall pay the Property Charges as a Loan Advance as required under Section 2.16.

**2.11. Insurance and Condemnation Proceeds.** If insurance or condemnation proceeds are paid to Lender, the Principal Balance shall be reduced by the amount of the proceeds not applied to restoration or repair of the damaged Property and the available loan funds shall be recalculated. At the same time, the Principal Limit also shall be reduced by the amount of the proceeds applied to reduce the Principal Balance.

**2.12. Interest.**

**2.12.1.** Interest shall be calculated as provided in the Loan Documents.

**2.12.2.** Interest shall accrue daily and be added to the Principal Balance as a Loan Advance at the end of each month. Since regular periodic payments are not required and the interest that accrues and other amounts Borrower may owe under the Note or this Loan Agreement are added to the loan balance, "negative amortization" will occur. Negative amortization will increase the amount that the Borrower owes the Lender and will reduce the Borrower's equity in the Property.

**2.12.3. Interest shall continue to accrue as provided in 2.12.2 during any Deferral Period.**



## **2.13. Mortgage Insurance Premium (MIP); Monthly Charge.**

**2.13.1.** Monthly MIP shall be calculated as provided by the Secretary. If the Security Instrument is held by the Secretary or if the Secretary makes Loan Advances secured by the Second Security Instrument, a monthly charge shall be due to the Secretary and shall be calculated in the same manner as MIP.

**2.13.2.** The full amount of monthly MIP or monthly charge, including any portion of the MIP retained by a Lender under 24 C.F.R. 206.109, shall be considered to be a Loan Advance to Borrower on the later of the first day of the month or the day Lender pays the MIP to the Secretary, if any MIP is due to the Secretary. In the event that the Note becomes due and payable or the Note is prepaid in full after the first day of the month, Lender may add the accrued MIP to the Principal Balance or the Secretary may add the accrued monthly charge to the Principal Balance.

**2.13.3.** In the event of a Deferral Period, the monthly MIP will continue to accrue and the Lender may add the accrued MIP to the Principal Balance.

**2.14. Manner of Payment.** Only a Borrower has a right to receive Loan Advances. Borrowers shall choose to receive Loan Advances by either electronic funds transfer to a bank account designated by all Borrowers or by check mailed to an address designated by all Borrowers, except where all Borrowers agree that payment should be made directly to a third party for the benefit of the Borrower. Borrower may change the manner of payment by notifying Lender.

## **2.15. Protection of Property.**

**2.15.1.** If Borrower vacates or abandons the Property, or if Borrower is in default under the Security Instrument, then Lender may make reasonable expenditures to protect and preserve the Property and these expenditures will be considered Loan Advances as required under Section 2.16.

**2.15.2.** If Borrower fails to pay governmental or municipal charges, fines or impositions that are not included in Section 2.10 or if there is a legal proceeding that may significantly affect Lender's rights in the Property (such as a proceeding in bankruptcy, for condemnation or to enforce laws or regulations), then Lender may do and pay whatever is necessary to protect the value of the Property and Lender's rights in the Property. These expenditures will be considered Loan Advances as required under Section 2.16.

**2.15.3.** During a Deferral Period, if there are governmental or municipal charges, fines or impositions that are not included in Section 2.10 or if there is a legal proceeding that may significantly affect Lender's rights in the Property (such as a proceeding in bankruptcy, for condemnation or to enforce laws or regulations), then Lender may do and pay whatever is necessary to protect the value of the Property and Lender's rights in the Property. These expenditures will be considered Loan Advances as required under Section 2.16. If obligations of the Security Instrument are not satisfied during the Deferral Period, the Deferral Period will immediately cease and the Loan will be immediately due in full.

**2.16. Unscheduled Payments.** Loan Advances made pursuant to Sections 2.3.4, 2.4, 2.9.2, 2.9.3, 2.10.4., 2.10.6, and 2.15 shall be made from a line of credit under Section 2.6 or 2.7 to the extent possible. If no line of credit sufficient to make the Loan Advances exists, any future monthly payments must be recalculated in accordance with Subsection 2.5.3 or 2.5.4 to create a line of credit sufficient to make the Loan Advances.



### Article 3 - Late Charge

**3.1. Amount Due.** Lender shall pay a late charge to Borrower for any late payment. If Lender does not mail or electronically transfer a scheduled monthly payment to Borrower on the first business day of the month or mail or electronically transfer a line of credit payment to Borrower within 5 business days of the date Lender received the request, the late charge shall be 10 percent of the entire amount that should have been paid to the Borrower for that month or as a result of that request. For each additional day that Lender fails to make payment, Lender shall pay interest on the late payment at the interest rate stated in the Loan Documents. If the Loan Documents provide for an adjustable interest rate, the rate in effect when the late charge first accrues shall be used. In no event shall the total late charge and interest exceed five hundred dollars. Any late charge shall be paid from Lender's funds and shall not be added to the unpaid Principal Balance.

**3.2. Waiver.** The Secretary may waive a late charge where the Secretary determines that the late payment resulted from circumstances beyond Lender's control and that no act or omission of Lender contributed to the late payment. At the time Lender requests a waiver, Lender shall inform Borrower that a waiver of late charge has been requested from the Secretary and that the late charge will be sent to Borrower if the waiver is denied. If the Secretary denies the waiver, Lender shall pay to Borrower the late charge and interest that accrued from the date the payment was late until the date the waiver was requested.

**3.3. Default by Lender.** In addition to a late charge under Section 3.1 of this Loan Agreement, Lender may be liable for any penalties or forfeiture which might apply under Sec. 31.04.535(1) of the Revised Code of Washington, as it may be amended, if Lender fails to mail or electronically transfer a scheduled monthly payment or a line of credit payment to Borrower within 30 days of receipt of a notice from Borrower that such payment was not received. Borrower agrees that Lender shall not be liable for any penalties or forfeiture under this Section 3.3 unless Lender fails to cure the default within 30 days of receipt of a written notice from Borrower provided pursuant to this Section 3.3. The notice to Lender required under Section 3.3 must be given by certified mail, return receipt requested. Notice under this Section 3.3 shall be deemed given when delivered to and received by Lender. Nothing in this Section 3.3 shall affect the requirement to pay a late charge that may apply under Section 3.1 of this Loan Agreement.



## Article 4 - Termination of Lender's Obligation to Make Loan Advances

**4.1. Loan Due and Payable.** Lender shall have no obligation to make Loan Advances, including those under Section 2.10, if Lender has notified Borrower that immediate payment-in-full to Lender is required under one or more of the Loan Documents unless and until the notice is rescinded by Lender.

**4.2. Deferral Period of Loan Due and Payable Status.** Where the last surviving Borrower dies and the Eligible Non-Borrowing Spouse met and continues to meet all requirements established by the Secretary, the Due and Payable status will be deferred until the Property is no longer the Principal Residence of the Eligible Non-Borrowing Spouse, the Eligible Non-Borrowing Spouse fails to ensure all other requirements established by the Secretary are met, or the Eligible Non-Borrowing Spouse dies, whichever occurs first. During the Deferral Period, the Lender shall have no obligation to make Loan Advances but the Lender may not require immediate payment in full until the end of the Deferral Period. The Lender may continue to add to the outstanding Principal Balance the amounts that accrue in accordance with Subsections 2.3.2, 2.3.3, 2.12.3, and 2.13.3. The Lender shall notify the Eligible Non-Borrowing Spouse that the Due and Payable status of the Loan is in a Deferral Period only for the amount of time that the Eligible Non-Borrowing Spouse continues to meet all requirements established by the Secretary and the Property continues to be the Principal Residence of the Eligible Non-Borrowing Spouse. Once the Deferral Period ends, the Loan is immediately due and payable. The Deferral Period is not available to any Ineligible Non-Borrowing Spouse. The Deferral Period will terminate or become unavailable to the Eligible Non-Borrowing Spouse at the time he or she becomes ineligible.

**4.3. Loan Advances by Secretary.** If the Security Instrument has been assigned to the Secretary or the Secretary notifies Lender and Borrower that Loan Advances are secured by the Second Security Instrument, Lender shall have no further obligation to make Loan Advances under this Loan Agreement, unless the Secretary accepts later reimbursement by the Lender for all Loan Advances made, earned or disbursed by the Secretary. The Secretary may establish procedures for handling requests for payments and changes in payment options during the interval between Lender's notification of intent to assign the Security Instrument to the Secretary and completion of the assignment. Borrower shall be informed of such procedures by Lender and/or the Secretary, and Borrower shall comply with such procedures.

**4.4. Lien Status Jeopardized.** Lender shall have no obligation to make further Loan Advances if the Lender or the Secretary determines that the lien status of the Security Instrument or the Second Security Instrument is jeopardized under State laws as described in Paragraph 14(a) of the Security Instrument or Second Security Instrument and the lien status is not extended in accordance with Paragraph 14(a).

**4.5. Bankruptcy.** Lender shall have no obligation to make further Loan Advances on or following the date that a petition for bankruptcy of Borrower is filed.

**4.6. Mandatory Loan Advances.** Notwithstanding anything in Sections 4.1 through 4.4, all Loan Advances under Sections 2.10 (Property Charges), 2.12 (interest), 2.13 (MIP, monthly charge, or annual MIP adjustment), 2.15 (protection of Property) or 2.3.3. (servicing fee) shall be considered mandatory Loan Advances by Lender.

**4.7. Prepayment in Full.** Lender shall not make Loan Advances if Borrower has paid the Note in full (or the Second Note, if the Secretary has assumed the Lender's rights and obligations under Article 5)



## Article 5 - HUD Obligation

The Secretary has no obligations under this Loan Agreement unless and until a certificate of insurance is issued by the Secretary. Where a certificate of insurance has been issued, if the Lender has no further obligation to make payments to Borrower because of Section 4.3, the Secretary shall assume the rights and obligations of Lender under this Loan Agreement, except the Secretary shall not assume any obligation of paying flood, fire and other hazard insurance from Loan Advances. If the Secretary makes Loan Advances to Borrower under the Second Security Instrument, the portion of the Principal Limit available for Loan Advances shall be the difference between the current Principal Limit and the combined Principal Balances on the Security Instrument less accrued interest and the Second Security Instrument.

## Article 6 - Miscellaneous

**6.1. Forbearance Not a Waiver.** Any forbearance by Lender in exercising any right or remedy shall not be a waiver of or preclude the exercise of any right or remedy.

**6.2. Successors and Assigns Bounds; Joint and Several Liability; Co-signers.** The covenants and agreements of this Loan Agreement shall bind and benefit the successors and assigns of Lender. An assignment made in accordance with the regulations of the Secretary shall fully relieve the Lender of its obligations under this Loan Agreement. Borrower may not assign any rights or obligations under this Loan Agreement. Borrower's covenants and agreements shall be joint and several.

Notwithstanding anything to the contrary herein, upon the death of the last surviving Borrower, the Borrower's successors and assigns will be bound to perform Borrower's obligations under this Loan Agreement, and Lender shall be entitled to add to the outstanding Principal Balance the amounts that accrue in accordance with Subsections 2.3.2, 2.3.3, 2.12.3, and 2.13.3.

**6.3. Borrower Certifications.** Borrower shall complete and provide to the Lender on an annual basis a certification, in a form prescribed by the Lender, stating whether the Property remains the Borrower's Principal Residence and, if applicable, the Principal Residence of his or her Eligible Non-Borrowing Spouse. Where a Borrower has identified an Eligible Non-Borrowing Spouse, the Borrower shall also complete and provide to the Lender on an annual basis an Eligible Non-Borrowing Spouse certification, in a form prescribed by the Lender, certifying that all requirements for the application of a Deferral Period continue to apply and continue to be met. During a Deferral Period, the Borrower's annual certifications required by this Paragraph, must continue to be completed and provided to the Lender by the Eligible Non-Borrowing Spouse.

**6.4. Notices.** Any notice to Borrower provided for in this Loan Agreement shall be given by delivering it or by mailing it by first class mail unless applicable law requires use of another method. The notice shall be directed to the property address shown in the Security Instrument or any other address all Borrowers jointly designate. Any notice to an Eligible Non-Borrowing Spouse shall be given by delivering it or by mailing it by first class mail unless applicable law requires use of another method. The notice shall be directed to the property address shown in the Security Instrument or any other address all Borrowers and Eligible Non-Borrowing Spouse, if applicable, jointly designate. Except as provided in Section 3.3 of this Loan Agreement, any notice to Lender shall be given by first class mail to Lender's address stated herein or any address Lender designates by notice to Borrower. Any notice to the Secretary shall be given by first class mail to the HUD National Servicing Center or any other place designated by the Secretary. Except as provided in Section 3.3 of this Loan Agreement, any notice provided for in this Loan Agreement shall be deemed to have been given to Borrower, Lender or the Secretary when given as provided in this Section.

**6.5. Governing Law; Severability.** This Loan Agreement shall be governed by Federal law and the



law of the jurisdiction in which the Property is located. The Lender in this Loan Agreement must comply with the Fair Housing Act, 42 U.S.C. Sec. 3601 - 3619, which prohibits discrimination on the basis of race, color, religion, sex, handicap familial status, or national origin. In the event that any provision or clause of this Loan Agreement conflicts with applicable law, such conflict shall not affect other provisions of this Loan Agreement which can be given effect without the conflicting provision. To this end the provisions of this Loan Agreement are declared to be severable.

**6.6. Copies.** Lender, Borrower and the Secretary shall each receive one original executed copy of this Loan Agreement when acknowledged by the Secretary.

**6.7. When Agreement Becomes Binding.** This Loan Agreement shall bind Lender and Borrower when both Lender and Borrower have signed.

**6.8. Third-Party Beneficiary.** Except as set forth in Article 5 and Section 4.3 for the Secretary, and except as set forth in Section 4.2 only for an Eligible Non-Borrowing Spouse in this Loan Agreement, this Agreement does not and is not intended to confer any rights or remedies upon any person other than the parties. Borrower agrees that it is not a third-party beneficiary to the Contract of Insurance between the Secretary and Lender.

BY SIGNING BELOW the parties accept and agree to the terms contained in this Loan Agreement and the exhibits.

  
Bonnie J Bodin-Johnson  
Mortgage Brokers Services Inc, dba Kiel Mortgage

(SEAL)

12/13/2017  
Date

\_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_

