



200610050109
Skagit County Auditor

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Return To:

FHMLC - POST CLOSING MAIL ROOM

1555 W WALNUT HILL LN #200 MC 6712
IRVING, TX 75038

Assessor's Parcel or Account Number: County: 48390000080000 City:

Abbreviated Legal Description: LOT 8, PRESENTIN RANCH
FILE #200408090115, SKAGIT COUNTY

[Include lot, block and plat or section, township and range]

Full legal description located on page 1

LAND TITLE OF SKAGIT COUNTY [Space Above this Line For Recording Data]

122343-PE

0059192849

DEED OF TRUST

THIS DEED OF TRUST is made this 3rd day of October, 2006
among the Grantor, CHARLES R. ERPS, A Married Man
, As His Separate Estate and Theresa J. Graham, an unmarried woman, as
joint tenants with right of survivorship.

CRB

(herein "Borrower"),

TJG CRB
LAND TITLE COMPANY OF SKAGIT COUNTY
FIRST HORIZON HOME LOAN CORPORATION

(herein "Trustee"), and the Beneficiary,

existing under the laws of THE STATE OF KANSAS
4000 Horizon Way, IRVING, TX 75063

, a corporation organized and
, whose address is
(herein "Lender").

BORROWER, in consideration of the indebtedness herein recited and the trust herein created, irrevocably grants and conveys to Trustee, in trust, with power of sale, the following described property located in the County of Skagit, State of Washington:

LOT 8, "PLAT OF PRESENTIN RANCH", RECORDED ON AUGUST 9, 2004, UNDER
AUDITOR'S FILE NO. 200408090115, RECORDS OF SKAGIT COUNTY, WASHINGTON.

SITUATE IN THE COUNTY OF SKAGIT, STATE OF WASHINGTON.

This Deed of Trust is second and subordinate to the Deed of Trust
recorded under Auditor's File No. 200610050108

which has the address of LOT 8, PRESENTIN RANCH DRIVE [Street]
CONCRETE [City], Washington 98237 [Zip Code] (herein
"Property Address");

TOGETHER with all the improvements now or hereafter erected on the property, and all easements, rights, appurtenances and rents (subject however to the rights and authorities given herein to Lender to collect and apply such rents), all of which shall be deemed to be and remain a part of the property covered by this Deed of Trust; and all of the foregoing, together with said property (or the leasehold estate if this Deed of Trust is on a leasehold) are hereinafter referred to as the "Property;"

WASHINGTON - SECOND MORTGAGE - 1/80 - FNMA/FHMLC UNIFORM INSTRUMENT

VMP -76(WA) (0308).01

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Initials: *CRB TJG*

VMP Mortgage Solutions, Inc. (800)521-7291



TO SECURE to Lender the repayment of the indebtedness evidenced by Borrower's note dated **October 3rd, 2006** and extensions and renewals thereof (herein "Note"), in the principal sum of U.S. \$ **46,000.00**, with interest thereon, providing for monthly installments of principal and interest, with the balance of the indebtedness, if not sooner paid, due and payable on **July 1st, 2022**; the payment of all other sums, with interest thereon, advanced in accordance herewith to protect the security of this Deed of Trust; and the performance of the covenants and agreements of Borrower herein contained.

Borrower covenants that Borrower is lawfully seized of the estate hereby conveyed and has the right to grant and convey the Property, and that the Property is unencumbered, except for encumbrances of record. Borrower covenants that Borrower warrants and will defend generally the title to the Property against all claims and demands, subject to encumbrances of record.

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

1. Payment of Principal and Interest. Borrower shall promptly pay when due the principal and interest indebtedness evidenced by the Note and late charges as provided in the Note.

2. Funds for Taxes and Insurance. Subject to applicable law or a written waiver by Lender, Borrower shall pay to Lender on the day monthly payments of principal and interest are payable under the Note, until the Note is paid in full, a sum (herein "Funds") equal to one-twelfth of the yearly taxes and assessments (including condominium and planned unit development assessments, if any) which may attain priority over this Deed of Trust, and ground rents on the Property, if any, plus one-twelfth of yearly premium installments for hazard insurance, plus one-twelfth of yearly premium installments for mortgage insurance, if any, all as reasonably estimated initially and from time to time by Lender on the basis of assessments and bills and reasonable estimates thereof. Borrower shall not be obligated to make such payments of Funds to Lender to the extent that Borrower makes such payments to the holder of a prior mortgage or deed of trust if such holder is an institutional Lender.

If Borrower pays Funds to Lender, the Funds shall be held in an institution the deposits or accounts of which are insured or guaranteed by a federal or state agency (including Lender if Lender is such an institution). Lender shall apply the Funds to pay said taxes, assessments, insurance premiums and ground rents. Lender may not charge for so holding and applying the Funds, analyzing said account or verifying and compiling said assessments and bills, unless Lender pays Borrower interest on the Funds and applicable law permits Lender to make such a charge. Borrower and Lender may agree in writing at the time of execution of this Deed of Trust that interest on the Funds shall be paid to Borrower, and unless such agreement is made or applicable law requires such interest to be paid, Lender shall not be required to pay Borrower any interest or earnings on the Funds. Lender shall give to Borrower, without charge, an annual accounting of the Funds showing credits and debits to the Funds and the purpose for which each debit to the Funds was made. The Funds are pledged as additional security for the sums secured by this Deed of Trust.

If the amount of the Funds held by Lender, together with the future monthly installments of Funds payable prior to the due dates of taxes, assessments, insurance premiums and ground rents, shall exceed the amount required to pay said taxes, assessments, insurance premiums and ground rents as they fall due, such excess shall be, at Borrower's option, either promptly repaid to Borrower or credited to Borrower on monthly installments of Funds. If the amount of the Funds held by Lender shall not be sufficient to pay taxes, assessments, insurance premiums and ground rents as they fall due, Borrower shall pay to Lender any amount necessary to make up the deficiency in one or more payments as Lender may require.

Upon payment in full of all sums secured by this Deed of Trust, Lender shall promptly refund to Borrower any Funds held by Lender. If under paragraph 17 hereof the Property is sold or the Property is otherwise acquired by Lender, Lender shall apply, no later than immediately prior to the sale of the Property or its acquisition by Lender, any Funds held by Lender at the time of application as a credit against the sums secured by this Deed of Trust.

3. Application of Payments. Unless applicable law provides otherwise, all payments received by Lender under the Note and paragraphs 1 and 2 hereof shall be applied by Lender first in payment of amounts payable to Lender by Borrower under paragraph 2 hereof, then to interest payable on the Note, and then to the principal of the Note.

4. Prior Mortgages and Deeds of Trust; Charges; Liens. Borrower shall perform all of Borrower's obligations under any mortgage, deed of trust or other security agreement with a lien which has priority over this Deed of Trust, including Borrower's covenants to make payments when due. Borrower shall pay or cause to be paid all taxes, assessments and other charges, fines and impositions attributable to the Property which may attain a priority over this Deed of Trust, and leasehold payments or ground rents, if any.

5. Hazard Insurance. Borrower shall keep the improvements now existing or hereafter erected on the Property insured against loss by fire, hazards included within the term "extended coverage," and such other The insurance carrier providing the insurance shall be chosen by Borrower subject to approval by Lender; provided, that such approval shall not be unreasonably withheld. All insurance policies and renewals thereof shall be in a form acceptable to Lender and shall include a standard mortgage clause in favor of and in a form acceptable to Lender. Lender shall have the right to hold the policies and renewals thereof, subject to the terms of any mortgage, deed of trust or other security agreement with a lien which has priority over this Deed of Trust.

In the event of loss, Borrower shall give prompt notice to the insurance carrier and Lender. Lender may make proof of loss if not made promptly by Borrower.

If the Property is abandoned by Borrower, or if Borrower fails to respond to Lender within 30 days from the date notice is mailed by Lender to Borrower that the insurance carrier offers to settle a claim for insurance benefits, Lender is authorized to collect and apply the insurance proceeds at Lender's option either to restoration or repair of the Property or to the sums secured by this Deed of Trust.

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6. Preservation and Maintenance of Property; Leaseholds; Condominiums; Planned Unit Developments. Borrower shall keep the Property in good repair and shall not commit waste or permit impairment or deterioration of the Property and shall comply with the provisions of any lease if this Deed of Trust is on a leasehold. If this Deed of Trust is on a unit in a condominium or a planned unit development, Borrower shall perform all of Borrower's obligations under the declaration or covenants creating or governing the condominium or planned unit development, the by-laws and regulations of the condominium or planned unit development, and constituent documents.

7. Protection of Lender's Security. If Borrower fails to perform the covenants and agreements contained in this Deed of Trust, or if any action or proceeding is commenced which materially affects Lender's interest in the Property, then Lender, at Lender's option, upon notice to Borrower, may make such appearances, disburse such sums, including reasonable attorneys' fees, and take such action as is necessary to protect Lender's interest. If Lender required mortgage insurance as a condition of making the loan secured by this Deed of Trust, Borrower shall pay the premiums required to maintain such insurance in effect until such time as the requirement for such insurance terminates in accordance with Borrower's and Lender's written agreement or applicable law.

Any amounts disbursed by Lender pursuant to this paragraph 7, with interest thereon, at the Note rate, shall become additional indebtedness of Borrower secured by this Deed of Trust. Unless Borrower and Lender agree to other terms of payment, such amounts shall be payable upon notice from Lender to Borrower requesting payment thereof. Nothing contained in this paragraph 7 shall require Lender to incur any expense or take any action hereunder.

8. Inspection. Lender may make or cause to be made reasonable entries upon and inspections of the Property, provided that Lender shall give Borrower notice prior to any such inspection specifying reasonable cause therefor related to Lender's interest in the Property.

9. Condemnation. The proceeds of any award or claim for damages, direct or consequential, in connection any condemnation or other taking of the Property, or part thereof, or for conveyance in lieu of condemnation, are hereby assigned and shall be paid to Lender, subject to the terms of any mortgage, deed of trust or other security agreement with a lien which has priority over this Deed of Trust.

10. Borrower Not Released; Forbearance By Lender Not a Waiver. Extension of the time for payment or modification of amortization of the sums secured by this Deed of Trust granted by Lender to any successor in interest of Borrower shall not operate to release, in any manner, the liability of the original Borrower and Borrower's successors in interest. Lender shall not be required to commence proceedings against such successor or refuse to extend time for payment or otherwise modify amortization of the sums secured by this Deed of Trust by reason of any demand made by the original Borrower and Borrower's successors in interest. Any forbearance by Lender in exercising any right or remedy hereunder, or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of any such right or remedy.

11. Successors and Assigns Bound; Joint and Several Liability; Co-signers. The covenants and agreements herein contained shall bind, and the rights hereunder shall inure to, the respective successors and assigns of Lender and Borrower, subject to the provisions of paragraph 16 hereof. All covenants and agreements of Borrower shall be joint and several. Any Borrower who co-signs this Deed of Trust, but does not execute the Note, (a) is co-signing this Deed of Trust only to grant and convey that Borrower's interest in the Property to Trustee under the terms of this Deed of Trust, (b) is not personally liable on the Note or under this Deed of Trust, and (c) agrees that Lender and any other Borrower hereunder may agree to extend, modify, forbear, or make any other accommodations with regard to the terms of this Deed of Trust or the Note, without that Borrower's consent and without releasing that Borrower or modifying this Deed of Trust as to that Borrower's interest in the Property.

12. Notice. Except for any notice required under applicable law to be given in another manner, (a) any Borrower provided for in this Deed of Trust shall be given by delivering it or by mailing such notice by certified mail addressed to Borrower at the Property Address or at such other address as Borrower may designate by notice to Lender as provided herein, and (b) any notice to Lender shall be given by certified mail to Lender's address stated herein or to such other address as Lender may designate by notice to Borrower as provided herein. Any notice provided for in this Deed of Trust shall be deemed to have been given to Borrower or Lender when given in the manner designated herein.

13. Governing Law; Severability. The state and local laws applicable to this Deed of Trust shall be the laws of the jurisdiction in which the Property is located. The foregoing sentence shall not limit the applicability of federal law to this Deed of Trust. In the event that any provision or clause of this Deed of Trust or the Note conflicts with applicable law, such conflict shall not affect other provisions of this Deed of Trust or the Note which can be given effect without the conflicting provision, and to this end the provisions of this Deed of Trust and the Note are declared to be severable. As used herein, "costs," "expenses" and "attorneys' fees" include all sums to the extent not prohibited by applicable law or limited herein.

14. Borrower's Copy. Borrower shall be furnished a conformed copy of the Note and of this Deed of Trust at the time of execution or after recordation hereof.

15. Rehabilitation Loan Agreement. Borrower shall fulfill all of Borrower's obligations under any home rehabilitation, improvement, repair, or other loan agreement which Borrower enters into with Lender. Lender, at Lender's option, may require Borrower to execute and deliver to Lender, in a form acceptable to Lender, an assignment of any rights, claims or defenses which Borrower may have against parties who supply labor, materials or services in connection with improvements made to the Property.

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16. Transfer of the Property or a Beneficial Interest in Borrower. If all or any part of the Property or any interest in it is sold or transferred (or if a beneficial interest in Borrower is sold or transferred and Borrower is not a natural person) without Lender's prior written consent, Lender may, at its option, require immediate payment in full of all sums secured by this Deed of Trust. However, this option shall not be exercised by Lender if exercise is prohibited by federal law as of the date of this Deed of Trust.

If Lender exercises this option, Lender shall give Borrower notice of acceleration. The notice shall provide a period of not less than 30 days from the date the notice is delivered or mailed within which Borrower must pay all sums secured by this Deed of Trust. If Borrower fails to pay these sums prior to the expiration of this period, Lender may invoke any remedies permitted by this Deed of Trust without further notice or demand on Borrower.

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

17. Acceleration; Remedies. Except as provided in paragraph 16 hereof, upon Borrower's breach of any covenant or agreement of Borrower in this Deed of Trust, including the covenants to pay when due any sums secured by this Deed of Trust, Lender prior to acceleration shall give notice to Borrower as provided in paragraph 12 hereof specifying: (1) the breach; (2) the action required to cure such breach; (3) a date, not less than 10 days from the date the notice is mailed to Borrower, by which such breach must be cured; and (4) that failure to cure such breach on or before the date specified in the notice may result in acceleration of the sums secured by this Deed of Trust and sale of the Property at public auction at a date not less than 120 days in the future. The notice shall further inform Borrower of (i) the right to reinstate after acceleration, (ii) the right to bring a court action to assert the nonexistence of a default or any other defense of Borrower to acceleration and foreclosure, and (iii) any other matters required to be included in such notice by applicable law. If the breach is not cured on or before the date specified in the notice, Lender at Lender's option may declare all of the sums secured by this Deed of Trust to be immediately due and payable without further demand and may invoke the power of sale and any other remedies permitted by applicable law. Lender shall be entitled to collect all reasonable costs and expenses incurred in pursuing the remedies provided in this paragraph 17, including, but not limited to, reasonable attorneys' fees.

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 lapse of such time as may be 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 such order as Trustee may determine. Trustee may postpone sale of the Property for a period or periods not exceeding a total of 30 days by public announcement at the time and place fixed in the notice of sale. Lender or Lender's designee may purchase the Property at any sale.

Trustee shall deliver to the purchaser Trustee's deed conveying the Property so sold 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 reasonable costs and expenses of the sale, including, but not limited to, reasonable Trustee's and attorneys' fees and costs of title evidence; (b) to all sums secured by this Deed of Trust; and (c) the excess, if any, to the person or persons legally entitled thereto, or to the Clerk of the Superior Court of the County in which the sale took place.

18. Borrower's Right to Reinstate. Notwithstanding Lender's acceleration of the sums secured by this Deed of Trust due to Borrower's breach, Borrower shall have the right to have any proceedings begun by Lender to enforce this Deed of Trust discontinued at any time prior to the earlier to occur of (i) the tenth day before sale of the Property pursuant to the power of sale contained in this Deed of Trust or (ii) entry of a judgment enforcing this Deed of Trust if: (a) Borrower pays Lender all sums which would be then due under this Deed of Trust and the Note had no acceleration occurred; (b) Borrower cures all breaches of any other covenants or agreements of Borrower contained in this Deed of Trust; (c) Borrower pays all reasonable expenses incurred by Lender and Trustee in enforcing the covenants and agreements of Borrower contained in this Deed of Trust, and in enforcing Lender's and Trustee's remedies as provided in paragraph 17 hereof, including, but not limited to, reasonable attorneys' fees; and (d) Borrower takes such action as Lender may reasonably require to assure that the lien of this Deed of Trust, Lender's interest in the Property and Borrower's obligation to pay the sums secured by this Deed of Trust shall continue unimpaired. Upon such payment and cure by Borrower, this Deed of Trust and the obligations secured hereby shall remain in full force and effect as if no acceleration had occurred.

19. Assignment of Rents; Appointment of Receiver; Lender in Possession. As additional security hereunder, Borrower hereby assigns to Lender the rents of the Property, provided that Borrower shall, prior to acceleration under paragraph 17 hereof or abandonment of the Property, have the right to collect and retain such rents as they become due and payable.

Upon acceleration under paragraph 17 hereof or abandonment of the Property, Lender, in person, by agent or by judicially appointed receiver shall be entitled to enter upon, take possession of and manage the Property and to collect the rents of the Property including those past due. All rents collected by Lender or the receiver shall be applied first to payment of the costs of management of the Property and collection of rents, including, but not limited to, receiver's fees, premiums on receiver's bonds and reasonable attorneys' fees, and then to the sums secured by this Deed of Trust. Lender and the receiver shall be liable to account only for those rents actually received.

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20. **Reconveyance.** Upon payment of all sums secured by this Deed of Trust, Lender shall request Trustee to reconvey the Property and shall surrender this Deed of Trust and all notes evidencing indebtedness secured by this Deed of Trust to Trustee. Trustee shall reconvey the Property without warranty and without charge to the person or persons legally entitled thereto. Such person or persons shall pay all costs of recordation, if any.

21. **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 the Trustee herein and by applicable law.

22. **Use of Property.** The Property is not used principally for agricultural or farming purposes.

**REQUEST FOR NOTICE OF DEFAULT
AND FORECLOSURE UNDER SUPERIOR
MORTGAGES OR DEEDS OF TRUST**

Borrower and Lender request the holder of any mortgage, deed of trust or other encumbrance with a lien which has priority over this Deed of Trust to give Notice to Lender, at Lender's address set forth on page one of this Deed of Trust, of any default under the superior encumbrance and of any sale or other foreclosure action.

IN WITNESS WHEREOF, Borrower has executed this Deed of Trust.

Charles R Erps (Seal)
CHARLES R. ERPS -Borrower

Theresa J. Graham (Seal)
-Borrower

____ (Seal)
-Borrower

____ (Seal)
-Borrower

____ (Seal)
-Borrower

____ (Seal)
-Borrower

____ (Seal)
-Borrower

____ (Seal)
-Borrower

[Sign Original Only]

STATE OF WASHINGTON

County of **SKAGIT**

On this day personally appeared before me
CHARLES R. ERPS and Theresa J. Graham

} ss:

to me known to be the individual(s) described in and who executed the within and foregoing instrument, and acknowledged that he/she/they signed the same as his/her/their free and voluntary act and deed, for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this 4th day of October 2006



[Signature]
Notary Public in and for the State of Washington, residing at
Bow, Washington
My Appointment Expires on July 16, 2010

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VMP -76(WA) (0308).01

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**BALLOON PAYMENT RIDER
TO THE SECURITY INSTRUMENT**

Borrower Name: **CHARLES R. ERPS**

Property Address: **LOT 8, PRESSENTIN RANCH DRIVE
CONCRETE, WA 98237**

Loan Number: **0059192849**

THE TERMS OF THE LOAN CONTAIN PROVISIONS WHICH WILL REQUIRE A BALLOON PAYMENT AT MATURITY.

THE AMORTIZATION OF PRINCIPAL AND INTEREST IS BASED ON A 30 YEAR FACTOR AND WOULD AMORTIZE THE PRINCIPAL LOAN ON A 30 YEAR SCHEDULE, BUT SINCE THE FULL BALANCE IS PAYABLE IN 180 MONTHS, A BALLOON PAYMENT OF \$ 35,340.33 WILL BE REQUIRED ON July 1st , 2022 .

The loan is payable in full at the end of 15 year(s). You must repay the entire principal balance of the loan and the unpaid interest then due. The lender is under no obligation to refinance the loan at that time. You will, therefore, be required to make payment out of other assets you may own, or you will have to find a lender willing to lend you the money at the prevailing market rate, which may be considerably higher or lower than the rate on this loan.

If you refinance this loan at maturity, you may have to pay some or all closing costs normally associated with a new loan, even if you obtain refinancing from the same lender.

I/We hereby acknowledge receipt of the above notice relating to the balloon payment provision of this loan, which have also been explained to me/us.

Charles R. Erps (Seal)
CHARLES R. ERPS -Borrower

____ (Seal)
-Borrower

Theresa J. Graham (Seal)
-Borrower

____ (Seal)
-Borrower

____ (Seal)
-Borrower

____ (Seal)
-Borrower

____ (Seal)
-Borrower

____ (Seal)



0059192849

RIDER TO DEED OF TRUST/MORTGAGE/SECURITY DEED

Date: 10/03/2006

The escrow of taxes and insurance required in Paragraph 2 of your DEED OF TRUST/MORTGAGE/SECURITY DEED to

FIRST HORIZON HOME LOAN CORPORATION is hereby waived and you are notified that you are not required to deposit with

FIRST HORIZON HOME LOAN CORPORATION any of the amounts set forth in said paragraph, provided:

- (a) Escrows for future taxes and insurance premiums are being collected and maintained by the holder or servicer of the mortgage loan superior to our lien; or
- (b) If you pay your own taxes and insurance premiums, you fulfill your obligation to keep taxes and insurance premiums current with respect to the property secured hereby.

This waiver does not, in any way, release you from your obligation to make escrow payments of taxes and insurance to the holder of any prior mortgage, nor does it relieve you of your obligation to keep taxes and insurance premiums current with respect to the secured property.

All payments will be applied first to the accrued interest and next to the unpaid principal of your loan. The exact amount of your final payment, finance charge, and total of payments will be somewhat more or less than the amounts shown if we do not receive each payment on the scheduled payment date.

RECEIPT ACKNOWLEDGED:

Charles R. Erps
CHARLES R. ERPS

Theresa J. Graham

2nd Rider



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TO BE RECORDED WITH THE SECURITY INSTRUMENT

LENDER: FIRST HORIZON HOME LOAN CORPORATION

0059192849

BORROWER: CHARLES R. ERPS

**PROPERTY: LOT 8, PRESENTIN RANCH DRIVE
CONCRETE, Washington 98237**

**RESIDENTIAL CONSTRUCTION LOAN RIDER
INCLUDING SECURITY AGREEMENT TO THE DEED OF TRUST/MORTGAGE**

THIS RESIDENTIAL CONSTRUCTION LOAN RIDER shall be deemed to amend and supplement the Deed of Trust/Mortgage (the "**Security Instrument**"), of the same date given by the undersigned (the "**Borrower**") to secure **Borrower's Note** ("**Note**") and **Addendum to Note to Lender** of the same date and covering the property ("**Property**") described in the **Security Instrument**. All terms defined in the **Note** and elsewhere in the **Security Instrument** shall have the same meaning in this **Rider**.

AMENDED AND ADDITIONAL COVENANTS. In addition to the covenants and agreements made in the **Security Instrument**, **Borrower** and **Lender** further covenant and agree as follows:

1. **Residential Construction Loan Agreement.** **Borrower** agrees to comply with the covenants and conditions of the Residential Construction Loan Agreement ("**Loan Agreement**") between **Borrower** and **Lender**, which is incorporated herein by this reference and made a part of this **Security Instrument**. The **Loan Agreement** provides for the construction of certain **Improvements** ("**Improvements**") on the **Property**. All advances made by **Lender** pursuant to the **Loan Agreement** shall be an indebtedness of **Borrower** secured by this **Security Instrument** as amended and such advances may be obligatory under the terms of the **Loan Agreement**. The **Security Instrument** secures the payment of all sums and the performance of all covenants required by the **Lender** in the **Loan Agreement**. Upon the failure of **Borrower** to keep and perform all the covenants, conditions and agreements of the **Loan Agreement**, the principal sum and all interest and other charges provided for in the loan documents and secured hereby shall, at the option of the **Lender**, become due and payable.

2. **Construction Loan Deed of Trust/Mortgage.** This **Security Instrument** is a "construction mortgage" securing an obligation incurred for the construction of the **Improvement** on the **Property** including the acquisition cost of the **Property**, if any, and any notes issued in extension, renewal, or substitution thereof. **Borrower** affirms, acknowledges and warrants that prior to the recordation of this



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Security Instrument, as amended, in the Real Property Records of the county or counties where the **Property** is located, no **Improvements** contemplated by the **Loan Agreement** have been constructed, no work has been performed, and no materials have been ordered or delivered.

3. **Future Advances.** This **Security Instrument** shall secure in addition to the sum evidenced by the **Note** all funds hereafter advanced by **Lender** to or for the benefit of **Borrower**, as contained in the **Contract** and/or due under the **Loan Agreement** and all indebtedness or obligations presently or hereafter owed by **Borrower** to **Lender**, however arising, whether by note, contract, tort, guaranty, operation of law or otherwise; whether or not the advances or events creating such debts or obligations are presently foreseen; and regardless of the class of debts or other obligations, be they secured or unsecured or arising from commercial, credit card or consumer transactions; or for any other purpose. All future advances shall be made within the time limit authorized by the laws of the State of **Washington**.

4. **Disbursements to Protect Security.** All sums disbursed by **Lender** prior to completion of the **Improvements** to protect the security of this **Security Instrument**, up to the principal amount of the **Note** and any future advances, shall be treated as disbursements pursuant to the **Loan Agreement**. All such sums shall bear interest from the date of disbursement at the rate stated in the **Note** and the **Addendum to the Note**, unless the collection from **Borrower** of interest at such rate would be contrary to applicable law, in which event such amounts shall bear interest at the highest rate which may be collected from **Borrower** under applicable law and shall be payable upon notice from **Lender** to **Borrower** requesting payment therefore.

5. **Assignment of Rights or Claims.** From time to time as **Lender** deems necessary to protect **Lender's** interest, **Borrower** shall, upon request of **Lender**, execute, acknowledge before a notary, and deliver to **Lender**, assignments of any and all rights or claims which relate to the construction on the **Property**.

6. **Breach by Borrower.** In case of breach by **Borrower** of the covenants and conditions of the **Loan Agreement**, **Lender**, at **Lender's** option, with or without entry upon the **Property**, (a) may invoke any of the rights or remedies provided in the **Loan Agreement**, or (b) may accelerate the sums secured by this **Security Instrument** and invoke any of those remedies provided for in this **Security Instrument**, or (c) may do both although failure to exercise any of its rights and remedies at any one time does not constitute a waiver or modification of any conditions, rights or remedies in the future.

7. **Amortization and Loan Agreement.** After the commencement of amortization of the **Note**, the terms of the **Loan Agreement** shall be deemed to have been satisfied. There shall be no claim or defense arising out of or in connection with the **Loan Agreement** against the obligations of the **Note** and this **Security Instrument**.

8. **Property.** The property covered by this **Security Instrument** includes the property described or referred to in this **Security Instrument**, together with the following, all of which are referred to as the "**Property**". The portion of the **Property** described below which constitutes real property is sometimes referred to as the "**Real Property**". The portion of the **Property** which constitutes personal property is sometimes referred to as the "**Personal Property**", listed as follows:

Any and all buildings, **Improvements** (provided in the **Loan Agreement** or otherwise), and tenements now or hereafter erected on the **Property**; any and all heretofore and hereafter vacated alleys
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and streets abutting the **Property**, easements, rights, appurtenances, rents (subject however to any assignment of rents to **Lender**), leases, royalties, mineral, oil and gas rights and profits, water, water rights and water stock appurtenant to the **Property** (to the extent they are included in **Borrower's** fee simple title); any and all fixtures, machinery, equipment, building materials, appliances, and goods of every nature whatsoever now or hereafter located in, or on, or used, or intended to be used in connection with the **Property** and all replacements and accessions of them, including, but not limited to, the following items, which are hereby recognized by the parties to this instrument as fixtures: appliances for the purpose of supplying or distributing heating, cooling, electricity, gas, water, air and light; security and access control apparatus; plumbing and plumbing fixtures; refrigerating, cooking and laundry equipment; carpet, floor coverings and interior and exterior window treatments; furniture and cabinets; interior and exterior sprinkler plant and lawn maintenance equipment; fire prevention and extinguishing apparatus and equipment, water tanks, swimming pool, compressor, vacuum cleaning system, disposal, dishwasher, range, and oven, any shrubbery and landscaping; any and all plans and specifications for development of or construction of **Improvements** upon the **Property**; any and all contracts and subcontracts relating to the **Property**; any and all accounts, contract rights, instruments, documents, general intangibles, and chattel paper arising from or by virtue of any transactions related to the **Property**; any and all permits, licenses, franchises, certifications, and other rights and privileges obtained in connection with the **Property**; any and all products and proceeds arising from or by virtue of the sale, lease, or other disposition of any of the **Property**; any and all proceeds payable or to be payable under each policy of insurance relating to the **Property**; any and all proceeds arising from the taking of all or part of the **Property** for any public or quasi-public use under any law, or by right of eminent domain, or by private or other purchase in lieu thereof; all building permits, certificates of occupancy, certificates of compliance, any right to use utilities of any kind including water, sewage, drainage and any other utility rights, however arising whether private or public, present or future, including any reservation, permit, letter, certificate, license, order, contract or otherwise and any other permit, letter, certificate, license, order, contract or other document or approval received from or issued by any governmental entity, quasi-governmental entity common carrier, or public utility in any way relating to any part of the **Property** or the **Improvements**, fixtures and equipment thereon; all other interests of every kind and character which **Borrower** now has or at any time hereafter acquires in and to the **Property**, including all other items of property and rights described elsewhere in this **Security Instrument**.

9. **Security Instrument.** This **Security Instrument** shall be a security agreement granting **Lender** a first and prior security interest in all of **Borrower's** right, title and interest in, to and under the **Personal Property**, under and within the meaning of applicable statutes of this state, located on or acquired for installation on or used in the operation of the real property, including, but not limited to, all construction materials, goods, equipment and fixtures, and all accessions, additions and replacements thereof. As well as a mortgage granting a lien upon and against the **Real Property**. In the event of any foreclosure sale all of the **Real and Personal Property** may, at the option of **Lender**, be sold as a whole or in any part. It shall not be necessary to have present at the place of such sale the **Personal Property** or any part thereof. **Lender** shall have all the rights, remedies and recourses with respect to the **Personal Property** afforded to a "Secured Party" by the applicable statutes of this state in addition to and not in limitation of the other rights and recourse afforded **Lender** under this **Security Instrument**. **Borrower** shall, upon demand, pay to **Lender** the amount of any and all expenses, including the fees and disbursements of **Lender's** legal counsel and of any experts and agents which **Lender** may incur in connection with: (i) the making and/or administration of this **Security Instrument**; (ii) the custody, preservation, use or operation of, or the sale of, collection from, or other realization upon any property, real and/or personal, described in this **Security Instrument**, (iii) the exercise or enforcement of any of
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the rights of Lender under this Security Instrument; or (iv) the failure by Borrower to perform or observe any of the provisions or covenants in this Security Instrument.

10. **Completion.** Lender shall not be responsible for the completion of the Improvements, and shall not in any way be considered a guarantor or surety of performance by Borrower. In the event the Improvements are not completed according to the Plans and Specifications approved by Lender, and it is determined for whatever reason the Lender does not have a lien arising by or through Borrower, then Lender shall have a valid lien for its loan amount, less the amount reasonably necessary to complete the Improvements, or in such event Lender, at its option, shall have the right to complete the Improvements, and the lien shall be valid for the loan amount. Paragraph 6 of the Security Instrument. The first sentence of paragraph 6 of the Security Instrument is hereby modified to read as follows: Borrower shall occupy, establish and use the Property as Borrower's principal residence within sixty (60) days from the execution of the Modification Agreement and shall continue to occupy the Property as Borrower's principal residence for at least one (1) year after the date of occupancy, unless Lender otherwise agrees in writing, which consent shall not be unreasonably withheld, or unless extenuating circumstances exist which are beyond Borrower's control. All other provisions in Paragraph 6 of the Security Instrument remain unchanged.

11. **Invalid Provisions.** If any provision of this Security Instrument is declared invalid, illegal, or unenforceable by a court of competent jurisdiction, then such invalid, illegal or unenforceable provision shall be severed from this Security Instrument and the remainder enforced as if such invalid, illegal or unenforceable provision is not a part of this Security Instrument.

12. **Address.**

The name and address of the Borrower/Debtor during construction of the Improvements is:

CHARLES R. ERPS
678 PETERSON PLACE #127
BURLINGTON, Washington 98233

The name and address of the Lender/Secured Party is:

FIRST HORIZON HOME LOAN CORPORATION
3302 CEDARDALE RD, SUITE A-600
MT. VERNON, WA 98274

13. **Other Provisions.** The following notice is required by law:

IMPORTANT NOTICE: YOU ARE HEREBY NOTIFIED THAT ANY PERSON PERFORMING LABOR ON YOUR PROPERTY OR FURNISHING MATERIALS FOR THE CONSTRUCTION, REPAIR, OR IMPROVEMENT OF YOUR PROPERTY WILL BE ENTITLED TO A LIEN AGAINST YOUR PROPERTY IF HE IS NOT PAID IN FULL, EVEN THOUGH YOU MAY HAVE PAID THE FULL CONTRACT PRICE TO YOUR CONTRACTOR. THIS COULD RESULT IN YOUR PAYING FOR LABOR AND MATERIALS TWICE. THIS LIEN CAN BE ENFORCED BY THE SALE OF YOUR PROPERTY. TO AVOID THIS RESULT, YOU MAY DEMAND FROM YOUR CONTRACTOR LIEN WAIVERS FROM ALL PERSONS PERFORMING LABOR OR FURNISHING MATERIALS FOR THE WORK ON YOUR PROPERTY. YOU MAY WITHHOLD PAYMENT TO THE CONTRACTOR IN THE AMOUNT OF ANY UNPAID CLAIMS FOR LABOR

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FOR MATERIALS. YOU ALSO HAVE THE RIGHT TO DEMAND FROM YOUR CONTRACTOR A COMPLETE LIST OF ALL LABORERS AND MATERIAL SUPPLIERS UNDER YOUR CONTRACT, AND THE RIGHT TO DETERMINE FROM THEM IF THEY HAVE BEEN PAID FOR LABOR PERFORMED AND MATERIALS FURNISHED.

By signing below, Borrower accepts and agrees to the terms and covenants contained in this Residential Construction Loan Rider.

Charles R Erps

Borrower CHARLES R. ERPS

Theresa J Graham

Borrower

Borrower

Borrower

Acknowledgments Attached

Please attach the Appropriate County/State Specific Notary Acknowledgment

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RCLA Rider to Security Instrument

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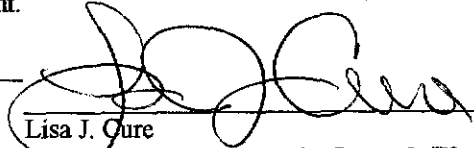
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State of Washington }
County of Skagit } SS:

I certify that I know or have satisfactory evidence that Charles R. Erps and Theresa J. Graham the person(s) who appeared before me, and said person(s) acknowledged that they signed this instrument and acknowledge it to be their free and voluntary act for the uses and purposes mentioned in this instrument.

Dated: October 4, 2006



Lisa J. Cure
Notary Public in and for the State of Washington
Residing at: Bow
My appointment expires: 7/16/2010



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