

RETURN ADDRESS:

Heritage Bank
Attn: Final Document Department
435 E George Hopper Rd, Suite 201
Burlington, WA 98233



Skagit County Auditor \$77.00
6/26/2015 Page 1 of 6 11:20AM

Legal Description: LOT 169, EAGLEMONT, PH. 1B, DIV. 5 & 6

Assessor's Tax Parcel ID#: 4883-000-169-0000

[Space Above This Line For Recording Data]

CONSTRUCTION CONVERSION MODIFICATION AGREEMENT

This Construction Conversion Modification Agreement (the "Agreement"), made and effective June 18, 2015, between Heritage Bank ("Lender") and Keldon S Pickering and Kay M Pickering ("Borrower"), modifies and amends certain terms of Borrower's indebtedness evidenced by (1) the Promissory Note to Lender dated June 24, 2014, in the original principal amount of U.S. \$350,000.00 and secured by (2) a Deed of Trust (the "Security Instrument") to a Trustee in favor of Lender dated the same date as the Promissory Note and recorded June 27, 2014 under Auditor's File Number 201406270068, Records of Skagit County, Washington. The Security Instrument covers the real and personal property described in the Security Instrument and defined as the "Property", located at:

1806 Bakerview Court, Mount Vernon, WA 98274 **Land Title and Escrow**
{Property Address}

148833

the real property described being set forth as follows:

LOT 169, "PLAT OF EAGLEMONT, PHASE 1B, DIVISION 5 AND 6," AS PER PLAT RECORDED ON JANUARY 10, 2006, UNDER AUDITOR'S FILE NO. 200601100170, RECORDS OF SKAGIT COUNTY, WASHINGTON.

SITUATE IN THE CITY OF MOUNT VERNON, COUNTY OF SKAGIT, STATE OF WASHINGTON.

The real property tax identification number is 4883-000-169-0000.

Borrower and Lender agree that on or before the date of this Agreement the construction or renovation, as applicable, of the Property has been completed and that all loan proceeds have been disbursed to Borrower in accordance with the terms of the Promissory Note and Construction Loan Agreement. Borrower and Lender have agreed to modify the terms of the Promissory Note and Security Instrument in accordance with the terms of this Agreement.

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

- 1. **Current Loan Balance.** As of June 30, 2015, the amount payable under the Promissory Note and Security Instrument, each as modified by this Agreement (the "Unpaid Principal Balance"), is U.S. \$300,000.00 plus accrued interest of \$1,443.33, for a total outstanding of \$301,443.33

Borrower agrees to pay interest through June 30, 2015 in the amount of \$1,443.33 at the time this Agreement is executed.

- 2. **Note Modification.** The terms and provisions of the interim construction financing stated in the Promissory Note, are amended and modified as follows:

(A) Change in Maturity Date.

The maturity date is changed from June 15, 2015 to July 1, 2045.

- (B) Interest.** Borrower promises to pay the Unpaid Principal Balance, plus interest, to the order of Lender. Interest will be charged on the unpaid Principal until the full amount of the Unpaid Principal Balance has been paid. Borrower must pay interest at a yearly rate of 3.750%. The interest rate will change in accordance with the terms of the Promissory Note as modified by

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this Agreement. This interest rate will apply both before and after any default described in the Promissory Note. Interest will be calculated on a 30/360 simple interest basis.

(C) Payments.

- i. **Time and Place of Payments.** Borrower will pay principal and interest by making a payment every month. Borrower will make the monthly payment on the first day of each month beginning on August 1, 2015 until Borrower has paid all of the Principal and interest and any other charges described in the Promissory Note and in this Agreement. Each monthly payment will be applied as of its scheduled due date and will be applied in the following order: interest, Principal, escrow charges, late charges. Borrower will make these payments every month until Borrower has paid all of the principal and interest and any other charges described in the Promissory Note. The monthly payments will be applied as stated in the Promissory Note.

Borrower will make the monthly payments at Heritage Bank, PO Box 35163, Seattle, WA 98124-5163 or at a different place if required by Lender.

- ii. **Amount of Borrower's Initial Monthly Payments.** Each of the initial monthly payments will be in the amount of U.S. \$1,389.35. This amount may change.
- iii. **Monthly Payment Changes.** Changes in the monthly payment will reflect changes in the unpaid principal of the loan and in the interest rate Borrower must pay. Lender will determine borrower's new interest rate and the changed amount of the monthly payment in accordance with this Agreement.

If on July 1, 2045 (the "Maturity Date"), Borrower still owes amounts under the Promissory Note and the Security Instrument, each as amended by this Agreement, Borrower will pay these amounts in full on the Maturity Date.

Borrower must make the monthly payments at the place stated in the Promissory Note or such other place as Lender may require.

- iv. **Partial Payments.** Borrower understands that Lender is not required to accept any monthly payment in an amount that is less than the full amount required to cover all interest, Principal and and escrow charges due. Such a payment is called a "Partial Payment." If Lender receives a Partial Payment, Lender will hold the Partial Payment in a separate suspense account. Lender will not apply the Partial payment to Borrower's indebtedness until Borrower pays enough additional money to cover the full amount of the monthly payment due.

(D) Adjustable Interest Rate and Monthly Payment Changes.

- i. **Change Dates.** The interest rate Borrower must pay may change on the first day of July, 2020 and may change on that day every 12th month thereafter. Each date on which the interest rate could change is called a "Change Date."
- ii. **The Index.** Beginning with the first Change Date, the interest rate will be based on an Index. The "Index" is the Federal Home Loan Bank of Des Moines One Year Fixed-Rate Advance rate. The most recent Index figure available as of the Friday immediately preceding 45 days before each Change Date is called the "Current Index."

If the Index is no longer available, Lender will choose a new index which is based upon comparable information. Lender will give Borrower notice of this choice.

- iii. **Calculation of Changes.** Before each Change Date, Lender will calculate the new interest rate by adding Three and Twenty-Five Hundredths (3.250%) to the Current Index. Lender will then round the result of this addition to the nearest one-eighth of one percentage point (0.125%). Subject to the limits stated below, this rounded amount will be the new interest rate until the next Change Date.

Lender will then determine the amount of the monthly payment that would be sufficient to repay the unpaid principal that Borrower is expected to owe at the Change Date in full on the Maturity Date at the new interest rate in substantially equal payments. The result of this calculation will be the new amount of Borrower's monthly payment.

- iv. **Limits on Interest Rate Changes.** The interest rate Borrower must pay at the first Change Date will not be greater than 6.750% or less than 3.625%. Thereafter, the adjustable interest rate will never be increased or decreased on any single Change Date by more than

Two percentage points (2.000%) from the rate of interest paid during the preceding 12 months. The interest rate will never be greater than 8.750% or lower than 3.625%.

v. **Effective Date of Changes.** The new interest rate will become effective on each Change Date. Borrower must pay the amount of the new monthly payment beginning on the first monthly payment date after the Change Date until the amount of the monthly payment changes again.

vi. **Notice of Changes.** Lender will provide Borrower notice of any changes in the interest rate and the amount of the monthly payment before the effective date of any change. The notice will include the amount of the monthly payment, any information required by law to be given to Borrower and also the title and telephone number of a person who will answer any question Borrower may have regarding the notice.

(E) **Borrower's Right to Prepay.** Borrower has the right to make payments of Principal at any time before they are due. A payment of Principal only is known as a "Prepayment." When Borrower makes a Prepayment, Borrower will notify Lender in writing. Borrower may not designate a payment as a Prepayment if Borrower has not made all the monthly payments due under the Promissory Note as amended by this Agreement.

Lender will use Prepayments to reduce the amount of Principal owed under the Promissory Note as amended by this Agreement. However, Lender may apply Borrower's Prepayment to the accrued and unpaid interest on the Prepayment amount before applying the Prepayment to reduce the Principal amount. If Borrower makes a partial prepayment, there will be no changes in the due dates of Borrower's monthly payment unless Lender agrees in writing to those changes. Borrower's prepayment may reduce the amount of Borrower's monthly payments after the first Change Date following Borrower's partial Prepayment. However, any reduction due to Borrower's partial Prepayment may be offset by an interest rate increase.

Prepayments will not, unless agreed to by Lender in writing, relieve Borrower of obligation to continue to make monthly payments of principal and interest.

(F) **Other Terms Remain in Effect.** Other terms, including, without limitation, terms related to Borrower's right to prepay, loan charges, late charges and default, obligations of persons under the Promissory Note and the conditions under which Borrower must make payment in full in the event of a sale or transfer of the property, that are stated in the Promissory Note remain in full force and effect.

(G) **Compliance with Covenants.** Borrower shall comply with all other covenants, agreements, and requirements of the Security Instrument, including without limitation, Borrower's covenants and agreements to make all payments of taxes, insurance premiums, assessments, escrow items, impounds, and all other payments that Borrower is obligated to make under the Security Instrument.

3. **Late Charge.** If Lender has not received the full amount of any monthly payment by the end of 15 calendar days after the date it is due, Borrower will pay a late charge to Lender. The amount of the charge will be 5.000% of Borrower's overdue payment of principal and interest. Borrower will pay this late charge promptly but only once on each late payment.

4. **Giving of Notices.** Unless applicable law requires a different method, any notice that must be given to me under this Agreement will be given by delivering it or by mailing it by first class mail to me at the Property Address above or at a different address if Borrower gives Lender a notice of Borrower's different address.

5. **Amendments [Changes] to the Security Instrument.**

(A) **Adjustable Interest Rate and Monthly Payment Changes.**

- i. **Change Dates.** The interest rate Borrower must pay may change on the first day of July, 2020, and may change on that day every 12th month thereafter. Each date on which the interest rate could change is called a "Change Date."
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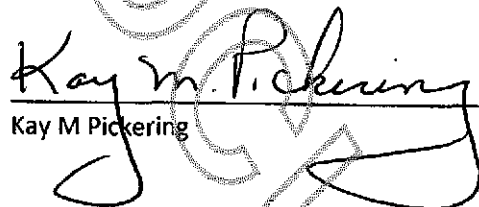
6. **Recordation.** This Agreement will be recorded, together with any applicable attachments, in all places where the Security Instrument is recorded.

7. **No Release.** Nothing in this Agreement will be understood or construed to be a satisfaction or release in whole or in part of the Promissory Note or Security Instrument. Except where otherwise specifically provided in this Agreement, the Promissory Note and Security Instrument will remain unchanged, and Borrower and Lender will be bound by, and comply with, all of the terms and provisions of these instruments, as amended by this Agreement.

Prior to signing this Agreement, Borrower acknowledges having read and understood all of the provisions of this Agreement and agrees to the terms of this Agreement.

BORROWER(S):


Keldon S Pickering


Kay M Pickering

LENDER:
HERITAGE BANK


Authorized Signer

STATE OF Washington

COUNTY OF Skagit SS:

On this day personally appeared before me Kelvin S. Pickering
Kelvin S. Pickering

to me known to be the individual party/parties 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 18 day of June 2015

[Signature]
Notary Public in and for the State of
Washington, residing at 1700 Urban
Ave Mt. Vernon, WA

My Appointment Expires on 10/22/2016

JACOB I. MATSON
NOTARY PUBLIC
STATE OF WASHINGTON
COMMISSION EXPIRES
OCTOBER 22, 2016

UNRECORDED ORIGINAL DOCUMENT

STATE OF WASHINGTON
COUNTY OF SKAGIT

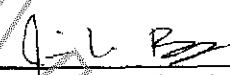
ss.

I certify that I know or have satisfactory evidence that Tammy Barnett

(is/are) the person(s) who appeared before me, and said person(s) acknowledged that she

signed this instrument, on oath stated that she is authorized to execute the instrument and acknowledge it as the Senior Vice President of Heritage Bank to be the free and voluntary act of such party(ies) for the uses and purposes mentioned in this instrument.

Dated: 6-23-15


Notary name printed or typed: Janice L. Bodewig
Notary Public in and for the State of Washington
Residing at Arlington WA
My appointment expires: 3-19-19

