

36098

Vol. M97 Page 11326

AFTER RECORDING MAIL TO:
WASHINGTON MUTUAL BANK
P.O. Box 91606 - SAS0307
SEATTLE WA 98111

Loan Number: 982-04-998-7663776

LOAN MODIFICATION AGREEMENT

THIS AGREEMENT is made the 10TH day of March, between William P Hess and Leta L Hess (individually and collectively, if more than one, "Borrower") and WASHINGTON MUTUAL BANK, successor in interest to Pacific First Bank, a Federal Savings Bank (the "Bank").

Borrower has obtained a loan from the Bank (the "Loan") in the original amount of Twenty Four Thousand Eight Hundred Sixty Four and 75/100 (\$24,864.75). The Loan is evidenced by a promissory note (the "Note") from Borrower dated January 17, 1992 and secured by a Deed of Trust (the "Deed of Trust") from Borrower as grantor, dated January 24, 1992, and recorded under Auditor's File No. Vol M92 Pg 1584 40263 records of Klamath County, Oregon. The Loan covers the property described in the Deed of Trust and located at the address shown below (the "Property").

HCR 22 Gilchrist Or 97737
(Property Address)

Borrower and the Bank now wish to make certain modifications to the loan terms, and in consideration of the mutual benefits accruing to each, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Modification to Note. The Note is hereby modified as follows:
 - 1.1 Interest Rate. The interest rate shall be adjusted to 12.00% per annum effective as of 02/22/97.
 - 1.2 Payment Amount. The monthly principal and interest payment amount shall be adjusted to \$297.65 effective as of 03/22/97.
 - 1.3 Maturity Date. The maturity date shall be adjusted to 01/22/07.

2. Modification Fee. Borrower must pay to Lender a fee to modify their loan in the amount of \$500.00. This fee has been added back to the principal balance of the loan.

3. The Addendum to Disclosure Statement and Promissory Note provides that the Borrower may elect to renew the Note without additional loan fees on the original balloon payment date, and each five years thereafter until the end of the amortization period. Should the Borrower elect to renew, the interest rate for the renewal period shall be adjusted (up or down) to a rate not to exceed Lender's then current market rate. In this regard, it is expressly acknowledged and agreed by Borrower that, effective as of the date of execution of this Loan Modification Agreement by Borrower, the provisions described in the Addendum are no longer applicable.

4. Miscellaneous. Except as herein modified, all the terms, covenants and conditions of the Note and Deed of Trust remain in full force and effect without modification or change. Each of the undersigned borrowers hereby ratifies and reaffirms such Borrower's personal liability for the payment of obligations contained in the Note and Deed of Trust. Nothing herein shall affect the validity or lien priority of the Deed of Trust on the property as security for the payment of all amounts owing on the Note as herein modified.

Dated as of the day and year first above written.

Borrower(s): William P Hess
Leta L Hess

ACKNOWLEDGMENT OF GRANTOR

State of CAL.
County of CONTRA COSTA

ON this 20th day of APR, 1997, personally appeared before me, William P. Hess & Leta L. Hess to me known to be the individual(s) described in and who executed the within and foregoing instrument, and acknowledged that they signed the same as THEIR free and voluntary act and deed, for the uses and purposes therein mentioned. Given under my hand and official seal this 20th day of APR, 1997.

Ronald L. Krebs
Notary Public in and for the State of CALIF., residing at AYRICH
My appointment expires SEPT. 9, 1997.

Bank: WASHINGTON MUTUAL BANK
By: Margaret Hammond
Its: Corporate Officer

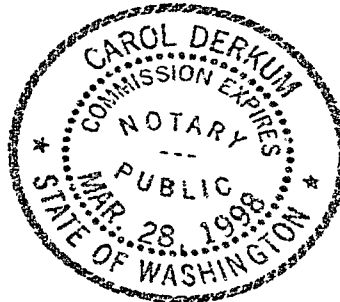
ACKNOWLEDGMENT OF LENDER

State of Washington)
County of King

ON this 2 day of April, 1997, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Margaret Hammond to me known to be the Corp Officer of Washington Mutual Bank, the corporation that executed the foregoing instrument, and acknowledged the said instrument to the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that said individual is authorized to execute the said instrument.

WITNESS my hand and official seal hereto affixed the day and year first above written.

Carol Derkum
Notary Public in and for the State of Washington, residing at Seattle, Washington.
My appointment expires 3-28-98.



STATE OF OREGON : COUNTY OF KLAMATH: ss.

Filed for record at request of Washington Mutual
of April A.D. 19 97 at 10:48 o'clock A. M., and duly recorded in Vol. M97 day
of Mortgages on Page 11326

FEE \$10.00

Bernetha G. Letsch, County Clerk
by Kathleen Rose