

SUBORDINATION AGREEMENT

For the purpose of this Subordination Agreement, the terms below will be defined and used as follows:

- A. Borrower: JAMES HAMILTON AND PENELOPE HAMILTON will be called Borrower. Borrower is or will be the owner of the Property.
- B. Property: Property located at 1121 PACIFIC TERRACE, KLAMATH FALLS, OREGON 97601. County of KLAMATH will be called the Property. The legal description of the Property is described as follows:

THE SOUTHEASTERLY 25 FEET OF LOT 2 AND ALL OF LOT 3, BLOCK 51, HOT SPRINGS ADDITION TO THE CITY OF KLAMATH FALLS, ACCORDING TO THE OFFICIAL PLAT THEREOF ON FILE IN THE OFFICE OF THE CLERK OF KLAMATH COUNTY OREGON.

- C. First Lender: **First Horizon Home Loan Corporation** will be called the First Lender.
- D. First Loan: The loan made by or to be made by the First Lender to the Borrower in the amount not to exceed **\$159,633.00** and interest secured by or to be secured by a deed of trust made by the Borrower to the First Lender covering the Property will be called the First Loan.
- E. Second Lender: **ASSOCIATES HOME EQUITY SERVICES, INCORPORATED** will be called the Second Lender.
- F. Second Loan: The loan evidenced by a note or other obligation now held by the Second Lender in the original principal amount of **\$26,560.00** and secured by a deed of trust dated 10/02/98 and recorded at BOOK M—98, PAGE 36868 AND FURTHER ASSIGNED AT BOOK M-00, PAGE 11855 of the Official Public Records will be call the Second Loan.

In order to satisfy the requirements of the first Lender, and in consideration of the Property and of the sum of One Dollar (\$1.00) and other good and valuable consideration paid by the Borrower to the Second Lender, receipt of which is hereby acknowledged, the Second Lender agrees as follows:

1. The lien of the Second Loan on the Property is hereby declared to be subordinate to the lien of the First Loan and to all modifications, extensions, replacements and renewals of the First Loan.
2. The lien of the Second Loan shall be subordinated to the amount of the First Loan and to interest and advances already paid or to be paid in the future under the First Loan. Advances may be paid without notice to the Second Lender.
3. In the event that the First Loan has a variable interest rate or allows for negative amortization, the operation of these features shall not result in the lien or any portion of the lien of the First Loan becoming subordinated to the lien of the Second Loan.
4. This Agreement may not be changed or terminated orally. It shall bind and ensure to the benefit of the First Lender, its successors and/or assigns.

By signing this Subordination Agreement, Borrower and Second Lender agree to all of the above.

ASSOCIATES HOME EQUITY SERVICES, INCORPORATED

By: Pamela Charr, Vice President

JAMES HAMILTON

PENELOPE HAMILTON

State of Oregon, County of Klamath
Recorded 11/26/2002 11:30 a. m.
Vol M02, Pg 68716-17
Linda Smith, County Clerk
Fee \$ 26.00 # of Pgs 2

26A

02 NOV 26 AM 11:30

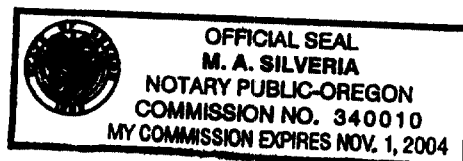
68717

THE STATE OF TEXAS }
COUNTY OF DALLAS }

This instrument was acknowledged before me on the 14TH of November, 2002
by Pamela Obarr of Associates Home Equity Services, Inc., A corporation, on behalf of said
corporation.

Stacey A. Eckert Stacey A. Eckert 8-22-2005
Notary Public, Notary's Name Notary's commission expires
State of Texas

THE STATE OF Oregon }
COUNTY OF Klamath }



This instrument was acknowledged before me on the 26 of November, 2002
by James Hamilton and Penelope Hamilton.

M.A. Silveria M.A. Silveria 11-01-04
Notary Public, Notary's Name Notary's commission expires
State of Oregon

AFTER RECORD RETURN TO:

First Horizon Home Loan Corporation
10741 King William Drive
Dallas, TX 75220