

State of Oregon, County of Klamath

Recorded 03/19/2003 3:02 p.m.

Vol M03 Pg 16625-29

Linda Smith, County Clerk

Fee \$ 41 # of Pgs 5

State of Oregon, County of Klamath

Recorded 06/19/2003 10:46 a.m.

Vol M03 Pg 42041-50

Linda Smith, County Clerk

Fee \$ 66⁰⁰ RR # of Pgs 10

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TRUST DEED LOAN MODIFICATION AGREEMENT

1927778

This Loan Modification Agreement ("Agreement"), made this 1st day of April, 2003
between Terry G. Claeys

("Borrower")

Union Federal Bank of Indianapolis

("Lender",)

amends and supplements (1) the Mortgage, Deed of Trust Deed to Secure Debt (the "Security Instrument"), dated
June 1, 2002 and recorded in Book or Liber M02-33761 at page(s)

, of the Records of

[Name of Records]

Klamath

[County and State or other Jurisdiction]

and (2) the Adjustable Rate Note (the "Note") bearing the same date as, and secured by, the Security Instrument,
which covers the real and personal property described in the Security Instrument and defined therein as the
"Property", located at 1835 Burr Avenue,
Chiloquin, OR 97624

[Property Address]

the real property described being set forth as follows:

SEE ATTACHED EXHIBIT A FOR LEGAL DESCRIPTION

In consideration of the mutual promises and agreements exchanged, and notwithstanding anything to the contrary contained in the Note or Security Instrument, Borrower and Lender agree to modify the terms and provisions of the Note and Security Instrument as further set forth below. Borrower shall initial the applicable modification option set forth in Sections 1, 2, 3, and 4. The remaining modification options set forth in Sections 1, 2, 3 or 4 shall not be applicable to the Note and Security Instrument:

1. Fixed Interest Rate Modification
(Borrower's Initials)

- (a) Loan Amount. As of _____, the amount payable under the Note and Security Instrument is \$ _____ ("Unpaid Principal Balance"), which consists of the original amount and any subsequent amounts(s) loaned and advanced by the Lender through the date hereof, the repayment of which is governed by the terms of the Note and this Agreement and which is secured by the Security Instrument and this Agreement.
- (b) Payment of Principal and Interest. The Borrower promises to pay the Unpaid Principal Balance, plus interest, to the order of the Lender. Interest will be charged on the Unpaid Principal Balance at the yearly rate of _____ %, from _____. The Borrower promises to make monthly payments of principal and interest of U.S. \$ _____, beginning on the _____ day of _____, and continuing thereafter on the same day of each succeeding month until the Maturity Date (as defined in Section 5 below). At which time all principal and interest shall be paid in full.

2. Balloon Modification
(Borrower's Initials)

- (a) Loan Amount. As of _____, the amount payable under the Note and Security Instrument is \$ _____ ("Unpaid Principal Balance"), which consists of the original amount and any subsequent amounts(s) loaned and advanced by the Lender through the date hereof, the repayment of which is governed by the terms of the Note and this Agreement and which is secured by the Security Instrument and this Agreement.
- (b) Payment of Principal and Interest. The Borrower promises to pay the Unpaid Principal Balance, plus interest, to the order of the Lender. Interest will be charged on the Unpaid Principal Balance at the yearly rate of _____ % from _____.

* This document is being re-recorded to
add the loan modification agreement.

66.00 RR m
#1.00

The Borrower promises to make monthly payments of principal and interest of U.S. \$ _____, beginning on the _____ day of _____, and continuing thereafter on the same day of each succeeding month until the Maturity Date (as defined in Section 5 below), at which time all principal and interest shall be paid in full, subject to the Borrower's right to refinance as set forth in Exhibit A, Section A-2 of this Agreement.


3. (Borrower's Initials)

3. Adjustable Interest Rate Modification

- (a) Loan Amount. As of April 1, 2003 _____, the amount payable under the Note and Security Instrument is \$ 54,384.00 ("Unpaid Principal Balance"), which consists of the original amount and any subsequent amounts(s) loaned and advanced by the Lender through the date hereof, the repayment of which is governed by the terms of the Note and this Agreement and which is secured by the Security Instrument and this Agreement.
- (b) Payment of Principal and Interest. The Borrower promises to pay the Unpaid Principal Balance, plus interest, to the order of the Lender. Interest will be charged on the Unpaid Principal Balance at the yearly rate of 5.125% from April 1, 2003. The Borrower promises to make monthly payments of principal and interest of U.S. \$ 296.12, beginning on the 1st day of May, 2003, and continuing thereafter on the same day of each succeeding month until the Maturity Date (as defined in Section 5 below), at which time all principal and interest shall be paid in full. The interest rate may be adjusted during the term of the Note subject to the adjustable interest rate provisions set forth in Exhibit A, Section A-3 of this Agreement.

4. Loan Amount Modification (reduction of loan amount).

(Borrower's Initials)

- (a) Loan Amount. As of _____, the amount payable under the Note and Security Instrument is \$ _____ ("Unpaid Principal Balance"), which consists of the original amount and any subsequent amounts(s) loaned and advanced by the Lender less any amounts paid thereon through the date hereof, the repayment of which is governed by the terms of the Note and this Agreement and which is secured by the Security Instrument and this Agreement.
- (b) Payment of Principal and Interest. The Borrower promises to make monthly payments of principal and interest of U.S. \$ _____, beginning on the _____ day of _____, and continuing thereafter on the same day of each succeeding month until the Maturity Date (as defined in Section 5 below), at which time all principal and interest shall be paid in full.

5. Term

The maturity date for the Unpaid Principal Balance shall be April 1, 2033, at which time all outstanding principal and interest shall be due and owing Lender. If Borrower has selected the Balloon modification provisions of Section 2 above, Borrower acknowledges that the principal and interest payments under the Note are not fully amortized and a significant amount of principal, and accrued interest, will be due and owing on the Maturity Date.

6. Transfer of Property

- (a) Conditional Assumption. THIS PARAGRAPH IS APPLICABLE ONLY IF BORROWER HAS MODIFIED THE NOTE PURSUANT TO SECTION 3 AND IS AFFORDED (BUT HAS NOT YET EXERCISED) THE RIGHT TO A MONTHLY FIXED INTEREST RATE CONVERSION OPTION PURSUANT TO EXHIBIT A-3, PARAGRAPH G(i):

Until Borrower exercises the Monthly Fixed Interest Rate Conversion Option under the conditions stated in Exhibit A-3, Paragraph G(i) of this Agreement, Uniform Covenant 17 of the Security Instrument is described as follows:

Transfer of 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 Security Instrument. However, this option shall not be exercised by Lender if exercise is prohibited by federal law as of the date of this Security Instrument. Lender also shall not exercise this option if: (a) Borrower causes to be submitted to Lender information required by Lender to evaluate the intended transferee as if a new loan were being made to the transferee and (b) Lender reasonably determines that Lender's security will not be impaired by the loan assumption and that the risk of a breach of any covenant or agreement in this Security Instrument is acceptable to Lender.

To the extent permitted by applicable law, Lender may charge a reasonable fee as a condition to Lender's consent to the loan assumption. Lender also may require the transferee to sign an assumption agreement that is acceptable to Lender and that obligates the transferee to keep all the promises and agreements made in the Note and in this Security Instrument. Borrower will continue to be obligated under the Note and this Security Instrument unless Lender releases Borrower in writing.

If Lender exercises the option to require immediate payment in full, Lender shall give Borrower notice of acceleration. The notice shall provide a period of no less than 30 days from the date the notice is delivered or mailed within which Borrower must pay all sums secured by this Security Instrument. If Borrower fails to pay these sums prior to the expiration of this period, Lender may invoke any remedies permitted by this Security Instrument without further notice or demand on Borrower.

- (b) No Transfer without Lender's Consent. This paragraph is applicable only if Borrower has modified the Note (i) pursuant to Section 1 or Section 2 hereof; (ii) pursuant to Section 3 hereof and is afforded the right to a monthly fixed interest rate conversion option pursuant to Exhibit A, Section A3, paragraph G(i), and has exercised said option or said option has lapsed; (iii) pursuant to Section 3 hereof and is afforded the right to a non-monthly fixed interest rate conversion option pursuant to Exhibit A, Section A3, paragraph G(ii); (iv) pursuant to Section 3 hereof and is not afforded a Fixed Interest Rate Conversion Option pursuant to Exhibit A, Section A3, paragraph G(iii); or (v) pursuant to Section 4 hereof;

If Borrower modifies the Note: (i) pursuant to Section 1 hereof; (ii) pursuant to Section 2 hereof; (iii) pursuant to Section 3 hereof, is afforded the right to a Monthly Interest Conversion Option pursuant to Exhibit A, Section A3, paragraph G(i), and exercises such option or such option lapses; (iv) pursuant to Section 3 hereof and is afforded the right to a Non-Monthly Fixed Interest Rate Conversion Option pursuant to Exhibit A, Section A3, paragraph G(ii); (v) pursuant to Section 3 hereof and is not afforded any Fixed Interest Rate Conversion Option pursuant to Exhibit A, Section A3, paragraph G(iii); or (vi) pursuant to Section 4 hereof.

Uniform Covenant 17 of the Security Instrument shall then cease to be in effect, and Uniform Covenant 17 of the Security Instrument, and any cross reference of Uniform Covenant 17 in the Note, shall instead be described as follows:

Transfer of 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 Security Instrument. However, this option shall not be exercised by Lender if exercise is prohibited by federal law as of the date of this Security Instrument.

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 Security Instrument. If Borrower fails to pay these sums prior to the expiration of this period, Lender may invoke any remedies permitted by this Security Instrument without further notice or demand on Borrower.

7. Compliance with Other Provisions

The Borrower also will comply with all other covenants, agreements, and requirements of the Note and the Security Instrument, including without limitation, the Borrower's covenants and agreements to make all payments of taxes, insurance premiums, assessments, escrow items, impounds, and all other payments that the Borrower is obligated to make under the Security Instrument; however, if any of the modification options of Sections 1, 2 or 3 above (but not Section 4) are selected by Borrower, the following terms and provisions are forever canceled, null and void, as of the date hereof:

- (a) all terms and provisions of the Note and Security Instrument (if any) providing for, implementing, or relating to, any modification to the type of loan, interest rate, term, or amount of loan, or any term and provision providing for a fixed rate conversion option under the Note; and
- (b) all terms and provisions of any adjustable rate rider or other instrument or document that is affixed to, wholly or partially incorporated into, or is part of, the Note or Security Instrument and that contains any such terms and provision as those referred to in (a) above.

Except as set forth in paragraphs (a) and (b) above, the terms and conditions of the Note and Security Instrument remain in full force and effect.

8. Continuing Effect

Nothing in this Agreement shall be understood or construed to be a satisfaction or release in whole or in part of the Note and Security Instrument. Except as otherwise specifically modified or provided in this Agreement, the Note and Security Instrument will remain unchanged, and the Borrower and Lender will be bound by, and comply with, all of the terms and provisions thereof, as amended by this Agreement. Any conflict between this Agreement and the Note or this Agreement and the Security Instrument shall be governed by this Agreement.

Union Federal Bank of Indianapolis
By: Joan Dunn

Joan Dunn

(Seal)
-Lender

Terry G. Claeys

Terry G. Claeys

(Seal)
-Borrower

(Seal)
-Borrower

(Seal)
-Borrower

(Seal)
-Borrower

Witnesses:

W223

(page 3 of 4 pages)

[Space Below This Line for Acknowledgments]

STATE OF Washington
COUNTY OF King

Before me, the undersigned, a Notary Public in and for said County and State, this 14th day of March, 2003 personally appeared Terry G. Claeys

acknowledged the execution of the foregoing to be
therein set forth.

WITNESS my hand and notarial seal.

My Commission Expires: 9-29-03

County of Residence: King

and
voluntary act and deed, for the uses and purposes

Edward W. Huneke

Edward W. Huneke

Notary Public
Printed Name

STATE OF Colorado
COUNTY OF Jefferson } SS:

Before me, the undersigned, a Notary Public in and for said County and State, this 11th day of March, 2003
personally appeared Joan Dunn, the Closer of
Waterfield Financial Corporation, Inc., and acknowledged the execution of the foregoing to be
voluntary act and deed, for the uses and purposes therein set forth.

WITNESS my hand and notarial seal.

My Commission Expires: 12-06-05

County of Residence: ADAMS

[Signature]
ALISHA HEDSTROM Notary Public
Printed Name
ALISHA HEDSTROM
NOTARY PUBLIC
STATE OF COLORADO

My Commission Expires 12/6/2005

Prepared by: Joan Lee Tadrack, Waterfield Financial Corporation, Inc. Senior Vice President
44 Union Blvd, Suite #200, Lakewood, CO 80228
When Recorded, Return To: Union Federal Bank of Indianapolis
7500 West Jefferson Boulevard
Fort Wayne, IN 46804

42045

16629

1927778

Exhibit A
Loan Modification Agreement
Given By: Terry G. Claeys

Page 1

A tract of land situated in the NW1/4 NW1/4 of Section 14, Township 34 South, Range 7 East of the Willamette Meridian, Klamath County, Oregon, more particularly described as follows: Beginning at the Southwest corner of the NW1/4 NW1/4; thence North along the West line of said Section, 445.8 feet; thence East 394.53 feet; thence Southeasterly to a point on the South line of the NW1/4 NW1/4, which point bears East 594.23 feet from the Point of Beginning; thence West along said South line, 594.23 feet to the Point of Beginning. EXCEPTING THEREFROM a parcel of land lying in the NW1/4 NW1/4 of Section 14, Township 34 South, Range 7 East of the Willamette Meridian, Klamath County, Oregon, and being a portion of Parcel 2 described in Deed Volume M78, page 6857, of Klamath County Record of Deeds; said parcel being that portion of said parcel being that portion of said property included in a strip of land sixty (60) feet in width, lying thirty (30) feet on each side of the following described road centerline: Commencing at the Northwest 1/16 corner of said Section 14; thence South 63 degrees 52'36" West 598.37 feet to an iron pin on the Easterly right of way line of said road, thence South 66 degrees 32'15" West, 30.00 feet to the point of beginning, said point being on the centerline of said road, thence North 23 degrees 27'45" West, 47.16 feet, thence 118.75 feet along the arc of a 336.80 foot radius curve to the right (the long chord which bears North 13 degrees 21'41" West 118.14 feet); thence North 3 degrees 15'38" West, 107.59 feet; thence 64.11 feet along the arc of a 42.35 foot radius curve to the left (the long chord which bears North 46 degrees 37'26" West, 58.16 feet); thence North 89 degrees 59'13" West 641.83 feet. Manufactured Home Make & Model: Liberty KS 284424 / Serial Number: 09L 34580XU /

1927778

EXHIBIT A LOAN MODIFICATION AGREEMENT

Section A2. Additional Balloon Modification Provisions. If Section 2 of this Agreement is selected by the Borrower, Borrower and Lender further covenant and agree as follows:

A. Conditional Right to Refinance. At the Maturity date of the Note and Security Instrument, Borrower will be able to obtain a new loan ("New Loan") with a new Maturity Date of _____, and with an interest rate equal to the "New Note Rate" determined in accordance with Paragraph C below if all the conditions provided in Paragraphs B and E below are met (the "Conditional Refinancing Option"). If those conditions are not met, the Lender is under no obligation to refinance or modify the Note, or to extend the Maturity Date, and Borrower will have to repay all outstanding principal and interest under the Note as of the Maturity Date.

B. Conditions to Option. To exercise the Conditional Refinancing Option, certain conditions must be met as of the Maturity Date. These conditions are (i) the Borrower must still be the owner and occupant of the Property; (ii) the Borrower must be current in the monthly payments due under the Note and cannot have been more than 30 days late on any of the 12 scheduled monthly payments immediately preceding the Maturity Date; (iii) no lien against the Property (except for taxes and special assessments not yet due and payable) other than that of the Security Instrument any exist; (iv) the New Note Rate cannot be more than 5 percentage points above the initial Note Rate of Section 2(b) of the Agreement; and (v) the borrower must make a written request to the Lender as provided in Paragraph E below.

C. Calculating the New Note Rate. The New Note Rate will be a fixed rate of interest equal to the Federal National Mortgage Association's required net yield for 30-year fixed rate mortgages subject to a 60-day mandatory delivery commitment, plus one-half of one percentage point (0.5%), rounded to the nearest one-eighth of one percentage point (0.125%) (the "New Note Rate"). The required net yield shall be the applicable net yield in effect on the date and time of day that the Lender receives written notice of Borrower's election to exercise the Conditional Refinancing Option. If this required net yield is not available, the Lender will determine the New Note Rate by using comparable information.

D. Calculating the New Payment Amount. Provided the New Note Rate as calculated in Paragraph C above is not greater than 5 percentage points above the initial Note Rate (as set forth in Section 2(b) of the Agreement) and all other conditions required in Paragraph B above are satisfied, the Lender will determine the amount of the monthly payment that will be sufficient to repay in full (a) the unpaid principal, plus (b) accrued but unpaid interest, plus (c) all other sums I will owe under the Note and Security Instrument on the Maturity Date (assuming my monthly payments then are current, as required under Paragraph B above), over the term of the New Note at the New Note Rate in equal monthly payments. The result of this calculation will be the amount of my new principal and interest payment every month until the New Note is fully paid.

E. Exercising the Conditional Refinancing Option. Lender will notify Borrower at least 60 calendar days in advance of the Maturity Date and advise Borrower of the principal, accrued but unpaid interest, and all other sums Borrower is expected to owe on the Maturity Date. The Lender will advise Borrower that Borrower may exercise the Conditional Refinancing Options if the conditions in Paragraph B above are met. The Lender will provide the payment record information for the Note, together with the name, title and address of the person representing the Lender that Borrower must notify in order to exercise the Conditional Refinancing Option. If Borrower meets the conditions of Paragraph B above, Borrower may exercise the Conditional Refinancing Option by notifying, in writing, the Lender no later than 45 calendar days prior to the Maturity Date. Lender will calculate the fixed New Note Rate based upon the Federal National Mortgage Association's applicable published required net yield in effect on the date and time of day notification is received by the Lender and as calculated in Paragraph C above. Borrower will then have 30 calendar days to provide Lender with acceptable proof of Borrower's required ownership, occupancy and property lien status. Before the Maturity Date, Lender will advise Borrower of the new interest rate (the New Note Rate), new monthly payment amount and a date, time and place at which Borrower must appear to sign any documents required to complete the required refinancing. Borrower understands Lender will charge a \$250 processing fee and the costs associated with updating the title insurance policy, if any, all of which are to be paid by Borrower.

Section A3. Additional Adjustable Rate Modification Provisions. If Section 3 of this Agreement is selected by the Borrower, Borrower and Lender further covenant and agree as follows:

A. **Change Dates.** The adjustable interest rate Borrower will pay may change on the first day of April, 2008, and on that day every 12th month thereafter. Each date on which Borrower's adjustable interest rate could change is called a "Change Date."

B. **The Index.** Beginning with the first Change Date, Borrower's adjustable interest rate will be based on an Index. The "Index" is the weekly average yield on United State Treasury securities adjusted to a constant maturity of 1 year, as made available by the Federal Reserve Board. The most recent Index figure available as of the date 45 days before each Change Date is called the "Current Index". If the Index is no longer available, Lender will choose a new index that is based upon comparable information. The Lender will give Borrower notice of this choice.

C. **Calculation of Changes.** Before each Change Date, Lender will calculate Borrower's new interest rate by adding Two and 750/1000 percentage point(s) (2.750 %) to the Current Index. The 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 in Paragraph D below, this rounded amount will be Borrower's 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 Borrower's new interest rate in substantially equal payments. The result of this calculation will be the new amount of Borrower's monthly payment.

D. **Limits on Interest Rate Changes.** The interest rate Borrower is required to pay at the first Change Date will not be greater than 10.125 % or less than 0.125 %. Thereafter, Borrower's adjustable interest rate will never be increased or decreased on any single Change Date by more than Two percentage points from the rate of interest Borrower has been paying for the preceding 12 months. Borrower's interest rate will never be greater than 10.125 %, which is called the "Maximum Rate."

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

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

G. **Fixed Interest Rate Conversion Options.** By Modifying the Note pursuant to Section 3 of the Agreement, the Borrower may be afforded the right to exercise either one of the fixed interest rate conversion options described below:

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Check is applicable

(i) **Monthly Fixed Interest Rate Conversion Option.**

(a) **Option to Convert to Fixed Rate.** Borrower has a Conversion Option that Borrower can exercise unless Borrower is in default or this subparagraph (a) will not permit Borrower to do so. The "Conversion Option" is Borrower's option to convert the interest rate Borrower is required to pay by the Note, as modified by Section 3 of this Agreement from an adjustable rate with interest rate limits to the fixed rate calculated under subparagraph (b) below. The conversion can only take place on a date(s) specified by Lender during the period beginning on the first Change Date and ending on the fifth Change Date. Each Change Date on which Borrower's interest rate can convert from an adjustable rate to a fixed rate also is called the "Conversion Date." **Borrower can convert the interest rate only on one of the above Conversion Dates.** If Borrower wants to exercise the Conversion Option, Borrower must first meet certain conditions. Those conditions are that (1) Borrower must give the Lender notice that Borrower wants to do so; (2) on the Conversion Date, Borrower must not be in default under the Note or the Security Instrument (as modified by this Agreement); (3) by a date specified by the Lender, Borrower must pay the Lender a conversion fee of U.S. \$; and (4) Borrower must sign and give the Lender any documents the Lender requires to effect the conversion.

(b) **Calculation of Fixed Rate.** Borrower's new, fixed interest rate will be equal to the Federal National Mortgage Association's required net yield as of a date and time of day specified by the Lender for (i) if the term of this Note (as modified by this Agreement) is greater than 15 years, 30-year fixed rate mortgages covered by applicable 60-day mandatory delivery commitments, plus rounded to the nearest one-eighth of one percentage point (0.125%), or (ii) if the term of this Note (as modified by this Agreement) is 15 years or less, 15-year fixed rate mortgages covered by applicable 60-day mandatory delivery commitments, plus rounded to the nearest one-eighth of percentage point (0.125%). If this required net yield cannot be determined because the applicable commitments are not available, the Lender will determine Borrower's interest rate by using comparable information. Borrower's new rate calculated under this subsection (b) will not be greater than the Maximum Rate stated in paragraph (d) of this Section A3 of the Note.

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☒ Check is applicable

(c) **New Payment Amount and Effective Date.** If Borrower chooses to exercise the Conversion Option, the Lender will determine the amount of the monthly payment that would be sufficient to repay the unpaid principal Borrower is expected to owe on the Conversion Date in full on the Maturity Date (as specified in Section 5 of this Agreement) at Borrower's new fixed interest rate in substantially equal payments. The result of this calculation will be the new monthly payment amount. Beginning with the first monthly payment after the Conversion Date, Borrower will pay the new amount as the monthly payment until the Maturity Date.

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☒ Check is applicable

(iii) No Fixed Interest Rate Conversion is Afforded to the Borrower.

Union Federal Bank of Indianapolis (Seal)
-Lender

By: Joan Dunn

Terry G. Claeys

____(Seal)
-Borrower

(Seal)
-Borrower

____ (Seal)
-Borrower

_____(Seal)
-Borrower

PROGRAM DESCRIPTION DISCLOSURE

NAME(S) Terry G. Claeys

LOAN NUMBER 1927778

IMPORTANT INFORMATION ABOUT OUR
5/1 ADJUSTABLE RATE MORTGAGE
PLEASE READ CAREFULLY

This disclosure describes the features of the Adjustable Rate Mortgage program you are considering. The following information is only a brief summary of the terms. The loan documents, which you should read carefully, will establish the exact terms. Please note that program description disclosures are available for all ARM programs currently offered upon request.

- A. How your Interest Rate and Payment are determined:**
- 1. Your interest rate will be based on an index rate plus a margin, rounded to the nearest .125%. Your initial interest rate may be subject to discount or a premium equal to the difference between the initial interest rate and the fully indexed rate. Ask us about our current discount, premium, margin and interest rate.
 - 2. Your monthly payment will be based on the interest rate, loan balance and loan term. The original loan term is thirty (30) years.
 - 3. The interest rate will be based on the weekly average yield on United States Treasury securities adjusted to a constant maturity of 1 year (your index) plus our margin, rounded to the nearest .125%. Ask us for our current interest rate and margin.
 - 4. Information about the index rate is published weekly in the Wall Street Journal.
 - 5. Your interest rate will equal the index plus our margin, rounded to the nearest .125%, unless your interest rate "caps" limit the amount of changes in the interest rate.
 - 6. If the Index is no longer available, the Note Holder will choose a new index that is based upon comparable information. The Note Holder will give notice of this choice.
- B. How your Interest Rate can change:**
- 1. Your interest rate can change in five years, then yearly thereafter. The initial change will take place no sooner than 60 months and no later than 62 months after you close your loan, then changes may occur yearly thereafter.
 - 2. Your interest rate cannot increase by more than five percentage points or decrease under the Margin at the first adjustment.
 - 3. Your interest rate cannot increase or decrease more than two percentage points per adjustment after the first adjustment.
 - 4. Your interest rate cannot exceed five percentage points over your initial interest rate.
- C. How your Monthly Payment can change:**
- 1. Your monthly payment can change yearly based on changes in the interest rate.
 - 2. You will be notified of adjustments in your payments at least 25 days but no more than 120 days before a payment at a new level is due. The notice will contain information about your interest rates, payment and loan balance.

D. Examples:

The example below shows how your payments would have changed under this ARM program based on actual changes in the index from 1988 to 2002. This does not necessarily indicate how your index will change in the future. The example is based on the following assumptions:

Amount of Loan \$10,000
Term 30 years
Payment Adjustment 5 years, annually thereafter
Interest Adjustment 5 years, annually thereafter
Margin 2.75%
Caps:
First Adjustment 5 percentage points
Annual After First Adjustment 2 percentage points per adjustment
Life Cap 5 percentage points above the initial note rate.
Index Weekly average yield on U.S. Treasury Securities adjusted to a constant maturity of one year.
Discount (first year) 1.00 percentage point

YEAR (as of 1st week ending in July)	INDEX (%)	MARGIN (%)	RATE (%)	PAYMENT (\$)	BALANCE (\$)
1988	7.52	2.750	9.500	84.09	9,938.34
1989	7.97	2.750	9.500	84.09	9,870.56
1990	8.06	2.750	9.500	84.09	9,796.05
1991	6.40	2.750	9.500	84.09	9,714.14
1992	4.14	2.750	9.500	84.09	9,624.10
1993	3.42	2.750	6.125	62.75	9,455.96
1994	5.47	2.750	8.125*	74.73	9,322.65
1995	5.43	2.750	8.125	74.73	9,178.09
1996	5.82	2.750	8.625	77.70	9,031.64
1997	5.63	2.750	8.375	76.25	8,866.83
1998	5.38	2.750	8.125	74.86	8,682.20
1999	5.11	2.750	7.875	73.52	8,476.30
2000	6.10	2.750	8.875	78.72	8,275.97
2001	3.70	2.750	6.875	68.90	8,009.92
2002	2.06	2.750	4.875***	60.16	7,670.94

* This is a margin we have used recently; your margin may be different.
** This rate reflects a 1.00% discount; a discount we have used recently.
*** Interest rate reflects a 2 percentage point per adjustment cap.
**** This interest rate reflects an overall life cap of 5 percentage points over note rate.
***** Interest rate reflects a 5 percentage point first adjustment cap.

E. Worst Case Scenario:

42050 1927778

Another way to look at future interest rate movements is to consider a worst case scenario. On a \$10,000 loan, with an Initial Interest Rate of 3.875% (the rate shown in the interest column above for July of 2002 discounted by 1.00%; a discount we have used recently), the maximum amount that the interest rate could rise under this program is 5% over the note rate. In this example, the maximum rate would be 8.875% and the monthly payment could rise from \$47.02 to maximum of \$79.56 in the 6th year.

To see what your payment would have been during that period, divide your mortgage amount by \$10,000, then multiply the monthly payment by that amount. For example in 2002, the monthly payment for a mortgage amount of \$60,000 taken out in 1988 would be:

$\$60,000/\$10,000 = 6$
 $6 \times 60.16 = \$360.96$

I/We received a copy of this Disclosure this _____ day of _____, _____.

Borrower



Borrower Terry G. Claeys

Borrower

Borrower