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State of Oregon, County of Klamath
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 Linda Smith, County Clerk
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LOAN MODIFICATION AGREEMENT

2082601

This Loan Modification Agreement ("Agreement"), made this 1st day of February, 2004 ,
 between Michael E Davis , and Carol Ann Davis

("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 10, 2003 and recorded in Book or Liber **M03** at page(s)
41381 , 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 11611 Ramirez Road,
 Klamath Falls, OR 97603 [Property Address]

the real property described being set forth as follows:

Lot 3, TRACT 1332 SCENIC VALLEY, according to the official plat thereof on
 file in the office of the County Clerk of Klamath County, Oregon.

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:

CD
 (Borrower's Initials)

Fixed Interest Rate Modification

- (a) Loan Amount. As of February 1, 2004 , the amount payable under
 the Note and Security Instrument is \$ 273,910.00 ("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 6.125 %, from February 1, 2004 .
 The Borrower promises to make monthly payments of principal and interest of U.S.
 \$ 1,664.31 , beginning on the 1st day of March, 2004 ,
 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 .

30.00 Am

Return to: Amt-Ktuls

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. Adjustable 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. 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 February 1, 2034 , 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 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 (Seal)
-Lender

By: Joan Dunn
Joan Dunn

Michael E Davis (Seal)
Michael E Davis -Borrower

Carol Ann Davis (Seal)
Carol Ann Davis -Borrower

(Seal)
-Borrower

Witnesses:

(Seal)
-Borrower

W223

(page 3 of 4 pages)

[Space Below This Line for Acknowledgments]

STATE OF Oregon
COUNTY OF Klamath } SS:

Before me, the undersigned, a Notary Public in and for said County and State, this 19th day of Jan 2004

personally appeared

Michael E. Davis and
acknowledged the execution of the foregoing to be
therein set forth.

WITNESS my hand and notarial seal.

My Commission Expires: 12/20/03

County of Residence: Klamath

Carol Ann Davis and
voluntary act and deed, for the uses and purposes

Marjorie A Stuart
Notary Public
Printed Name



STATE OF Colorado
COUNTY OF Jefferson } SS:

03883 2082601

Before me, the undersigned, a Notary Public in and for said County and State, this 12th day of January,
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: 3-14-07

County of Residence: Jefferson

Kathryn M. Reh
Kathryn M. Reh Notary Public
Printed Name



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