

Loan # _____

LOAN MODIFICATION AGREEMENT (Providing for Step Interest Rate with Balloon Payment)

BALLOON PAYMENT DISCLOSURE

THIS MODIFICATION AGREEMENT CONVERTS YOUR LOAN INTO A BALLOON LOAN, WHICH MEANS THAT EVEN IF YOU MAKE ALL YOUR SCHEDULED PAYMENTS WHEN DUE, THE LOAN WILL NOT BE PAID IN FULL AT THE END OF ITS TERM (WHICH REMAINS AS SET FORTH IN THE NOTE). AS A RESULT, ON THE MATURITY DATE, YOU WILL BE REQUIRED TO REPAY, IN A SINGLE PAYMENT, THE ENTIRE REMAINING PRINCIPAL BALANCE (THE BALLOON PAYMENT INDICATED IN PARAGRAPH 2 BELOW) PLUS ALL ACCRUED AND UNPAID INTEREST AND ALL OTHER AMOUNTS OWING ON THAT DATE (INCLUDING BUT NOT LIMITED TO ALL ADVANCES MADE BY LOAN SERVICER UNDER THE TERMS OF THE SECURITY INSTRUMENT).

CAUTION TO BORROWER: NO OBLIGATION TO REFINANCE – LOAN SERVICER HAS NO OBLIGATION TO REFINANCE THIS LOAN OR MAKE YOU A NEW LOAN ON THE MATURITY DATE. IF YOU DO NOT HAVE THE FUNDS TO PAY THE BALLOON PAYMENT WHEN IT COMES DUE, YOU MAY HAVE TO OBTAIN A NEW LOAN AGAINST YOUR PROPERTY TO MAKE THE BALLOON PAYMENT. ASSUMING ANOTHER LENDER MAKES YOU A NEW LOAN ON THE MATURITY DATE, YOU WILL PROBABLY BE CHARGED INTEREST AT THE MARKET RATE PREVAILING AT THAT TIME. SUCH INTEREST RATE MAY BE HIGHER THAN THE INTEREST RATE PAID ON THIS LOAN. YOU MAY AGAIN HAVE TO PAY COMMISSIONS, FEES AND EXPENSES FOR THE ARRANGING OF THE NEW LOAN. IN ADDITION, IF YOU ARE UNABLE TO MAKE THE MONTHLY PAYMENTS OR THE BALLOON PAYMENT, YOU MAY LOSE THE PROPERTY AND ALL OF YOUR EQUITY THROUGH FORECLOSURE. KEEP THIS IN MIND IN DECIDING WHETHER TO AGREE TO THE TERMS OF THIS LOAN MODIFICATION.

This Loan Modification Agreement ("Agreement"), made this 1st day of April 2009 (the "Effective Date"), between [REDACTED] (collectively "Borrower") and American Home Mortgage Servicing, Inc. as Servicer ("Loan Servicer"), modifies (1) the mortgage, deed of trust, or security deed (the "Security Instrument") dated February 01, 2007, and (2) the promissory note (the "Note"), bearing the same date as, and secured by, the Security Instrument (Borrower's obligation under the Note, Security Instrument and this Agreement hereinafter referred to as the "Loan"), which covers the real and personal property located at [REDACTED] Oceanside, CA, 92054,

(Property Address)

more fully described in the Security Instrument and defined therein as the "Property." All capitalized terms in this Agreement shall have the same meanings as set forth in the Note and Security Instrument, unless defined in this Agreement; all schedules and exhibits attached to this Agreement are incorporated into and made part of this Agreement; and all references to this Agreement include the schedules and exhibits.

In consideration of the mutual promises and agreements exchanged, Loan Servicer and Borrower agree that the Note and Security Instrument shall be modified hereby as follows:

1. As of April 1, 2009 the amount payable under the Note and the Security Instrument (the "New Principal Balance") is U.S. \$470,464.32 consisting of the unpaid amount(s) loaned to Borrower by Lender plus any accrued and unpaid interest and other amounts capitalized as set forth in Schedule "A," attached hereto and made a part hereof. The amount that shall bear interest and amortize in accordance with the terms of this Agreement is referred to herein as the "Amortizing Amount," which may be equal to or less than the New Principal Balance, as specified in paragraph 2 below.

2. This Agreement contains a balloon feature that offers the advantage of lower monthly payments but the disadvantage of a significant portion of the New Principal Balance, referred to herein as the "Balloon Payment," being due and payable in a lump sum on the Maturity Date. Borrower understands and agrees that the New Principal Balance consists of the sum of (i) an Amortizing Amount of U.S. \$428,000.00 and (ii) a Balloon Payment (a principal deferral that will not accrue interest and will not amortize over the remaining term of the Loan) of U.S. \$42,464.32.
3. Borrower promises to pay the New Principal Balance, plus interest on the Amortizing Amount, to the order of Loan Servicer. Interest will be charged on the Amortizing Amount at the yearly rate of 2% for the three (3) year period beginning on the 1st day of April, 2009, and Borrower promises to pay monthly payments of principal and interest in the amount of \$1,668.33 (plus any amounts due for taxes and insurance as set forth in Schedule "A"), beginning on the 1st day of May, 2009; provided that the payment due for May 1, 2009, is made in a lump sum upon execution of this Agreement (the "Mod Start Payment"). After the Mod Start Payment is made, the next payment will be due June 1, 2009. If the Loan is an adjustable-rate mortgage ("ARM") loan and Borrower receives an ARM adjustment notice prior to the payment beginning date indicated in the preceding sentence, Borrower should ignore such notice and make payments in accordance with this Agreement. During the fourth year, interest will be charged on the Amortizing Amount at the yearly rate of 3% from April 1, 2012, and Borrower shall pay monthly payments of principal and interest in the amount of \$1,865.93 (plus any amounts due for taxes and insurance), beginning on the 1st day of May, 2012. During the fifth year, interest will be charged on the Amortizing Amount at the yearly rate of 4%, from April 1, 2013, and Borrower shall pay monthly payments of principal and interest in the amount of \$2,068.85 (plus any amounts due for taxes and insurance), beginning on the 1st day of May, 2013. During the sixth year, interest will be charged on the Amortizing Amount at the yearly rate of 5%, from April 1, 2014, and Borrower shall pay monthly payments of principal and interest in the amount of \$2,275.78 (plus any amounts due for taxes and insurance), beginning on the 1st day of May, 2014. During the seventh year, and for the remaining term of the loan, interest will be charged on the Amortizing Amount at the yearly rate of 6%, from April 1, 2015, and Borrower shall pay monthly payments of principal and interest in the amount of \$2,485.49 (plus any amounts due for taxes and insurance), beginning on the 1st day of May, 2015, and continuing thereafter on the same day of each succeeding month until the Maturity Date or until the New Principal Balance and interest on the Amortizing Amount are paid in full, whichever is sooner. If on March 01, 2037 (the "Maturity Date"), Borrower still owes amounts under the Note and the Security Instrument, as amended by this Agreement, Borrower will pay these amounts (including but not limited to the Balloon Payment) in full on the Maturity Date.

AS MORE PARTICULARY SET FORTH IN PARAGRAPH 8, THIS AGREEMENT SHALL BE VOID AND NOT TAKE EFFECT UNLESS THE MOD START PAYMENT IN THE FORM OF A CASHIER'S CHECK OR CERTIFIED FUNDS, AND THIS AGREEMENT, ARE RECEIVED ON OR BEFORE MAY 27, 2009.

4. Borrower will comply with all 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; however, the following terms and provisions are forever canceled, null and void, as of the Effective Date:
 - (a) all terms and provisions of the Note and Security Instrument (if any) providing for, implementing, or relating to any change or adjustment in the rate of interest payable under the Note; and
 - (b) all terms and provisions of any adjustable rate rider, or other instrument or document (if any) 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 provisions as those referred to in (a) above.
5. Borrower understands, acknowledges and agrees that:

- (a) All the rights and remedies, stipulations, and conditions contained in the Security Instrument relating to default in the making of payments under the Note and Security Instrument shall also apply to default in the making of the modified payments under this Agreement.
- (b) Except as herein modified, all covenants, agreements, stipulations, and conditions in the Note and Security Instrument shall be and remain in full force and effect and none of Borrower's obligations or liabilities under the Note and Security Instrument shall be diminished or released by any provisions hereof, nor shall this Agreement in any way impair, diminish, or affect any of Loan Servicer's or Note Holder's rights or remedies under the Note and Security Instrument, whether such rights or remedies arise thereunder or by operation of law. Also, all rights of recourse to which Loan Servicer and Note Holder are presently entitled against the Property, Borrower, any other property or any other persons in any way obligated for, or liable on, the Note and Security Instrument, are expressly reserved by Loan Servicer and Note Holder.
- (c) Borrower has no right of set-off or counterclaim against Note Holder or Loan Servicer, or any defense to the obligations of the Note or Security Instrument.
- (d) 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.
- (e) All costs and expenses incurred by Loan Servicer in connection with this Agreement, including but not limited to property inspection fees and attorney's fees, shall be paid by Borrower to Loan Servicer and, to the extent such fees are deferred or become part of the New Principal Balance, shall be secured by the Security Instrument. The type and amount of such fees, and the manner in which they are paid by Borrower, are set forth in Schedule "A."
- (f) In addition to and simultaneously with Borrower's monthly payments of principal and interest as set forth in paragraph 3 above, Borrower shall be required pay to Loan Servicer, until such time as the New Principal Balance and interest on the Amortizing Amount are paid in full, a sum to provide for payment of amounts due for (i) yearly taxes and assessments which may attain priority over the Security instrument as a lien on the Property, and (ii) yearly hazard or property insurance premiums, all in accordance with the terms and conditions of the Security Instrument. A waiver of this requirement by Loan Servicer as of the Effective Date shall not constitute a waiver of such requirement at any future date, and Loan Servicer specifically reserves the right, in its sole and absolute discretion, to impose such requirement at any time upon written notice to Borrower.
- (g) Borrower shall make and execute such other documents or papers as may be necessary or required to effectuate the terms and conditions of this Agreement.

6. Borrower and Loan Servicer understand, acknowledge and agree that:

- (a) If foreclosure proceedings have been commenced with respect to the Loan, upon payment of the Mod Start Payment and Loan Servicer's receipt of this Agreement, fully executed, Loan Servicer shall forbear from taking any further action in connection with any such foreclosure proceeding. **In consideration of Lender's forbearance, Borrower hereby expressly waives the right to challenge or contest the foreclosure process initiated by Loan Servicer, Loan Servicer's attorney and/or the foreclosure trustee, including all acts or omissions prior to or subsequent to this Agreement, whether such acts or omissions were performed by Loan Servicer, Loan Servicer's attorney, the foreclosure trustee, and/or any party acting on behalf of the Loan Servicer, Loan Servicer's attorney and/or the foreclosure trustee.** Borrower admits and recognizes that any and all postponements of a foreclosure sale, made during the term of this Agreement or in anticipation of this Agreement, are done by mutual consent of Borrower and Loan Servicer and that, to the extent allowed by applicable law, the foreclosure sale may be postponed from time to time until the loan is fully reinstated or the foreclosure sale is consummated.

(b) Time is of the essence of this Agreement, in particular the receipt by Loan Servicer of this Agreement (fully executed by Borrower and any Non-Obligor Mortgages) and the Mod Start Payment. **There are no grace periods with respect to the payments due under this Agreement, and failure to make timely payments as specified in paragraph 3 constitutes a breach of the terms of this Agreement. Notwithstanding the above, late charges as specified in the Note will continue to accrue as allowed by applicable law.**

(c) If Borrower fails to make any of the payments specified in paragraph 3 on the due dates and in the amount stated, or otherwise fails to comply with each and all of the terms and conditions herein, Loan Servicer, at its sole option, may terminate this Agreement without further notice to Borrower. In such case, all amounts that are owing under the Note and Security Instrument, as amended by this Agreement, shall become immediately due and payable, and Loan Servicer shall be permitted to exercise any and all rights and remedies provided for in the Note and Security Instrument, including, but not limited to, immediate commencement of a foreclosure action without further notice to Borrower, and/or resumption of a pending foreclosure action without further notice to Borrower, and/or conducting a pending foreclosure sale without further notice to Borrower.

(d) Loan Servicer represents that it has the authority to enter into this Agreement on behalf of the Note Holder.

(e) The terms, clauses, conditions and provisions of this Agreement are binding upon and shall inure to the benefit of all assignees, successors-in-interest, personal representatives, estates, administrators, heirs, devisees, and legatees of each of the parties hereto.

(f) Except as is otherwise provided for herein, this Agreement (along with the Note and Security Instrument) constitutes the entire agreement between the parties with reference to the subject matter hereof, and supersedes any prior agreement, oral or written, with respect thereto; and, in entering into this Agreement, no party is relying upon any representation, warranty, agreement, or covenants not set forth herein.

(g) This Agreement may be signed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same Agreement.

7. To the extent that any word, phrase, clause, or sentence of this Agreement shall be found to be illegal or unenforceable for any reason, such word, phrase, clause, or sentence shall be modified or deleted in such a manner so as to make the Agreement, as so modified, legal and enforceable under applicable law, provided that should such modification or deletion materially diminish the benefit of this Agreement to either Loan Servicer, Note Holder or Borrower, the Agreement shall be of no force or effect and the relationship of Loan Servicer, Note Holder and Borrower shall be entirely governed by the provisions of the Note and Security Instrument.

8. This Agreement shall be of no force or effect, and no action will be taken by Loan Servicer to cease collection and foreclosure activities relating to the Loan, unless and until Loan Servicer has received this Agreement, fully executed and initialed by Borrowers, along with the Mod Start Payment, in the form of a cashier's check or certified funds, no later than May 27, 2009. This Agreement is not considered "received" by Loan Servicer unless and until it has been delivered to Loan Servicer at 4650 Regent Blvd., Suite 100, Irving, TX 75063, and internally date stamped. Furthermore, this Agreement shall be of no force or effect if Borrower files a bankruptcy petition prior to Loan Servicer's receipt of this Agreement.



THE LAW OFFICE OF
MICHAEL GADDIS

NOTICE TO BORROWERS WITH ADJUSTABLE RATE LOANS: For Borrowers with an adjustable rate Loan, please read this notice carefully. In accordance with subparagraphs 4(a) and 4(b) of this Agreement, you (Borrower) understand that the Loan is modified from an adjustable-rate loan to a step-rate loan. An adjustable-rate loan differs from a step-rate loan. With a step-rate loan, the interest rate stays the same during specified intervals as provided under paragraph 3 of this Agreement. With an adjustable-rate loan, the interest rate changes periodically, in relation to an index and a margin, and payments may go up or down accordingly. **IF INTEREST RATES DECREASE, AN ADJUSTABLE-RATE LOAN COULD BE LESS EXPENSIVE OVER A LONG PERIOD THAN A STEP-RATE LOAN. YOU UNDERSTAND THAT BY MODIFYING THIS LOAN TO A STEP-RATE LOAN, YOU ARE FOREGOING THIS POTENTIAL ADVANTAGE.**

IN WITNESS WHEREOF, the undersigned have set their hands hereunto as of the date written below.

American Home Mortgage Servicing, Inc.

Borrower

By: _____

Borrower



THE LAW OFFICES OF
MICHAEL GADDIS