

Please Return To:

Name: Loss Mitigation Department
Title: Administrative Assistant
First Federal Bank of California
12555 W. Jefferson Boulevard, 2nd Floor
Los Angeles, CA 90066
Loan No.: [REDACTED] Order No
Escrow or Title

MODIFICATION OF NOTE AND DEED OF TRUST

This Modification of Note (this "Agreement") is entered into this twenty-first day of July 2009 between FIRST FEDERAL BANK OF CALIFORNIA, a federal savings bank ("Lender"), and [REDACTED] ("Borrower").

RECITALS

WHEREAS, Lender is the owner and holder of a promissory note dated May 18, 2005 (including any riders and previous modifications thereto, the "Note") in the original principal amount of \$ 400,000.00 (the "Loan");

WHEREAS, the Note is secured by a deed of trust recorded on May 25, 2005 as Instrument No. 2005-0439240, of Official Records of SAN DIEGO County, California (including any riders and modifications thereto, the "Deed of Trust" and, together with the Note and all other documents executed or delivered in connection with the Loan, the "Loan Documents");

WHEREAS, Borrower is the record owner of the real property described in the Deed of Trust subject to the lien thereof (the "Property"), which is more commonly known as [REDACTED] OCEANSIDE CA 92054 and known by the following legal description;

"SEE ATTACHED EXHIBIT A"

WHEREAS, Borrower has requested that Lender modify the Loan as provided below; and

WHEREAS, Lender is willing to modify the Note, on the terms and conditions contained herein.

AGREEMENT

NOW, THEREFORE, in consideration of the promises contained herein and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

1. Principal Amount of Loan. Borrower acknowledges that the outstanding principal balance due under the Note, as of the date of this Agreement is four hundred thirty-one thousand five hundred five and 95/100 Dollars (US \$ **431,505.95**). After the capitalization of Borrower's January 1, 2009 through August 1, 2009 unpaid monthly interest and corresponding monthly escrow amounts \$ 11,186.12, as requested by Borrower, less Borrower's contribution of \$ 5,500.00 as required by Lender, the outstanding principal balance will be four hundred thirty-seven thousand one hundred ninety-two and 07/100 Dollars (US \$ **437,192.07**).

2. No Claims. Borrower hereby represents, warrants and confirms that there are no defenses, set-offs, claims or causes of action of any nature whatsoever, and no encumbrances subsequent to the Deed of Trust which Borrower has or may assert against Lender with respect to the Property, other than those of public record and made known to Lender prior to the date of this Agreement.

3. Interest in Property. Borrower hereby represents, warrants and confirms that it is the lawful owner occupying the property, that no one other than Borrower has any interest in the Property (except for any interest expressly disclosed to Lender prior to the date of this Agreement) and that Borrower has the right to modify the Note as requested.

4. Modification of Note. Subject to the terms and conditions of this Agreement, the Note shall be modified as set forth below:

A. Increase of Negative Amortization Cap. The first sentence of Section 3(f) of the Note is hereby modified from "My unpaid principal can never exceed a maximum amount equal to one hundred twenty-five and 00/100(125.00)% of the principal amount I originally borrowed." to

"My unpaid principal can never exceed a maximum amount equal to one hundred twenty-five and 00/100(125.00)% of the principal amount I originally borrowed."

B. *Change of Index.* The first paragraph of Section 2(d) of the Note shall be modified as of January 1, 2009 (the "Conversion Date") by replacing the following sentences -- The "Index" is the monthly weighted average cost of savings, borrowings and advances of members of the Federal Home Loan Bank of San Francisco (the "Bank"), as made available by the Bank. The most recent Index figure available as of the date 15 days before each Interest Change Date is called the "Current Index." -- which set the Index for the Loan at "COFI" with the following sentences -- The Index is determined by the Lender based upon the twelve-month average of monthly yields on actively traded U.S. Treasury Securities adjusted to a constant maturity of one year. Information on such U.S. Treasury Securities rates is made available by the Federal Reserve Board in the Federal Reserve Statistical release entitled "Selected Interest Rates (H. 15)". The twelve most recent such U.S. Treasury Securities rates available as of the date 15 days before each Interest Change Date are used to calculate the "Current Index." -- which reset the Index for the Loan at "12-MAT" as of the Conversion Date.

C. *Change of Margin.* Section 2(e) of the Note shall be modified effective as of the Conversion Date by replacing the first sentence -- "Before each Interest Rate Change Date, the Note Holder will calculate my new interest rate by adding 4.050% percentage points (the "Margin") to the Current Index." -- with the following sentence -- "Before each Interest Rate Change Date, the Note Holder will calculate my new interest rate by adding 2.400% percentage points (the "Margin") to the Current Index."

D. *Interest and Payments Before the Conversion Date.* Interest will continue to accrue on the unpaid principal balance of the Loan according to the adjustable interest rate provisions contained in the Note until the Conversion Date and Borrower must continue to make all regularly scheduled monthly payments in accordance with the Note through and including any payment that falls due on the Conversion Date.

E. *Principal and Interest Payments.*

(a) Beginning with the first payment due on September 1, 2009 and ending as of January 1, 2014 (such period of time being referred to herein as the "Interest-Only Period"), Borrower must make, at a minimum, an interest-only monthly payment with an initial interest-only payment of \$ 1,475.52 based on an interest rate of 4.050%. Borrower is obligated under the Loan Documents to pay additional monthly escrow amounts of \$ 0.00 and additional amortizing fees of \$ 0.00, bringing Borrower's total initial monthly payment under this agreement, including impounds and fees, to \$ 1,475.52. Borrower will be allowed to make interest-only payments during the Interest-Only Period only. During the Interest Only period Borrower's payments will change every six (6) months and will be based on an adjustable interest rate that will change every six (6) months (the date on which the rate changes being referred to as an "Interest Change Date"); *provided, however*, that the interest rate will never increase or decrease on any single Interest Change Date by more than one (1) percentage point from the rate of interest for the preceding six (6) months. If, at Borrower's election, Borrower remits any amount greater than the interest-only payment (i.e., a curtailment) during the Interest-Only Period, Borrower acknowledges that the payment may change each month commencing with the payment following the curtailment.

(b) Beginning with the first payment due after the Interest-Only Period and until all obligations under the Loan are paid in full, Borrower will no longer have an Interest-Only Option and will be required to make a fully-amortizing payment. Borrower's payments will change every six (6) months and will be based on an adjustable interest rate that will change every six (6) months; *provided, however*, that, after the first adjustment after the Interest-Only Period, the interest rate will never increase or decrease on any single Interest Change Date by more than one (1) percentage point from the rate of interest for the preceding six (6) months.

F. *Maturity Date.* The Loan is due in full on the maturity date stated in the Note and nothing contained in this Agreement shall be deemed to change the maturity date. If, on the maturity date, Borrower still owes any amount under the Loan Documents, Borrower will pay those amounts in full on that date.

5. No Impairment. None of Borrower's obligations or liabilities under the Loan Documents shall be diminished or released by any provision hereof, nor shall this Agreement in any way impair, diminish or affect any of Lender's rights under or remedies with respect to the Loan, whether such rights or remedies arise under the Loan Documents or by operation of law.

6. Reservation of Rights. Lender expressly reserves any and all rights of recourse to which it is presently entitled against the Property or any other property, or against Borrower or any other person, in any way obligated for, or liable on, the Loan. Borrower acknowledges and agrees that any monetary contribution required to be made pursuant to this Agreement will be accepted by Lender with a full reservation of rights. The Loan remains in default due to one or more delinquencies in timely remitting payment. Notwithstanding the foregoing, and with a full reservation of rights, Lender agrees to accept Borrower's contribution and agrees to apply it to the outstanding arrearages. The acceptance of this payment by Lender shall not constitute a waiver of the existing default(s). Lender fully reserves all rights for acceptance of all future payments, the unpaid arrearages still owed to Lender, or any future defaults or arrearages. Because the Loan remains in default, Lender reserves the right to pursue all rights and remedies provided to it in the Loan Documents and under applicable law.

7. Fees. All costs and expenses incurred by Lender in connection with this Agreement, including, without limitation, processing, recording, title examination and attorneys' fees, shall be paid by Borrower and shall be secured by the Loan, unless otherwise stipulated in writing by Lender.

8. Successors and Assigns. This Agreement shall be binding on the heirs, executors, administrators, successors and assigns of Borrower.

9. Prior Discussions. The terms of this Agreement supersede and replace any prior terms, negotiations, agreements or understandings, whether written or oral, express or implied, between Borrower and Lender concerning the subject matter hereof.

10. No Other Modification. Except as modified herein, the terms and conditions of the Loan and the Loan Documents shall remain unchanged and in full force and effect and this Agreement shall not be deemed, interpreted or construed as a novation, replacement or substitution of the Note or Deed of Trust. Borrower understands and agrees that this Agreement does not change or extend any due date for payment under the Note or the Deed of Trust, the maturity date of the Loan or any other provision of the Loan Documents not expressly modified by this Agreement.

11. Effect. Until such time as this Agreement has been actually received by Lender bearing the notarized signature of Borrower and countersigned by an authorized representative of Lender, this Agreement will be of no force and effect and the Loan will remain subject to all the terms and conditions as provided in the original Loan Documents. To the extent of any inconsistency between this Agreement and the Loan Documents, this Agreement shall prevail.

12. Default. For purposes of this Agreement, a "default" by Borrower shall mean a failure by Borrower to pay any monthly installment under this Agreement or the Note when due, or otherwise perform any obligation required by this Agreement or the Note, or a breach or default by Borrower of any of the provisions of the Deed of Trust. In the event of a default by Borrower, the entire principal amount outstanding under the Note and Deed of Trust and accrued interest thereon and late charges and other costs shall at once become due and payable at the option of the Lender without prior notice and regardless of any prior forbearings or any other provision of this Agreement.

13. Governing Law. This Agreement shall be governed by the laws, rules and regulations of the United States, including, without limitation, the laws, rules and regulations relating to federally chartered savings banks, provided, however, that to the extent that this Note and Deed of Trust shall be deemed to be governed by state law, they shall be governed by the laws of the State of California.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first set forth above.

FIRST FEDERAL BANK OF CALIFORNIA

By:
Its:

