

C. How to Convert

If I choose to convert, I must register the loan for conversion and must complete, execute and deliver to the Note Holder the document evidencing the modification of the Note prior to the applicable date set forth in the "Notice of Periodic Adjustment." If I fail to do so within the specified time frames or if I have not been current for each month for the prior twelve months with respect to all payments due on this Note, I can no longer exercise the option to convert. In this case, the terms of this Note will continue in effect without any change.

C. TRANSFER OF THE PROPERTY OR A BENEFICIAL INTEREST IN BORROWER

Uniform Covenant 17 of the Security Instrument is amended as follows:

Transfer of the Property or a Beneficial Interest in Borrower. If all or any part of the Property or any interest therein is sold or transferred (or if Borrower is not a natural person and a beneficial interest in Borrower is sold or transferred) without Note Holder's prior written consent, Note Holder may, at Note Holder's option, declare all the sums secured by this Security Instrument to be immediately due and payable. However, this option shall not be exercised by Note Holder if exercise is not authorized by federal law.

If Note Holder exercises such option to accelerate, Note Holder shall mail Borrower notice of acceleration. Such notice shall provide a period of not less than 30 days from the date the notice is mailed within which Borrower may pay the sums declared due. If Borrower fails to pay such sums prior to the expiration of such period, Note Holder may, without further notice or demand on Borrower, invoke any remedies permitted by the Security Instrument.

The Note Holder shall have waived such option to accelerate if, prior to the sale or transfer, the Note Holder and the person to whom the Property is to be sold or transferred reach agreement in writing that the credit of such person is satisfactory to the Note Holder. As a condition to waiving the Note Holder's right to accelerate, the loan terms, including the interest rate payable on the Note, the Margin for future interest rate changes and the interest rate cap of 5.00%, shall be subject to modification by the Note Holder.

Notwithstanding a sale or transfer, Borrower will continue to be obligated under the Note and the Security Instrument unless Note Holder has released Borrower in writing.

D. EFFECTIVENESS OF PROVISIONS

Upon my delivery of the executed modification to the Note, Section A above shall cease to be effective.

BY SIGNING BELOW, I (we) accept and agree to the terms and covenants contained in this Capped One-Year ARM Rider.

Otis Barry Phillips
OTIS BARRY PHILLIPS Borrower

Charlotte C. Phillips
CHARLOTTE C. PHILLIPS Borrower

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