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NOTE AND MORTGAGE

THE MORTGAGOR, James L. Garrett, Jr. and Marleen C. Garrett, husband and wife,

mortgages to the STATE OF OREGON, represented and acting by the Director of Veterans' Affairs, pursuant to ORS 407.030, the following described real property located in the State of Oregon and County of Klamath:

The following described real property in the Klamath County, Oregon: A tract of land situate in the Southeast quarter of the Southeast quarter of Section 25, Township 39, South, Range 7 East of the Willamette Meridian, Klamath County, Oregon, and being more particularly described as follows: Beginning at the iron pin marking the intersection of the West line of the Southeast quarter of the Southeast quarter of Section 25, Township 39 South, Range 7 East of the Willamette Meridian, Klamath County, Oregon and the Southerly right of way line of the County Road known as the Clover Creek Road from which the Southwest corner of the Southeast quarter of the Southeast quarter of said Section 25 bears South 0°12'12" East 1114.31 feet distance; thence South 56°03'40" East along the Southerly right of way of said Clover Creek Road 946.32 feet, more or less to the Westerly right of way of an Old County Road; thence along the Westerly right of way of the Old County Road, South 35°06' West 346.50 feet; thence South 71°50' West 204.45 feet; thence South 86°02'11" West 387.86 feet to the West line of the said Southeast quarter of the Southeast quarter of said Section 25, thence North 0°12'12" West 906.09 feet more or less to the point of beginning.

together with the tenements, hereditaments, rights, privileges, and appurtenances including roads and easements used in connection with the premises; electric wiring and fixtures; furnace and heating systems; water heaters, fuel storage receptacles; plumbing, ventilating, water and irrigating systems; screens, doors; window shades and blinds, shutters, cabinets, built-ins, linoleums and floor coverings; built-in stoves, ovens, electric sinks, air conditioners, refrigerators, freezers, dishwashers; and all fixtures now or hereafter installed in or on the premises; and any shrubbery, flora, or timber now growing or hereafter planted or growing thereon; and any replacements of any one or more of the foregoing items, in whole or in part, all of which are hereby declared to be appurtenant to the land, and all of the rents, issues, and profits of the mortgaged property;

to secure the payment of Twenty One Thousand Five Hundred and no/100-----Dollars

(\$21,500.00----), and interest thereon, evidenced by the following promissory note:

I promise to pay to the STATE OF OREGON Twenty One Thousand Five Hundred and no/100-----Dollars (\$21,500.00-----), with interest from the date of initial disbursement by the State of Oregon, at the rate of four percent per annum on a principal balance of 18,500.00-----or less and 5.4 percent per annum on the principal balance in excess thereof, principal and interest to be paid in lawful money of the

United States at the office of the Director of Veterans' Affairs in Salem, Oregon, as follows: \$122.00-----on or before October 1, 1971-----and \$122.00 on the first of each month-----thereafter, plus one-twelfth of-----the ad valorem taxes for each successive year on the premises described in the mortgage, and continuing until the full amount of the principal, interest and advances shall be fully paid, such payments to be applied first as interest on the unpaid principal, the remainder on the principal.

The due date of the last payment shall be on or before September 1, 1994. In the event of transfer of ownership of the premises or any part thereof, I will continue to be liable for payment and the balance shall draw interest as prescribed by ORS 407.070 from date of such transfer. This note is secured by a mortgage, the terms of which are made a part hereof.

Dated at Klamath Falls, Oregon James L. Garrett Jr.
July 29, 1971 Marleen C. Garrett

The mortgagor or subsequent owner may pay all or any part of the loan at any time without penalty.

The mortgagor covenants that he owns the premises in fee simple, has good right to mortgage same, that the premises are free from encumbrance, that he will warrant and defend same forever against the claims and demands of all persons whomsoever, and this covenant shall not be extinguished by foreclosure, but shall run with the land.

MORTGAGOR FURTHER COVENANTS AND AGREES:

1. To pay all debts and moneys secured hereby;
2. Not to permit the buildings to become vacant or unoccupied; not to permit the removal or demolition of any buildings or improvements now or hereafter existing; to keep same in good repair; to complete all construction within a reasonable time in accordance with any agreement made between the parties hereto;
3. Not to permit the cutting or removal of any timber except for his own domestic use; not to commit or suffer any waste;
4. Not to permit the use of the premises for any objectionable or unlawful purpose;
5. Not to permit any tax, assessment, lien, or encumbrance to exist at any time;
6. Mortgagee is authorized to pay all real property taxes assessed against the premises and add same to the principal, each of the advances to bear interest as provided in the note;
7. To keep all buildings unceasingly insured during the term of the mortgage, against loss by fire and such other hazards in such company or companies and in such an amount as shall be satisfactory to the mortgagee; to deposit with the mortgagee all such policies with receipts showing payment in full of all premiums; all such insurance shall be made payable to the mortgagee; if the mortgagor fails to effect the insurance, the mortgagee may secure the insurance and the cost shall be added to the principal, deemed a debt due and shall be secured by this mortgage; insurance shall be kept in force by the mortgagor in case of foreclosure until the period of redemption expires;

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Form 1-4 (Rev. 9