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A-26722

NOTE AND MORTGAGE

THE MORTGAGOR, PAUL D. HESS and HELEN E. HESS, 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

A tract of land situated in the SW1/4 of section 21, T40S, R10EWM, Klamath County, Oregon, more particularly described as follows: Beginning at a point from which the east 1/4 corner of said section 21 bears N69°53'25"E 4178.84 feet and the southeast corner of a barn bears S84°30'30"W 91.3 feet; thence East 100.00 feet; thence South 212.36 feet to the north line of the Paul Hess property; thence West along said line 100.00 feet; thence North 212.36 feet to the point of beginning, containing 0.49 acres, more or less; Together with the right to construct and maintain a water line from the present well house, (from which the east 1/4 corner of said section 21 bears N72°42'49"E 4202.32 feet) to the above described tract of land. The bearings of the above tract of land are based on a solar observation. The above tract of land subject to all easements of record or apparent; Also subject to a road easement over and across to Fred Hess and John Hess. A tract of land situated in section 21 and 28, T40S, R10EWM, Klamath County, Oregon, more particularly described as follows: Beginning at the northwest corner of the SW1/4SW1/4 of said section 21; thence southerly along the west line of the SW1/4SW1/4 of said section 21 to the centerline of the U.S.B.R. drain; thence East to the east line of the SW1/4SW1/4 of said section 21, said point being the True Point of Beginning of this description; thence continuing along the same east course to the westerly bank (right bank) of Lost River; thence southerly along the said right bank to the south line of the NW1/4NE1/4 of said section 28; thence westerly along said south line to the southwest corner of the NW1/4 NE1/4 of said section 28; thence southerly along the east line of the NW1/4 of said section 28 to the southeast corner of the said NW1/4; thence westerly along the south line of said NW1/4 to the northerly right of way line of State Highway No. 39 (Merrill Highway); thence northwesterly along said right of way line to a point on the west line of the E1/2NW1/4 of said section 28; thence northerly along the west line of the E1/2NW1/4 of said section 28 and the east line of the SW1/4SW1/4 of said section 21 to the True Point of Beginning, containing 166 acres, more or less. The above described tract of land includes the right of Fred Hess, John Hess and Paul Hess, their heirs and assigns, to use and

maintain the existing road beginning at the intersection of Highway 39 and the line common to sections 28 and 29, T40S, R10EWM, running thence northerly and easterly to the NE1/4SW1/4 of said section 21.

to secure the payment of One hundred seven thousand four hundred and no/100-----Dollars

(\$ 107,400.00---), and interest thereon, evidenced by the following promissory note:

I promise to pay to the STATE OF OREGON One-hundred seven thousand four hundred and no/100-----Dollars (\$107,400.00---), with interest from the date of initial disbursement by the State of Oregon, at the rate of 5.9----- percent per annum until such time as a different interest rate is established pursuant to ORS 407.072, 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:

\$ 7,409.00-----on or before August 1, 1977----- and \$ 7,409.00-----
ANNUALLY-----thereafter, plus----- 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 balance, the remainder on the principal

The due date of the last payment shall be on or before August 1, 2011-----

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

April 2, 1976

Paul D. Hess
Helen E. Hess

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; insurance shall be kept in force by the mortgagor in case of foreclosure until the period of redemption expires;

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8. Mortgagee shall be entitled to all compensation and damages received under right of eminent domain, or for any security voluntarily released, same to be applied upon the indebtedness;
9. Not to lease or rent the premises, or any part of same, without written consent of the mortgagee;
10. To promptly notify mortgagee in writing of a transfer of ownership of the premises or any part or interest in same, and to furnish a copy of the instrument of transfer to the mortgagee; a purchaser shall pay interest as prescribed by ORS 407.070 on all payments due from the date of transfer; in all other respects this mortgage shall remain in full force and effect.

The mortgagee may, at his option, in case of default of the mortgagor, perform same in whole or in part and all expenditures made in so doing including the employment of an attorney to secure compliance with the terms of the mortgage or the note shall draw interest at the rate provided in the note and all such expenditures shall be immediately repayable by the mortgagor without demand and shall be secured by this mortgage.

Default in any of the covenants or agreements herein contained or the expenditure of any portion of the loan for purposes other than those specified in the application, except by written permission of the mortgagee given before the expenditure is made, shall cause the entire indebtedness at the option of the mortgagee to become immediately due and payable without notice and this mortgage subject to foreclosure.

The failure of the mortgagee to exercise any options herein set forth will not constitute a waiver of any right arising from a breach of the covenants.

In case foreclosure is commenced, the mortgagor shall be liable for the cost of a title search, attorney fees, and all other costs incurred in connection with such foreclosure.

Upon the breach of any covenant of the mortgage, the mortgagee shall have the right to enter the premises, take possession, collect the rents, issues and profits and apply same, less reasonable costs of collection, upon the indebtedness and the mortgagee shall have the right to the appointment of a receiver to collect same.

The covenants and agreements herein shall extend to and be binding upon the heirs, executors, administrators, successors and assigns of the respective parties hereto.

It is distinctly understood and agreed that this note and mortgage are subject to the provisions of Article XI-A of the Oregon Constitution, ORS 407.010 to 407.210 and any subsequent amendments thereto and to all rules and regulations which have been issued or may hereafter be issued by the Director of Veterans' Affairs pursuant to the provisions of ORS 407.020.

WORDS: The masculine shall be deemed to include the feminine, and the singular the plural where such connotations are applicable herein.

IN WITNESS WHEREOF, The mortgagors have set their hands and seals this 2 day of April, 19 76

Paul D. Hess (Seal)

Helen E. Hess (Seal)

ACKNOWLEDGMENT

STATE OF OREGON,

County of Klamath ss.

Before me, a Notary Public, personally appeared the within named PAUL D. HESS and HELEN E.

HESS, his wife, and acknowledged the foregoing instrument to be their voluntary act and deed.

WITNESS by hand and official seal the day and year last above written.

Susan Kay Way
Susan Kay Way
Notary Public for Oregon

My Commission expires _____

MORTGAGE

x-M40571

FROM _____ TO Department of Veterans' Affairs

STATE OF OREGON,

County of Klamath ss.

I certify that the within was received and duly recorded by me in _____ County Records, Book of Mortgages,

No. 76, Page 4-72, on the 7th day of April, 1976, County Klamath.

By Hazel L. Craig, Deputy.

Filed April 7th 1976 at o'clock 11:32 M.

County Klamath By Hazel L. Craig, Deputy.

After recording return to:
DEPARTMENT OF VETERANS' AFFAIRS
General Services Building
Salem, Oregon 97310

Form L-4 (Rev. 5-71)