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This form is used in connection with deeds of trust insured under the one- to four-family provisions of the National Housing Act.

DEED OF TRUST

THIS DEED OF TRUST, made this 18 day of SEPTEMBER, 19[illegible],

between [illegible] AND PATRICIA [illegible]

[illegible], as grantor,

whose address is [illegible] (Street and number) KLAMATH FALLS (City) State of Oregon,

KLAMATH COUNTY TITLE COMPANY, as Trustee, and

FIRST NATIONAL BANK OF OREGON, as Beneficiary.

The rights and obligations of the parties under this Instrument are expressly made subject to the provisions of the Addendum attached to the Deed of Trust. In the event of any conflict between the provisions of this Addendum and the printed provisions of this Instrument, the conditions of the Addendum shall control.

Initial Initial

Borrower, in consideration of the indebtedness herein recited and the trust herein created, irrevocably grants and conveys to Trustee, in trust, with power of sale, the following described property located in the County of KLAMATH State of Oregon:

LOTS 23, [illegible] 125, [illegible], ACCORDING TO THE OFFICIAL PLAT THEREOF [illegible] IN THE OFFICE OF THE COUNTY CLERK OF KLAMATH COUNTY, OREGON.

which said described property is not currently used for agricultural, timber or grazing purposes.

Together with all the tenements, hereditaments, and appurtenances now or hereafter thereunto belonging or in anywise appertaining, the rents, issues, and profits thereof, SUBJECT, HOWEVER, to the right, power, and authority hereinafter given to and conferred upon Beneficiary to collect and apply such rents, issues, and profits.

TO HAVE AND TO HOLD the same, with the appurtenances, unto Trustee,

FOR THE PURPOSE OF SECURING PERFORMANCE of each agreement of Grantor herein contained and payment of the sum of $ [illegible], with interest thereon according to the terms of a promissory note, dated SEPTEMBER 18 [illegible], payable to Beneficiary or order and made by Grantor, the final payment of principal and interest thereof, if not sooner paid, shall be due and payable on the first day of [illegible] 2008.

1. Privilege is reserved to pay the debt in whole, or in an amount equal to one or more monthly payments on the principal that is next due on the note, on the first day of any month prior to maturity; *Provided, however,* That written notice of an intention to exercise such privilege is given at least thirty (30) days prior to prepayment.

2. Grantor agrees to pay to Beneficiary, in addition to the monthly payments of principal and interest payable under the terms of said note, on the first day of each month until said note is fully paid, the following sums:

(a) An amount sufficient to provide the holder hereof with funds to pay the next mortgage insurance premium if this instrument and the note secured hereby are insured, or a monthly charge (in lieu of a mortgage insurance premium) if they are held by the Secretary of Housing and Urban Development as follows:

(i) If said note is held and this instrument is insured or is insured under the provisions of the National Housing Act, an amount sufficient to accumulate in the hands of the holder one (1) month prior to the due date the annual mortgage insurance premium, in order to provide such holder with funds to pay such premium to the Secretary of Housing and Urban Development pursuant to the National Housing Act, as amended, and applicable Regulations thereunder; or

(ii) If said note is held and this instrument is held by the Secretary of Housing and Urban Development, a monthly charge (in lieu of a mortgage insurance premium) which shall be in an amount equal to one-twelfth (1/12) of one-half (1/2) percentum of the average outstanding balance due on the note computed without taking into account delinquencies or prepayments;

(b) A sum, as estimated by the Beneficiary, equal to the ground rents, if any, and the taxes and special assessments next due on the premises covered by this Deed of Trust, plus the premiums that will next become due and payable on policies of fire and other hazard insurance on the premises covered hereby, as may be required by Beneficiary in amounts and in a company or companies satisfactory to Beneficiary, Grantor agrees to deliver promptly to Beneficiary all bills and notices therefor, less all sums already paid therefor, divided by the number of months to elapse before one month prior to the date when such ground rents, premiums, taxes and assessments will become delinquent, such sums to be held by the Beneficiary in trust to pay said ground rents, premiums, taxes and special assessments, before the same become delinquent, and

(c) All payments mentioned in the preceding subsections of this paragraph and all payments to be made under the note secured hereby shall be added together and the aggregate amount thereof shall be paid each month in a single payment to be applied by Beneficiary to the following items in the order set forth:

(i) premium charge under the contract of insurance with the Secretary of Housing and Urban Development, or monthly charge (in lieu of mortgage insurance premium), as the case may be;

(ii) ground rents, if any, taxes, special assessments, fire and other hazard insurance premiums;

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(iii) interest on the note secured hereby, and
(iv) amortization of the principal of the said note.

Any deficiency in the amount of any such aggregate monthly payment shall, unless made good prior to the due date of the next such payment, constitute an event of default under this Deed of Trust.

3. In the event that any payment or portion thereof is not paid within fifteen (15) days from the date the same is due, Grantor agrees to pay a "late charge" of four cents (4¢) for each dollar so overdue, if charged by Beneficiary.

4. If the total of the payments made by Grantor under (b) of paragraph 2 preceding shall exceed the amount of payments actually made by Beneficiary for ground rents, taxes or assessments, or insurance premiums, as the case may be, such excess, if the loan is current, at the option of the Grantor shall be credited on subsequent payments to be made by Grantor, or refunded to the Grantor. If, however, the monthly payments made under (b) of paragraph 2 preceding shall not be sufficient to pay ground rents, taxes, and assessments, and insurance premiums, as the case may be, when the same shall become due and payable, then Grantor shall pay to Beneficiary any amount necessary to make up the deficiency on or before the date when payment of such ground rents, taxes, assessments, or insurance premiums shall be due. If at any time Grantor shall tender to Beneficiary, in accordance with the provisions hereof, full payment of the entire indebtedness secured hereby, Beneficiary shall, in computing the amount of indebtedness, credit to the account of Grantor all payments made under the provisions of (a) of paragraph 2, which the Beneficiary has not become obligated to pay to the Secretary of Housing and Urban Development, and any balance remaining in the funds accumulated under the provisions of (b) of paragraph 2 hereof. If there shall be a default under any of the provisions of this Deed of Trust and thereafter a sale of the premises in accordance with the provisions of, or if the Beneficiary acquires the property otherwise after default, Beneficiary shall apply, at the time of the commencement of such proceedings, or at the time the property is otherwise acquired, the balance then remaining in the funds accumulated under (b) of paragraph 2 preceding, as a credit against the amount of principal then remaining unpaid under said note and shall properly account for any payments which shall have been made under (a) of paragraph 2.

TO PROTECT THE SECURITY OF THIS DEED OF TRUST, GRANTOR AGREES:

5. To keep said premises in as good order and condition as they now are and not to commit or permit any waste thereof, reasonable wear and tear excepted.

6. To complete or restore promptly and in good workmanlike manner any building or improvement which may be constructed, damaged, or destroyed thereon, and pay when due all costs incurred therefor, and, if the loan secured hereby or any part thereof is being obtained for the purpose of financing construction of improvements on said property, Grantor further agrees:

(a) to commence construction promptly and in any event within 30 days from the date of the commitment of the Department of Housing and Urban Development, and to complete same in accordance with plans and specifications satisfactory to Beneficiary.

(b) to allow Beneficiary to inspect said property at all times during construction.

(c) to replace any work or materials unsatisfactory to Beneficiary, within fifteen (15) calendar days after written notice from Beneficiary of such fact, which notice may be given to the Grantor by registered mail, sent to his last known address, or by personal service of the same.

(d) that work shall not cease on the construction of such improvements for any reason whatsoever for a period of fifteen (15) calendar days.

This Trustee, upon presentation to it of an affidavit signed by Beneficiary, setting forth facts showing a default by Grantor under this numbered paragraph, is authorized to accept as conclusive all facts and statements therein, and to act thereon hereunder.

7. Not to remove or demolish any building or improvement thereon.

8. To comply with all laws, ordinances, regulations, covenants, conditions, and restrictions affecting said property.

9. To keep said premises free from all liens, and to keep the improvements thereon insured against loss by fire and other hazards, casualties, and contingencies including war damage as may be required from time to time by the Beneficiary in such amounts and for such periods as may be required by the Beneficiary, and to deliver all policies to Beneficiary, which shall have attached thereto loss payable to the Beneficiary and Grantor, as their interests may appear, and to deliver renewals of all such premiums.

10. To appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee, and should Beneficiary or Trustee elect to do so, to appear in or defend any such action or proceeding, to pay all costs and expenses, including cost of evidence of title and attorney's fees and a reasonable sum incurred by Beneficiary or Trustee.

11. To pay at least 10 days before delinquency all assessments upon water company stock, and all rents, assessments and charges for water, appurtenant to or used in connection with said property; to pay, when due, all encumbrances, charges, and liens with interest, on said property or any part thereof, which at any time appear to be prior or superior hereto, to pay all costs, fees, and expenses of this Trust.

12. To pay immediately and without demand all sums expended hereunder by Beneficiary or Trustee, with interest from date of expenditure at the rate provided on the principal debt, and the repayment thereof shall be secured hereby.

13. To do all acts and make all payments required of Grantor and of the owner of the property to make said note and this Deed eligible for insurance by Beneficiary under the provisions of the National Housing Act and amendments thereto, and agrees not to do, or cause or suffer to be done, any act which will void such insurance during the existence of this Deed.

IT IS MUTUALLY AGREED THAT:

14. Should Grantor fail to make any payment or to do any act as herein provided, then Beneficiary or Trustee, but without obligation so to do and without notice to or demand upon Grantor and without releasing Grantor from any obligation hereof, may: Make or do the same in such manner and to such extent as either may deem necessary to protect the security hereof, Beneficiary or Trustee being authorized to enter upon the property for such purposes; commence, appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; pay, purchase, contest, or compromise any encumbrance, charge, or lien which in the judgment of either appears to be prior or superior hereto; and in exercising any such powers, incur any liabilities, expend whatever amounts in its absolute discretion it may deem necessary therefor, including costs of evidence of title, employ counsel, and pay his reasonable fees.

15. Should the property or any part thereof be taken or damaged by reason of any public improvement or condemnation proceeding, or damaged by fire, or earthquake, or in any other manner, Beneficiary shall be entitled to all compensation, awards, and other payments or relief therefor, and shall be entitled at its option to commence, appear in, and prosecute in its own name, any action or proceedings, or to make any compromise or settlement, in connection with such taking or damage. All such compensation, awards, damages, rights of action and proceeds, including the proceeds of any policies of fire and other insurance affecting said property, are hereby assigned to Beneficiary, who may after deducting therefrom all its expenses, including attorney's fees, release any moneys so received by it or apply the same on any indebtedness secured hereby. Grantor agrees to execute such further assignments of any compensation, award, damage, and rights of action and proceeds as Beneficiary or Trustee may require.

16. In accepting payment of any sum secured hereby after its due date, Beneficiary does not waive its right either to require prompt payment when due of all other sums so secured or to declare default for failure so to pay.

17. At any time and from time to time upon written request of Beneficiary, payment of its fees and presentation of this Deed and the note for endorsement (in case of full reconveyance, for cancellation and retention), without affecting the liability of any person for the payment of the indebtedness hereby secured, Trustee may (a) consent to the making of any map or plat of said property; (b) join in granting any easement or creating any restriction thereon; (c) join in any subordination or other agreement affecting this Deed or the lien of charge thereof; (d) reconvey, without warranty, all or any part of the property.

The Grantee in any reconveyance may be described as the "person or persons legally entitled thereto," and the recitals therein of any matters or facts shall be conclusive proof of the truthfulness thereof.

18. Additional security. Grantor hereby assigns to Beneficiary during the continuance of these trusts, all rents, issues, royalties, and profits of the property affected by this Deed and of any personal property located thereon. Until Grantor shall default in the payment of any indebtedness secured hereby or in the performance of any agreement hereunder, Grantor shall have the right to collect all such rents, issues, royalties, and profits earned prior to default as they become due and payable.

19. Upon any default, Beneficiary may at any time without notice, either in person, by agent, or by a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of said property, or any part thereof, in his own name sue for or otherwise collect such rents, issues and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorney's fees, upon any indebtedness secured hereby, and in such order as Beneficiary may determine. The entering upon and taking possession of said property, the collection of such rents, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

20. Upon default by Grantor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, or if default shall be made in payment of any indebtedness secured hereby or in performance of any agreement hereunder, or should this Deed and said note not be eligible for insurance under the National Housing Act within THREE months from the date hereof (written statement of any officer of the Department of Housing and Urban Development or authorized agent of the Secretary of Housing and Urban Development dated subsequent to THREE months' time from the date of

this Deed, declaring to insure said note and this Deed, being deemed conclusive proof of such ineligibility), or should the commitment of the Department of Housing and Urban Development to insure this loan cease to be in full force and effect for any reason whatsoever, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written declaration of default and demand for sale, and of written notice of default and of election to cause the property to be sold, which notice Trustee shall cause to be duly filed for record. Beneficiary shall also deposit with Trustee this Deed, the note and all documents evidencing expenditures secured hereby.

21. After the lapse of such time as may then be required by law following the recordation of said notice of default, and notice of sale having been given as then required by law, Trustee, without demand on Grantor, shall sell said property at the time and place fixed by it in said notice of sale, either as a whole or in separate parcels, and in such order as it may determine (but subject to any statutory right of Grantor to direct the order in which such property, if consisting of several known lots or parcels, shall be sold), at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale. Trustee may postpone sale of all or any portion of said property by public announcement at such time and place of sale, and from time to time thereafter may postpone the sale by public announcement at the time fixed by the preceding postponement. Trustee shall deliver to the purchaser its Deed conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in the Deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Grantor, or Beneficiary, may purchase at the sale. After deducting all costs, fees, and expenses of Trustee and of this trust, including cost of title evidence and reasonable attorney's fees, in connection with sale, Trustee shall apply the proceeds of sale to the payment of all sums expended under the terms hereof not then repaid, with accrued interest at the rate provided on the principal debt; all other sums then secured hereby; and the remainder, if any, to the person or persons legally entitled thereto.

22. Beneficiary may, from time to time, as provided by statute, appoint another Trustee in place and instead of Trustee herein named, and thereupon the Trustee herein named shall be discharged and Trustee so appointed shall be substituted as Trustee hereunder with the same effect as if originally named Trustee herein.

23. This Deed shall inure to and bind the heirs, legatees, devisees, administrators, executors, successors, and assigns of the parties hereto. All obligations of Grantor hereunder are joint and several. The term "Beneficiary" shall mean the owner and holder, including pledgees, of the note secured hereby, whether or not named as Beneficiary herein.

24. Trustee accepts this Trust when this Deed, duly executed and acknowledged, is made public record as provided by law. Trustee is not obligated to notify any party hereto of pending sale under any other Deed of Trust or of any action or proceeding in which Grantor, Beneficiary, or Trustee shall be a party, unless brought by Trustee.

25. The term "Deed of Trust," as used herein, shall mean the same as, and be synonymous with, the term "Trust Deed," as used in the laws of Oregon relating to Deeds of Trust and Trust Deeds. Whenever used, the singular number shall include the plural, the plural the singular, and the use of any gender shall be applicable to all genders.

26. Attorney's fees, as used in this Deed of Trust and in the Note, "Attorney's Fees" shall include attorney's fees, if any, which shall be awarded by an Appellate Court.

Michael S. Reeder — Signature of Grantor.

Patricia A. Reeder — PATRICIA A. REEDER — Signature of Grantor.

STATE OF OREGON, COUNTY OF ..... ss.

I, the undersigned, a Notary Public, hereby certify that on this ..... day of ..... 19 ..., personally appeared before me ..... and ..... to me known to be the individuals described in and who executed the within instrument, and acknowledged that they executed and sealed the same as their free and voluntary act and deed, for the uses and purposes therein mentioned.

Given under my hand and official seal the day and year last above written.

Notary Public in and for the State of Oregon.

My commission expires 2-3-79

REQUEST FOR FULL RECONVEYANCE

To be used only when note has been paid.

To: TRUSTEE

The undersigned is the legal owner and holder of the note and all other indebtedness secured by the within Deed of Trust. Said note, together with all other indebtedness secured by said Deed of Trust, has been fully paid and satisfied; and you are hereby requested and directed on payment to you of any sums owing to you under the terms of said Deed of Trust, to cancel said note above mentioned, and all other evidences of indebtedness secured by said Deed of Trust delivered by you hereunder, and to reconvey, without warranty, to the parties designated by the terms of said Deed of Trust, all the estate now held by you thereunder.

Dated ..... 19 .....

Mail reconveyance to: .....

STATE OF OREGON, COUNTY OF ..... ss.

I hereby certify that the within Deed of Trust was filed in this office for Record on the ..... day of ..... A.D., 19 ..., at ..... o'clock ..... M., and was duly recorded in Book ..... of Record of Mortgages of ..... County, State of Oregon, on page .....

Recorder.

By ..... Deputy.

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SINGLE-FAMILY MORTGAGE PURCHASE PROGRAM

ADDENDUM TO FHA/FHLMC, FHA OR VA DEED OF TRUST

The rights and obligations of the parties to the attached Deed of Trust and the Note which is secured by the Deed of Trust are expressly made subject to this Addendum. In the event of any conflict between the provisions of this Addendum and the provisions of the Deed of Trust or Note, the provisions of this Addendum shall control.

1. The Borrower agrees that the Lender or its assignee may, at any time and without prior notice, increase the rate of interest charged on a loan evidenced by the Deed of Trust and Note to 9.50 % per annum, or accelerate all payments due under the Deed of Trust and Note and exercise any other remedy allowed by law for breach of the Deed of Trust or Note if:

   a. The Borrower sells, rents, or fails to occupy the Property as his or her permanent and primary residence; or

   b. The Borrower fails to abide by the agreements contained in the Affidavit, or if the Lender or the Division (Housing Division, Department of Commerce, State of Oregon) finds any statement contained in the Affidavit to be untrue.

   The Borrower understands that the agreements and statements of fact contained in the Affidavit are necessary conditions for the granting of this Loan, and that an increase in the interest rate of the Loan will result in an increase in the monthly payments required for this Loan.

2. The Borrower agrees that the Lender or its assignee may impose a late charge in the amount of four percent (4%) of each monthly payment of principal and interest which is more than fifteen (15) days delinquent. Late charges on FHA and VA insured loans shall be those established by the insuring agency.

3. The Borrower agrees that no Future Advances will be made under the Deed of Trust without the consent of the Oregon State Housing Division.

NOTICE TO BORROWER:

This document substantially modifies the terms of this Loan. Do not sign it unless you have read and understand it.

I hereby consent to the modifications of the terms of the Deed of Trust and Note which are contained in the Addendum.

Dated this 19 day of SEPTEMBER, 19 78.

Michael G. Reeder (Borrower)
MICHAEL G. REEDER

Patricia A. Reeder (Borrower)
PATRICIA A. REEDER

STATE OF OREGON)
County of KLAMATH) ss.

On this 19 day of SEPTEMBER, 1978, personally appeared the above named Michael G. Reeder and Patricia A. Reeder and acknowledged the foregoing instrument to be their voluntary act and deed.

Before me:

(Seal)

Notary Public for Oregon
My Commission expires: 2-3-79

After recording, mail to:

FIRST NATIONAL BANK OF OREGON
KLAMATH FALLS REID
P.O. BOX 1936
KLAMATH FALLS, OREGON 97601

STATE OF OREGON,)
County of Klamath)
Filed for record at request of
Klamath County Title Co.
this 20th day of September A.D. 19 78
at 1:39 o'clock PM, and duly
recorded in Vol. M78 of Mortgages
on Page 20789
Wm. D. Milne, County Clerk
By Brenda Stotts Deputy
Fee $12.00

Rev. 10-18-77