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THE MORTGAGOR

THOMAS J. BAXTER and APRIL L. BAXTER, husband and wife
mortgages to the STATE OF OREGON, represented and acting as 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:

Lot 550, Block 120, MILLS ADDITION TO CITY OF KLAMATH FALLS, in the County of Klamath, State of Oregon.

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 system, water heaters, fuel storage receptacles; plumbing, ventilating water and irrigating systems; screens, doors, window coverings, built-in stoves, ovens, electric sinks, air conditioners, and and blinds, shutters; cabinets, built-ins, linoleums and floor installed in or on the premises; and any shrubbery, flora, or timber, freezers, dishwashers; and all fixtures now or hereafter replacements of any one or more of the foregoing items, in whole or growing or hereafter planted or growing thereon; and any 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 Thirty Four Thousand Two Hundred and no/100 Dollars (\$ 34,200.00), and interest thereon, evidenced by the following promissory note:

I promise to pay to the STATE OF OREGON Thirty Four Thousand Two Hundred and no/100 Dollars (\$ 34,200.00) with interest from the date of initial disbursement by the State of Oregon, at the rate of 4 percent per annum until such time as a different interest rate is established pursuant to ORS 407.072, 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:

\$209.00 on or before February 1, 1978, and \$209.00 on the 1st of each month thereafter, plus ONE fifth 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 as interest on the unpaid balance, the remainder on the principal.

The due date of the last payment shall be on or before January 1, 2007.

In the event of transfer of ownership of the premises or the balance shall draw interest as prescribed by ORS 407.070.

This note is secured by a mortgage, the terms of which are made a part hereof.

Dated at Klamath Falls, OR 97601 this 17 day of December, 1978.

Thomas J. Baxter
Thomas J. Baxter
April L. Baxter

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

The mortgagor covenants that he owns the premises in fee simple and 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; improvements now or hereafter existing; to keep same in good accordance with any agreement made between the parties hereto;
3. Not to permit the cutting or removal of any timber except for domestic use; not to commit or suffer any waste;
4. Not to permit the use of the premises for any objectionable or illegal purpose;
5. Not to permit any tax, assessment, lien, or encumbrance to exist on the premises and add same to the principal, each of the 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; such insurance shall be made payable to the mortgagee; and until the period of redemption expires;

8. Mortgagee shall be entitled to all compensation and damages, including reasonable attorney's fees, 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 the 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 cases 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 draw interest at the rate provided in the note and all such expenses 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 consent of the mortgagee, 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 provided shall 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 expenses of collection, upon the indebtedness and the mortgagor shall have the right to the appointment of a receiver to collect same.

The covenants and agreements herein shall extend to and 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 407.620.

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 17 day of November, 1978

Thomas J. Baxter (Seal)

THOMAS J. BAXTER

April L. Baxter (Seal)

APRIL L. BAXTER

(Seal)

ACKNOWLEDGEMENT

STATE OF OREGON,

County of Klamath } ss.

Before me, a Notary Public, personally appeared the within named Thomas J. Baxter &

April L. Baxter, 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.

Donna K. Rick
NOTARY PUBLIC, OREGON
My Commission Expires Notary Public Oregon

My Commission expires _____

MORTGAGE

FROM _____

STATE OF OREGON,

County of Klamath } ss.

TO Department of Veterans' Affairs

L- P02001

I certify that the within was received and duly recorded by me in _____

Klamath

County Records, Book of Mortgages,

No. M78 Page 26142 on the 20th day of November, 1978

W. D. MILNE Klamath County Clerk

By Berntha Shuch, Deputy.

Filed November 20, 1978

Klamath Falls, Oregon

at o'clock 11:15 A.

County Klamath

By Berntha Shuch, Deputy.

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

Fee \$6.00