

SUBSTITUTION AGREEMENT

THIS AGREEMENT, dated this _____ day of _____, 19____, by and between the Housing Division, Department of Commerce, State of Oregon (herein referred to as Beneficiary), Thomas E. Downs and Sandra L. Downs (herein referred to as Grantor), and Milton E. Freel and Diana T. Freel (herein referred to as Purchaser), WITNESSETH:

WHEREAS, under date of February 26, 1981, the Grantor executed and delivered to Equitable Savings and Loan Association as original Beneficiary, a promissory note for the principal sum of \$34,200.00, together with interest thereon and also delivered to said original Beneficiary Deed of Trust of even date therewith to secure said note and indebtedness which Deed of Trust is on the following described real property situate in the County of Klamath, State of Oregon, to-wit:

See exhibit A

and was recorded on the 27th day of February, 1981, at Page 3436 of Book M81 Mortgage Records of said County and State; and Rerecorded on the 5th of March 1981 at page 3961 of book M81 mortgage records

WHEREAS, Grantor has sold and conveyed or is about to sell and convey the property to the Purchaser upon the condition that the Purchaser shall assume payment of the entire Deed of Trust indebtedness; and,

WHEREAS, said note and Deed of Trust are now owned by Beneficiary, and the Grantor and Purchaser have requested Beneficiary to release Grantor from all liability upon the indebtedness evidenced by said note and Deed of Trust and in lieu thereof to accept as liable therefor the Purchaser who by this agreement assumes the liability of the original makers and grantors thereunder;

NOW THEREFORE, in consideration of the mutual covenants herein and One Dollar (\$1.00) and other valuable consideration, receipt whereof is acknowledged by all parties, IT IS HEREBY AGREED:

1. Purchaser (both jointly and severally if more than one) hereby assumes said Deed of Trust and agrees to pay the indebtedness evidenced and secured thereby of which the unpaid principal balance after payment of the installment due _____ is agreed to be _____ Dollars (\$ _____), and Purchaser further agrees to abide by and perform all terms and conditions of the note and Deed of Trust as though Purchaser had originally executed the same as maker and grantor.

2. In consideration of said assumption and subject to the terms hereof, Beneficiary does hereby release and discharge the Grantor from all liability for the indebtedness evidenced by said note (and Deed of Trust).

3. Notwithstanding anything herein to the contrary, this agreement shall not affect or impair any representation in regard to and/or warranty of title heretofore made by the original Grantor, all of which shall remain in force and inure to the benefit of the Beneficiary and any insurer of the title to said property or the lien of the Deed of Trust thereon.

4. In the event there is any judgment lien, or lien of any kind, encumbrance, right, title, or interest against or in said property in favor of any party or parties not a party hereto as of the effective date of this agreement, or in the event the property has not as of said date been duly conveyed by the Grantor to the Purchaser, the release of the Grantor above stipulated shall be of no force or effect.

5. Grantor hereby assigns to Purchaser any and all right, title or interest of Grantor in any funds paid or which may be paid by Grantor to Beneficiary and in any refunds, returned premiums, rebates or other forms of credit made, in connection with the accumulation of trust funds for payment of the mutual mortgage insurance premiums, ground rents, taxes and assessments and hazard insurance renewal premiums as provided in the mortgage contract.

6. All references herein to parties in the singular shall include each and all parties designated by the reference and the covenants hereof shall apply both jointly and severally.

7. The release and discharge of Grantor from all liability for the indebtedness shall not be binding if such release and discharge in any manner invalidates the mutual mortgage insurance of the Federal Housing Administration or private mortgage insurance company.

APR 8 PM 4 06

8. This agreement shall be construed and take effect in accordance with the laws of the State of Oregon.

Housing Division, Department of
Commerce, State of Oregon, Beneficiary

By Sheila Busch Baker
Authorized Signature

Milton E. Freel
Milton E. Freel

Purchaser

Thomas E. Downs
Thomas E. Downs
Sandra L. Downs
Sandra L. Downs
Grantor

Diana T. Freel
Diana T. Freel

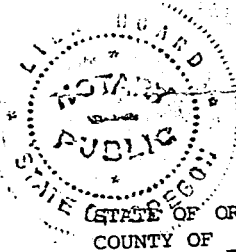
STATE OF OREGON)
COUNTY OF MARION) ss

On March 14, 1984 before me, the undersigned, a Notary Public in and for said County and State, personally appeared Sheila Busch Baker, known to me to be the Manager of the Housing Division Single Family Mortgage Purchase Program executed the within Instrument on behalf of the Housing Division, Department of Commerce, State of Oregon, therein named and acknowledged to me that such Agency executed the within Instrument.

WITNESS MY HAND AND OFFICIAL SEAL.

Lisa Hoard
Notary Public in and for said County
and State

My commission expires 3/7/87



STATE OF OREGON)
COUNTY OF Klanath) ss

BE IT REMEMBERED, That on this 6TH day of April, 1984, before me, the undersigned, a Notary Public in and for said County and State, personally appeared the within named Milton E. Freel, Diana T. Freel, Thomas E. Downs & Sandra L. Downs, known to me to be the identical individual described in and who executed the within Instrument and acknowledged to me that they executed the same freely and voluntarily.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal this day and year last above written.

Susan C. Patzke
Notary Public in and for said County
and State

My commission expires 11-2-86

STATE OF OREGON)
COUNTY OF _____) ss

BE IT REMEMBERED, That on this _____ day of _____, 19____, before me, the undersigned, a Notary Public in and for said County and State, personally appeared the within named _____, known to me to be the identical individual described in and who executed the within Instrument and acknowledged to me that _____ executed the same freely and voluntarily.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal this day and year last above written.

Notary Public in and for said County
and State

My commission expires _____

426517

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LEGAL DESCRIPTION:

A PORTION OF TRACTS 30, 31 and 32 INDEPENDENCE TRACTS, IN THE COUNTY OF KLAMATH, STATE OF OREGON, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHWESTERLY CORNER OF TRACT 32, OF INDEPENDENCE TRACTS, AS SHOWN UPON THE OFFICIAL PLAT THEREOF, AND RUNNING THENCE SOUTH 0 DEGREES 13 MINUTES EAST, ALONG THE WESTERLY LINE OF TRACTS 32, 31 and 30 OF SAID INDEPENDENCE TRACTS, A DISTANCE OF 171.72 FEET, MORE OR LESS TO THE SOUTHWEST CORNER OF TRACT 30; THENCE SOUTH 71 DEGREES 27 MINUTES EAST, ALONG THE SOUTH LINE OF SAID TRACT 30, A DISTANCE OF 89.3 FEET; THENCE NORTH 0 DEGREES 13 MINUTES WEST A DISTANCE OF 182.82 FEET; MORE OR LESS TO AN IRON PIN IN THE NORTHERLY LINE OF TRACT 32; THENCE NORTH 78 DEGREES 23 MINUTES WEST ALONG THE NORTH LINE OF SAID TRACT 32; A DISTANCE OF 86.33 FEET TO THE PLACE OF BEGINNING.

Return: ATC

STATE OF OREGON,)
County of Klamath)

Filed for record at request of

on this 6th day of April A.D. 19 84
at 4:06 o'clock P M, and duly
recorded in Vol. M84 of Mortgages
Page 5729

EVELYN BIEHN, County Clerk

By Pam Smith Deputy

Fee 12.00