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STATE OF OREGON

SECOND DEED OF TRUST

DEED OF TRUST

With Addendum, for Repayment of Section 235 Assistance

THIS DEED OF TRUST, made this 26th day of September, 19 85.BETWEEN CAYETANO B. NANNI AND MARIA ELENA NANNIwhose address is 610 Pelican Street Klamath Falls State of Oregon,ASPEN, TITLE & ESCROW, INC., an Oregon Corporation as Trustee, and

The Secretary of Housing and Urban Development, as Beneficiary.

WITNESSETH: That Grantor irrevocably GRANTS, BARGAINS, SELLS and CONVEYS to TRUSTEE IN TRUST, WITH POWER OF SALE, THE PROPERTY IN Klamath County, State of Oregon, described as:

Lot 13, Block 17, Tract No. 1176, a RE-SUBDIVISION OF BLOCK 17, BUENA VISTA ADDITION TO THE CITY OF KLAMATH FALLS, in the County of Klamath, State of 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 appurtenances, into Trustee.
FOR THE PURPOSE OF SECURING PERFORMANCE of each agreement of Grantor herein contained and payment of the sum of \$ Thirty-one Thousand Four Hundred Sixty-four and 00/100 (\$31,464.00)but not to exceed an amount computed under the terms of a note executed by said party on September 26, 1985 with interest, if any, according to the terms of the note.

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 are next due on the note, on the first day of any month prior to maturity: Provided, however, That written notice on an intention to exercise such privilege is given at least thirty (30) days prior to repayment.

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

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

3. 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.

4. 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:

- To commence construction promptly and complete same in accordance with plans and specifications satisfactory to Beneficiary,
- To allow Beneficiary to inspect said property at all times during construction,
- 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,
- That work shall not cease on the construction of such improvements for any reason whatsoever for a period of fifteen (15) calendar days.

The 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 true and conclusive all facts and statements therein, and to act thereon hereunder.

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

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

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7. To provide and maintain insurance 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, with loss payable to the Beneficiary and Grantor, as their interest may appear, and to deliver all policies to Beneficiary, which delivery shall constitute an assignment to Beneficiary of all return premiums.

8. To appear in and defend any action or proceeding purporting to effect the security hereof or the rights or powers of Beneficiary or Trustee; and should Beneficiary or Trustee elect to also 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 in a reasonable sum incurred by Beneficiary or Trustee.

9. 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 and any part thereof, which at any time appear to be prior or superior hereto; to pay all costs, fees and expenses of this Trust.

10. 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.

IT IS MUTUALLY AGREED THAT:

11. 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 effect 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 liability, expend whatever amounts in its absolute discretion it may deem necessary therefor, including cost of evidence of title, employ counsel, and pay his reasonable fees.

12. 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.

13. By 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.

14. 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 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 thereon; (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.

15. As 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.

16. 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.

17. After the lapse of such time as may then be required by law following the recording 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 the time of sale. Trustee may postpone the 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.

18. 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.

19. 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.

20. 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 proceeding in which Grantor, Beneficiary, or Trustee shall be a party, unless brought by Trustee.

21. 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.

22. 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.

Cayetano B. Nanni
CAYTANO B. NANNI

Signature of Grantor

Maria Elena Nanni
MARIA ELENA NANNI

Signature of Grantor

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STATE OF OREGON
COUNTY OF Klamath

I, the undersigned, Susan C. Creel, hereby certify that on this
26th day of September, 1985, personally appeared before me
Cayetano B. Nanni and Maria Elena Nanni, husband and wife
to me known to be the individual described in and who executed the within instrument, and acknowledged that they
signed 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.

Susan C. Creel
Notary Public and for the State of Oregon

My commission expires 12-21-88

REQUEST FOR FULL RECONVEYANCE

Do not record. 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 said note 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 to you herewith, together with the said Deed of Trust, 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____

Full reconveyance to _____

STATE OF OREGON
COUNTY OF _____

I hereby certify that this 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 _____

Dep. Recorder

DEED OF TRUST

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Addendum

The rights and obligations of the parties to the attached Deed of Trust are expressly made subject to this Addendum. If there is any conflict between the provisions of this Addendum and the provisions of the Deed of Trust, the provisions of this Addendum shall control.

1. The debt secured by this instrument shall include not only the Note recited above but also any assistance paid by the Secretary in accordance with Section 235 of the National Housing Act on behalf of any party to the deed of trust (including any party who takes title to the property subject to the said Deed of Trust or assumes said Deed of Trust) identified as FHA Case No. 431-1710998 (Insured Deed of Trust).
2. The debt will be due and payable when the first of the following occurs:
 - (a) Title to the Property is conveyed to a party who is not eligible for Section 235 mortgage assistance payments, or
 - (b) The property covered by the Insured Deed of Trust is rented for a period longer than one year.
3. If the Insured Deed of Trust is not paid in full when payment is due under paragraph 2, the Secretary may defer payment until the Insured Deed of Trust is paid in full. If payment is deferred, the debt will bear interest at the rate of 11.5 percent per year from the date the debt is due under paragraph 2 until the full amount of the debt and interest is paid.

In witness whereof, Borrower has executed this Addendum to the Deed of Trust.

Cayetano B. Nanni
Borrower CAYETANO B. NANNI

Maria Elena Nanni
Borrower MARIA ELENA NANNI

September 26, 1985
Date

Return:
ATK-Sue

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of _____ the _____ 2nd day
of October A.D., 19 85 at 11:05 o'clock AM., and duly recorded in Vol. M85
of Mortgages on Page 15945

FEE

\$17.00

Evelyn Biehn
By

County Clerk

Sam Smith