

NOTE AND MORTGAGE

THE MORTGAGOR, ARTHUR J. RUSSELL and JOAN E. RUSSELL,

Husband and Wife

mortgagor and 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, V.D. 11, S. 1880, Lot 11, Block 9, FIRST ADDITION TO CYPRESS VILLA, according to the official plat thereof on file in the office of the County Clerk, Klamath County, 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 heater; fuel storage receptacles; plumbing, ventilating, water and irrigating systems, pumps; electrical service panels; screens, doors; window shades and blinds; shutters; cabinets; built-ins; linoleum and floor coverings, built-in stoves, ovens, electric sinks, air conditioners, refrigerators, freezers, dishwashers; and all fixtures, now or hereafter installed in or on the premises; and any shrubbery, flora, or timber now growing or hereafter planted on growing thereon; and any replacements of any one or more of the foregoing items, in whole or in part, which are hereby declared to be appurtenant to the land, and all of the rents, issues, and profits of the same.

to secure the payment of Four thousand three hundred forty seven & no/100 Dollars
(\$4,347.00), and interest thereon, and as additional security for an existing obligation upon which there is a balance
owing of Fifty-five thousand five hundred two & 92/100 Dollars (\$55,502.92),
evidenced by the following promissory note:

I promise to pay to the STATE OF OREGON: **Fifty-five thousand five hundred two & 92/100** interest from the date of initial disbursement by the State of Oregon, at the rate of **8.104**, Dollars (\$ **55,502.92**), with percent per annum, **Four thousand three hundred forty-seven & no/100** interest from the date of initial disbursement by the State of Oregon, at the rate of **10.5**, Dollars (\$ **4,347.00**), with percent per annum, **interest from the date of initial disbursement by the State of Oregon, at the rate of** **10.5**, Dollars (\$ **4,347.00**), with percent per annum, **interest from the date of initial disbursement by the State of Oregon, at the rate of** **10.5**, Dollars (\$ **4,347.00**), with percent per annum, **interest from the date of initial disbursement by the State of Oregon, at the rate of** **10.5**, Dollars (\$ **4,347.00**), with percent per annum, **interest from the date of initial disbursement by the State of Oregon, at the rate of** **10.5**, Dollars (\$ **4,347.00**), with percent per annum, **interest from the date of initial disbursement by the State of Oregon, at the rate of** **10.5**, Dollars (\$ **4,347.00**), with percent per annum, **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: \$ 467.00 on or before May 15, 1986 \$ 467.00 on the 15th of each month thereafter until such time as a different interest rate is established pursuant to ORS 407.072,**

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 payme nts to be applied first as interest on the unpaid principal, the remainder on the principal.

The due date of the last payment shall be on or before June 15, 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

February 1, 1986

February 1, 1986

Arthur J. Russell

John C. H. Smith

The mortgagor or subsequent owner may pay all or any part of the loan at any time without penalty. This instrument is a Trust Deed for the State of Oregon dated January 10, 1983 and is given in conjunction with and supplementary to that certain Mortgage recorded in Book M83 page 448, Mortgage Records for Klamath.

which was given to secure the payment of a note in the amount of \$ 7,970.00 in addition this mortgage is given in conjunction with and supplementary to that certain mortgage to the State of Oregon dated May 27, 1981 and recorded in Book M81 Page 9436 Mortgage Records for Klamath County, Oregon and this mortgage is also given as security for an additional advance in the amount of \$ 4,247.001 together with the balance of indebtedness by the previous note, and the new note is evidence of the entire indebtedness.

together with the balance of indebtedness covered by the mortgage.

MORTGAGOR FURTHER COVENANTS

MORTGAGOR FURTHER COVENANTS AND AGREEMENTS

- RENTANTS AND AGREES:**

 1. To pay all debts and monies secured hereby; to pay all taxes, assessments, or other charges which may be levied upon the premises, and to keep the same in good repair.
 2. To allow the Representatives of the Director of Veterans' Affairs of Oregon to make reasonable inspection of the premises during the life of the loan.
 3. 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;
 4. Not to permit the cutting or removal of any timber except for his own domestic use; not to commit or suffer any waste;
 5. Not to permit the use of the premises for any objectionable or unlawful purpose;
 6. Not to permit any tax, assessment, lien, or encumbrance to exist at any time; if mortgagee is required to defend against a lawsuit to foreclose a lien or encumbrance, mortgagor may add any attorney fees, costs incurred by the principal, to bear interest as provided in the note; if mortgage pays any taxes, assessments, or other encumbrances, such payment may also be added to the principal, to bear interest as provided in the note;
 7. Mortgage 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;
 8. To keep all buildings unceasingly insured during the term of the mortgage, against loss by fire and such other hazards in such amount and in such an amount as shall be satisfactory to the mortgagee; to deposit with the mortgagee all premiums paid by the mortgagor during the period of redemption expires.

9. Mortgagor shall be entitled to all compensation and damages received under right of eminent domain or for any security valuation or appraisal of the property, which may be required to be paid to the mortgagor.

10. Notice to enter or rent the premises, or any part of same, without written consent of the mortgagee.

11. The borrower must obtain prior written consent from the Director of Veterans' Affairs for a transfer of ownership for a loan obtained from the Department of Veterans' Affairs. When such consent is given, borrowers must promptly notify mortgagee of the transfer of ownership of the premises or any interest in same; and furnish a copy of the instrument of transfer. Transfers shall pay interest as prescribed by ORS 407.070 on all payments due from the date of transfer.

12. The balance of this loan is immediately due and payable in full upon the second sale or other transfer of all or part of the property securing this loan after July 20, 1983. However, the portion of the balance due and payable in full upon the second sale or other transfer of all or part of the property securing this loan after July 20, 1983, shall be limited to the amount of the original principal balance of the loan plus accrued interest up to the date of transfer.

This law has been suspended until July 1, 1987. Any transfer of a property between July 20, 1983, and July 1, 1985, may become due on sale with the next transfer after July 1, 1987.

The mortgagee may, at his option, in case of default of the mortgagor, perform any and all 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 demand 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 mortgagor to exercise any options herein set forth will not constitute a waiver of any right arising from a breach of the covenants.

In case of 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.

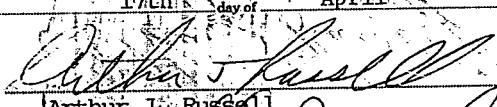
The covenants and agreements herein shall extend to and be binding upon the heirs, executors, administrators, successors and assigns of the respective parties hereto.

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

17th day of April, 1986


Arthur J. Russell


Joan E. Russell

ACKNOWLEDGMENT

STATE OF OREGON,

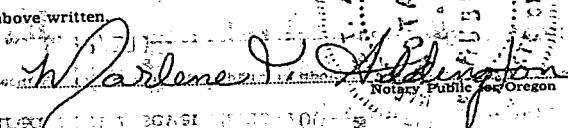
Klamath

ss.

On this 22nd day of April, 1986, I, Arthur J. Russell and Joan E. Russell, personally appeared before me,

Notary Public, personally acknowledged the foregoing instrument to be their voluntary act and deed.

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


Parlane D. Anderson
Notary Public for Oregon

My Commission expires 3/22/89

P54720

Loan Number

MORTGAGE

TO Department of Veterans' Affairs

FROM:

STATE OF OREGON,

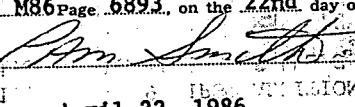
County of Klamath

ss.

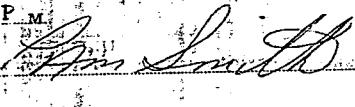
Klamath County Records, Book of Mortgages.

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

No. M86 Page 6893, on the 22nd day of April, 1986 Evelyn Biehn, County Clerk

By  Deputy, X

Filed April 22, 1986 at o'clock 3:41 P.M.

County Clerk Evelyn Biehn, By  Deputy

After recording return to:

DEPARTMENT OF VETERANS' AFFAIRS

155 NE Revere

Bend OR 97701

Fee: \$9.00

NOTARIZED

e883