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LH#-247967

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TRUST DEED

MTL 32373-8W

10/11/94 Page 14579

NOTICE: THIS LOAN IS NOT ASSUMABLE WITHOUT THE APPROVAL OF
THE DEPARTMENT OF VETERANS AFFAIRS OR ITS AUTHORIZED
AGENT. The attached RIDER is made a part of this instrument.

This Trust Deed, made this 1ST day of MAY, 1994, between
GERALD E. VERMILLION AND, MARY E. VERMILLION, AS TENANTS BY THE ENTIRETY

MOUNTAIN TITLE COMPANY

, as Grantor,

and NORTH AMERICAN MORTGAGE COMPANY®

, as Trustee,

, as Beneficiary.

Witnesseth: Grantor irrevocably Grants, Bargains, Sells, and Conveys, to Trustee in Trust, With Power of
Sale, the property in KLAMATH (CITY) County, Oregon described as:

LOT 4 IN BLOCK 28, HOT SPRINGS ADDITION, ACCORDING TO THE
OFFICIAL PLAT THEREOF ON FILE IN THE OFFICE OF THE COUNTY CLERK
OF KLAMATH COUNTY, OREGON.

which said described real property is not currently being used for agricultural, timber or grazing purposes,
together with all and singular the tenements, hereditaments and appurtenances and all other rights hereunto
belonging or in anywise now or hereafter appertaining, and 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; and all fixtures now or hereafter attached to or used in connection with
said real estate, and in addition thereto the following described household appliances, which are, and shall be
deemed to be, fixtures and a part of the realty, and are a portion of the security for the indebtedness herein
mentioned:

For the purpose of Securing Performance of each agreement of Grantor herein contained and payment of the sum of
FIFTY THREE THOUSAND SEVEN HUNDRED SEVENTEEN AND 00/100

Dollars (\$ 53,717.00), with interest thereon

according to the terms of a promissory note of even date herewith, payable to Beneficiary or order and made by Grantor, **GERALD E. VERMILLION AND, MARY E. VERMILLION, AS TENANTS BY THE ENTIRETY** the final payment of principal and interest thereof, if not sooner paid, to be due and payable on the first day of **JUNE, 2024**

1. Privilege is reserved to prepay at any time, without premium or fee, the entire indebtedness or any part thereof not less than the amount of one installment, or one hundred dollars (\$100), whichever is less. Prepayment in full shall be credited on the date received. Partial prepayment, other than on an installment due date, need not be credited until the following installment due date or thirty days after such prepayment, whichever is earlier.

2. Grantor agrees to pay to Beneficiary as Trustee (under the terms of this trust as hereinafter stated) 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 installment of the ground rents, if any, and of the taxes and special assessments levied or to be levied against the premises covered by this trust Deed; and an installment of the premium or premiums that will become due and payable to renew the insurance on the premises covered hereby against loss by fire or such other hazard as may be required by Beneficiary in all bills and notices therefor. Such installments shall be equal respectively to one-twelfth (1/12) of the annual ground rent, if any, plus the estimated premium or premiums for such insurance, and taxes and assessments next due (as estimated by Beneficiary, and of which grantor is notified) less all installments already paid therefor, divided by the number of months that are to elapse before one month prior to the date when such premium or premiums and taxes and assessments will become delinquent. Beneficiary shall hold such monthly payments in trust to pay such ground rents, premium or premiums, and taxes and special assessments before the same become delinquent.

(b) The aggregate of the amounts payable pursuant to subparagraph (a) and those payable on the note secured hereby, shall be paid in a single payment each month, to be applied to the following items in the order stated:

(I) ground rents, taxes, special assessments, fire and other hazard insurance premiums;

(II) interest on the note secured hereby;

(III) amortization of the principal of said note.

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

3. If the total of the payments made under (a) of paragraph 2 preceding shall exceed the amount of payments actually made by Beneficiary as trustee for ground rents, taxes or assessments, or insurance premiums, as the case may be, such excess may be released, applied on any indebtedness secured hereby, or be credited by Beneficiary as trustee on subsequent payments to be made by Grantor for such items. If, however, such monthly payments shall not be sufficient to pay such items when the same shall become due and payable, then Grantor shall pay to Beneficiary as trustee any amount necessary to make up the deficiency within thirty (30) days after written notice from the Beneficiary stating the amount of the deficiency, which notice may be given by mail. If at any time Grantor shall tender to Beneficiary, in accordance with the provisions hereof, full payment of the entire indebtedness secured hereby, Beneficiary as trustee shall, in computing the amount of the indebtedness, credit to the account of Grantor any credit balance remaining under the provisions of (a) of paragraph 2 hereof. If there shall be a default under any of the provisions of this Trust Deed and thereafter a sale of the premises in accordance with the provisions hereof, or if the Beneficiary acquires the property otherwise after default, Beneficiary as trustee shall apply, at the time of commencement of such proceedings, or at the time the property is otherwise acquired, the amount then remaining to credit of Grantor under (a) of paragraph 2 preceding, as a credit on the interest accrued and unpaid and the balance to the principal then remaining unpaid on said note.

4. At Beneficiary's option, Grantor will pay a "late charge" not exceeding four per centum (4%) of any installment when paid more than fifteen (15) days after the due date thereof to cover the extra expense involved in handling delinquent payments, but such "late charge" shall not be payable out of the proceeds of any sale made to satisfy the indebtedness secured hereby, unless such proceeds are sufficient to discharge the entire indebtedness and all proper costs and expenses secured hereby.

To Protect the Security of This Trust Deed, Grantor Agrees:

5. To protect, preserve and maintain said property in good condition and repair; not to remove or demolish any building or improvement thereon; not to commit or permit any waste of said property.

6. To complete or restore promptly and in good and 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 to pursue same with reasonable diligence to completion in accordance with plans and specification satisfactory to Beneficiary, and

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

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

8. To provide and maintain hazard insurance, of such type or types and amounts as Beneficiary may from time to time require, on the improvements now or hereafter on said premises, and except when payment for all such premiums has heretofore been made under (a) of paragraph 2 hereof, to pay promptly when due any premiums therefor, and to deliver all premiums therefor; and to deliver all policies with loss payable to Beneficiary, which delivery shall constitute an assignment to Beneficiary of all return premiums. The amount collected under any fire or other insurance policy may be applied by Beneficiary upon any indebtedness secured hereby and in such order as Beneficiary may determine, or at option of Beneficiary, the entire amount so collected, or any part thereof, may be released to Grantor. Such application or release shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

9. To keep said premises free from mechanics' liens and to pay all taxes, assessments and other charges that may be levied or assessed upon or against said property before any part of such taxes, assessments and other charges become past due or delinquent and promptly deliver receipts therefor to Beneficiary; should the Grantor fail to make payment of any taxes, assessments, insurance premiums, liens or other charges payable by Grantor, either by direct payment or by providing Beneficiary with funds with which to make such payment, Beneficiary may, at its option, make payments thereof, and the amount so paid, with interest at the rate set forth in the note secured hereby, together with the obligations described in paragraphs 10 and 11 of this Trust Deed, shall be added to and become a part of the debt secured by this Trust Deed, without waiver of any rights arising from breach of any of the covenants

hereof and for such payments, with interest as aforesaid, the property hereinbefore described, as well as the Grantor, shall be bound to the same extent that they are bound for the payment of the obligation herein described, and all such payment shall be immediately due and payable without notice, and the nonpayment thereof shall, at the option of the Beneficiary, render all sums secured by this Trust Deed immediately due and payable and constitute a breach of this Trust Deed.

10. To pay all costs, fees and expenses of this trust, including the cost of title search as well as the other costs and expenses of the Trustee incurred in connection with or in enforcing this obligation, and trustees and attorney's fees actually incurred.

11. 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 to pay all costs and expenses, including cost of evidence of title and attorney's fees in a reasonable sum to be fixed by the Court, in any such action or proceeding in which Beneficiary or Trustee may appear, and in any suit brought by Beneficiary to foreclose this Trust Deed.

12. To pay at least ten (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 reasonable costs, fees, and expenses of this Trust.

13. 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 reasonably appears to be prior or superior hereto; and in exercising any such powers, incur any liability, expend whatever amounts are reasonably necessary therefor, including cost of evidence of title, and reasonable counsel fees.

14. To pay within thirty (30) days after demand all sums properly expended hereunder by Beneficiary or Trustee, with interest from date of expenditure at the rate provided for in the principal indebtedness, and the repayment thereof shall be secured hereby.

15. Grantor agrees to do all acts and make all payments required of Grantor and of the owner of the property to make said note and this Trust Deed eligible for guaranty or insurance under the provisions of Chapter 37, Title 38, United States Code, and agrees not to do, or cause or suffer to be done, any act which will void such guaranty or insurance during the existence of this Trust Deed.

It Is Mutually Agreed That:

16. 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, right 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 reasonable attorney's fees, apply any moneys so received by it, at its option, either to the restoration of the damaged premises or to the reduction of the indebtedness. Grantor agrees to execute such further assignments of any compensation, award, damage, and right of action and proceeds as Beneficiary or Trustee may require.
17. That upon the request of the Beneficiary the Grantor shall execute and deliver a supplemental note or notes for the sum or sums advanced by the Beneficiary for the alteration, modernization, improvement, maintenance, or repair of said premises, for taxes or assessments against the same and for any other purpose authorized hereunder. Said note or notes shall be secured hereby on a parity with and as fully as if the advance evidenced thereby were included in the note first described above. Said supplemental note or notes shall bear interest at the rate provided for in the principal indebtedness and shall be payable in approximately equal monthly payments for such period as may be agreed upon by the Beneficiary and Grantor. Failing to agree on the maturity, the whole of the sum or sums so advanced shall be due and payable thirty (30) days after demand by the Beneficiary. In no event shall the maturity extend beyond the ultimate maturity of the note first described above.
18. 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.
19. That the lien of this instrument shall remain in full force and effect during any postponement or extension of the time of payment of the indebtedness or any part thereof secured hereby.
20. Should proceedings be instituted to register title of said property under any Land Title Law, Grantor will pay upon demand all sums expended by Trustee or Beneficiary, including reasonable attorney's fees, and forthwith deliver to Beneficiary all evidence of title.
21. At any time and from time to time upon written request of Beneficiary, payment of its fees and presentation of this Trust 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 Trust Deed or the lien or 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. Trustee's fees for any of the services mentioned in this paragraph shall be \$5.
22. As additional security, Grantor hereby assigns to Beneficiary during the continuance of these trust, 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, save the excepting rents, issues, royalties, and profits arising or accruing by reason of any oil, gas, or mineral lease of said property. If Grantor shall default as aforesaid, Grantor's right to collect any of such moneys shall cease and Beneficiary shall have the right, with or without taking possession of the property affected hereby, to collect all rents, royalties, issues, and profits. Failure or discontinuance of Beneficiary at any time, or from time to time to collect any such moneys shall not in any manner affect the subsequent enforcement by Beneficiary of the right, power, and authority to collect the same. Nothing herein contained shall be, or be construed to be, an affirmation by Beneficiary of any tenancy, lease or option, nor an assumption of liability under, nor a subordination of the lien or charge of this Trust Deed to any such tenancy, lease or option.
23. Upon any default by Grantor hereunder, 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 its own name, sue for or otherwise collect said 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 the indebtedness secured hereby, and in such order as Beneficiary may determine.
24. The entering upon and taking possession of said property, the collection of such rents, issues, and profit or the proceeds of fire and other insurance policies, or compensation or awards for any taking or damage to the property, and the application or release thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.
25. Upon default by Grantor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written notice of default and election to sell the trust property, which notice Trustee shall cause to be duly filed for record. If Beneficiary desires said property to be sold, it shall deposit with Trustee this Deed and all promissory notes and documents evidencing expenditures secured hereby, whereupon the Trustee shall fix the time and place of sale and give notice thereof as then required by law.
26. If after default and prior to the time and date set by the Trustee for the Trustee's sale, the Grantor or other person so privileged by ORS 86,760 pays the entire amount then due under the terms of this Trust Deed and the obligation secured thereby, other than such portion of the principal as would not then be due had no default occurred, the Grantor or other person making such payment shall also pay to the Beneficiary all of Beneficiary's costs and expenses, incurred up to said time of enforcing the terms of the obligation, including Trustee's and attorney's fees not exceeding \$50 if actually incurred.
27. After the lapse of such time as may then be required by law following the recordation of said notice of default and the giving of said notice of sale, Trustee 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, at public auction to the highest bidder for cash in lawful money of the United States, payable at the time of sale. Trustee shall deliver to the purchaser its deed in form as required by law conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in this Trust Deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, excluding the Trustee, but including the Grantor and Beneficiary, may purchase at the sale.
28. When Trustee sells pursuant to the powers provided herein, Trustee shall apply the proceeds of sale to payment of (1) the expenses of sale, including a reasonable charge by the Trustee; (2) to the obligation secured by this Trust Deed; (3) to all persons having recorded liens subsequent to the interest of the Trustee in this Trust Deed as their interest may appear in order of their priority; and (4) the surplus, if any, to the Grantor or to his/her successor in interest entitled to such surplus.
29. For any reason permitted by law Beneficiary may from time to time appoint a successor or successors to any Trustee named herein or to any successor Trustee appointed hereunder. Upon such appointment, and without conveyance to the successor Trustee, the latter shall be vested with all title, powers and duties conferred upon any Trustee herein named or appointed hereunder. Each such appointment and substitution shall be made by written instrument executed by Beneficiary, containing reference to this Trust Deed and its place of record, which, when recorded in the office of the County Clerk or Recorder of the county or counties in which the property is situated, shall be conclusive proof of proper appointment of the Successor Trustee.
30. (a) The waiver by Trustee or Beneficiary of any default of Grantor under this Trust Deed shall not be or be deemed to be a waiver of any other or similar defaults subsequently occurring.
- (b) The pleading of any statute of limitations as a defense to any or all obligations secured by this Trust Deed is hereby waived, to the full extent permissible by law.
31. (a) In addition to any of the powers or remedies conferred upon the Trustee and the Beneficiary or either of them under this instrument, the Trustee and the Beneficiary jointly, or either, may bring an action in the proper court for the foreclosure of this instrument as a mortgage, upon default, and upon proper proof obtain all the remedies in such action that are given by any statute or other law of the State of Oregon.
- (b) No power or remedy herein conferred is exclusive of Beneficiary, or shall prejudice any power or remedy of Trustee or Beneficiary.
- (c) The exercise of any power or remedy on one or more occasions shall not exclude the future exercise thereof from time to time upon the conditions prescribed herein or by operation of law.
32. If a final decree in favor of plaintiff is entered in a suit brought to foreclose this Trust Deed, it may include a reasonable attorney fee as provided in the note secured hereby, but not in excess of the amount actually paid or unconditionally incurred by the proper plaintiffs.
33. This Trust Deed shall inure to and bind the heirs, legatees, devisees, administrators, executors, successors, and assigns of the parties hereto. All obligations of the Grantor hereunder are joint and several. The term "Beneficiary" shall mean the owner and holder, including pledgees of the indebtedness secured hereby, whether or not named as Beneficiary herein, and whether by operation of law or otherwise. Whenever used, the singular number shall include the plural, the plural the singular, and the use of any gender shall include all genders.
34. Trustee accepts this Trust when this Trust Deed, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party hereto of pending sale under any other Trust Deed or of any action or proceeding in which Grantor, Beneficiary or Trustee shall be a party, unless brought by Trustee.
35. If the Indebtedness secured hereby be guaranteed or insured under Title 38, United State Code, such Title and Regulations issued thereunder and in effect on the date hereof shall govern the rights, duties and liabilities of the parties hereto, and any provisions of this or other instruments executed in connection with said indebtedness which are inconsistent with said Title and Regulations are hereby amended to conform thereto.
36. This Trust Deed shall be construed according to the laws of the State of Oregon.

IN WITNESS WHEREOF, said Grantor has hereunto set his/her hand and seal the day and year first above written.

Gerald E. Vermillion (Seal)
GERALD E. VERMILLION

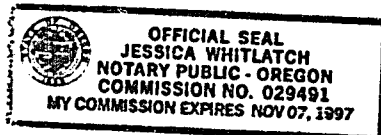
Mary E. Vermillion (Seal)
MARY E. VERMILLION

____ (Seal)

____ (Seal)

STATE OF Oregon }
COUNTY OF Klamath } SS:

This instrument was acknowledged before me on May 3 1994
GERALD E. VERMILLION and MARY E. VERMILLION by



Jessica Whitlatch
Notary Public for the State of Oregon

My commission expires: 11/7/97

Trust Deed

_____ Grantor.

_____ Beneficiary

STATE OF OREGON, }
COUNTY OF } SS:

I certify that the within instrument was received for record on the
_____ day of _____, _____
at _____ o'clock _____ .M., and recorded
in Book _____ on page _____
Record of Mortgage of said County.

Witness my hand and seal of county affixed.

_____ County Clerk-Recorded.

By _____ Deputy.

643742

DUE-ON-TRANSFER
RIDER

(attached to VA Security Instrument
and incorporated therein for all purposes)

This Rider shall amend and supplement the mortgage, deed of trust, trust deed, or security deed ("Security Instrument") of the undersigned mortgagor, trustor, at the option of loan holder, or grantor ("Mortgagor") given to secure the Mortgagor's loan (the "loan") from Lender (with its successors and assigns, "loan holder"), as follows:

1. **TRANSFER OF THE PROPERTY.** If all or any part of the Property or any interest in it is sold or transferred, this loan may at the option of the holder may become immediately due and payable upon transfer ("assumption") of the property securing such loan to any transferee ("assumptor"), unless the acceptability of the assumption and transfer of this loan is established by the Department of Veterans Affairs or its authorized agent pursuant to section 1817A of Chapter 37, Title 38, United States Code.
 - a. **Funding Fee.** A fee equal to one-half of one percent (0.5%) of the principal balance of the loan as of the date of transfer of the property shall be payable at the time of transfer to the loan holder or its authorized agent, as trustee for the Secretary of Veterans Affairs. If the assumptor fails to pay this fee at the time of transfer, the fee shall constitute an additional debt to that already secured by the Security Instrument, shall bear interest at the rate provided under the terms of the note evidencing the loan, and, at the option of the payee of the indebtedness secured by the Security Instrument or any transferee thereof, shall be immediately due and payable. This fee is automatically waived if the assumptor is exempt under the provisions of 38 U.S.C. 1829(b).
 - b. **Processing Charge.** Upon application for approval to allow assumption of the loan, a processing fee may be charged by the loan holder or its authorized agent for determining the creditworthiness of the assumptor and for subsequently revising the loan holder's ownership records when an approved transfer is completed. The amount of this charge shall not exceed the maximum established by the Department of Veterans Affairs for a loan to which section 1817A of chapter 37, title 38, United States Code applies.
 - c. **Indemnity Liability.** If the obligation secured hereby is assumed, then the assumptor hereby agrees to assume all of the obligations of the veteran under the terms of the instruments creating and securing the loan, including the obligation of the veteran to indemnify the Department of Veterans Affairs to the extent of any claim or payment arising from the guaranty or insurance of the indebtedness created by such instruments and by this Rider.
2. **No Waiver.** Any forbearance by loan holder in exercising any right or remedy shall not be a waiver of or preclude the exercise of any right or remedy.

Mortgagor(s):

Gerald E. Vermillion
GERALD E. VERMILLION

- Borrower 1

- Borrower 3

Mary E. Vermillion
MARY E. VERMILLION

- Borrower 2

- Borrower 4

ADJUSTABLE RATE RIDER

NOTICE: THIS LOAN IS NOT ASSUMABLE WITHOUT THE APPROVAL OF THE DEPARTMENT OF VETERANS AFFAIRS OR ITS AUTHORIZED AGENT.

THIS ADJUSTABLE RATE RIDER is made this 1ST day of MAY, 19 94 and is incorporated into and shall be deemed to amend and supplement the Mortgage, Deed of Trust or Security Deed ("Security Instrument"), of the same date given by the undersigned ("Borrower") to secure Borrower's Note ("Note") to **NORTH AMERICAN MORTGAGE COMPANY®**

(the "Lender") of the same date and covering the property described in the Security Instrument and located at

826 ELDORADO AVENUE, KLAMATH FALLS, OR 97601

[Property Address]

THE NOTE CONTAINS PROVISIONS ALLOWING FOR CHANGES IN THE INTEREST RATE AND THE MONTHLY PAYMENT. THE NOTE LIMITS THE AMOUNT THE BORROWER'S INTEREST RATE CAN CHANGE AT ANY ONE TIME AND THE MAXIMUM RATE THE BORROWER MUST PAY.

ADDITIONAL COVENANTS. In addition to the covenants and agreements made in the Security Instrument, Borrower and Lender further covenant and agree as follows:

ADJUSTABLE RATE AND MONTHLY PAYMENT CHANGES

The Note provides for an Initial Interest rate of **6.000 %**. The Note provides for changes in the interest rate and the monthly payments as follows:

INTEREST RATE AND MONTHLY PAYMENT CHANGES

(A) Change Date

The interest rate may change on the first day of **OCTOBER**, 1995, and on that day of each succeeding year. "Change Date" means each date on which the interest rate could change.

(B) The Index

Beginning with the first Change Date, the interest rate will be based on an Index. "Index" means the weekly average yield on United States Treasury Securities adjusted to a constant maturity of one year, as made available by the Federal Reserve Board. "Current Index" means the most recent Index figure available 30 days before the Change Date. If the Index (as defined above) is no longer available, Lender will use as a new Index any index prescribed by the Department of Veterans Affairs. Lender will give Borrower notice of the new Index.

(C) Calculation of Interest Rate Changes

Before each Change Date, Lender will calculate a new interest rate by adding a margin of **TWO** percentage point(s) (**2.000 %**) to the current Index and rounding the sum to the nearest one-eighth of one percentage point (0.125%). Subject to the limits stated in Paragraph (D) of this Rider, this rounded amount will be the new interest rate until the next Change Date.

(D) Limits on Interest Rate Charges

The interest rate will never increase or decrease by more than one percentage point (1.0 %) on any single Change Date. The interest rate will never be more than five percentage points (5.0%) higher or lower than the initial interest rate.

(E) Calculation of Payment Change

If the interest rate changes on a Change Date, Lender will calculate the amount of monthly payment of principal and interest which would be necessary to repay the unpaid principal balance in full at the maturity date at the new interest rate through substantially equal payments. In making such calculation, Lender will use the unpaid principal balance which would be owed on the Change Date if there had been no default in payment on the Note, reduced by the amount of any prepayments to principal. The result of this calculation will be the amount of the new monthly payment of principal and interest.

(F) Notice of Changes

Lender will give notice to Borrower of any change in the interest rate and monthly payment amount. The notice must be given at least 25 days before the new monthly payment amount is due, and must set forth (i) the date of the notice, (ii) the Change Date, (iii) the old interest rate, (iv) the new interest rate, (v) the new monthly payment amount, (vi) the Current Index and the date it was published, (vii) the method of calculating the change in monthly payment amount, and (viii) any other information which may be required by law from time to time.

(G) Effective Date of Changes

A new interest rate calculated in accordance with paragraphs (C) and (D) of this Rider will become effective on the Change Date. Borrower shall make a payment in the new monthly amount beginning on the first payment which occurs at least 25 days after Lender has given Borrower the notice of changes required by Paragraph (F) of this Rider. Borrower shall have no obligation to pay any increase in the monthly payment amount calculated in accordance with Paragraph (E) of this Rider for any payment date occurring less than 25 days after Lender has given the required notice. If the monthly payment amount calculated in accordance with Paragraph (E) of this Rider decreased, but Lender failed to give timely notice of the decrease and Borrower made any monthly payment amounts exceeding the payment amount which should have been stated in a timely notice, then Borrower has the option to either (i) demand the return to Borrower of any excess payment, with interest thereon at the Note rate (a rate equal to the interest rate which should have been stated in a timely notice), or (ii) request that any excess payment, with interest thereon at the Note rate, be applied as payment of principal. Lender's obligation to return any excess payment with interest on demand is not assignable even if the Note is otherwise assigned before the demand for return is made.

BY SIGNING BELOW, Borrower accepts and agrees to the terms and covenants contained in this Adjustable Rate Rider.

Gerald E. Vermillion (Seal)
GERALD E. VERMILLION
Borrower

Mary E. Vermillion (Seal)
MARY E. VERMILLION
Borrower

____ (Seal)
____ Borrower

____ (Seal)
____ Borrower

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Mountain Title Company
of May A.D., 1994 at 2:23 o'clock P. M., and duly recorded in Vol. M94
of Mortgages on Page 14579

FEE \$40.00

Evelyn Biehn County Clerk
By Annette Mueller