

7-701
9-102
AFTER RECORDING RETURN TO:
US BANK NATIONAL ASSOCIATION
6000 ATRIUM WAY
MT. LAUREL, NJ 08054

155-407
LOAN NUMBER: 2297422
100
(70)10062

Spec. Attn. Due Date Recording Date

ORIGINAL

DEED OF TRUST

THIS DEED OF TRUST ("Security Instrument") is made on JANUARY 23RD, 1999. The grantor is EDWARD E HATHAWAY, BETTYE G HATHAWAY CO. ("Borrower"). The trustee is FIRST AMERICAN TITLE INSURANCE COMPANY, which is organized and existing under the laws of the United States of America, whose address is 6000 ATRIUM WAY, MT. LAUREL, NEW JERSEY 08054 ("Trustee"). Borrower owes Lender a sum of EIGHTY THOUSAND AND 00/100 Dollars (U.S. \$ 80,000.00). This debt is evidenced by Borrower's Note dated the same date as this Security Instrument ("Note"), which provides for monthly payments, with the full debt, if not paid earlier, due and payable on FEBRUARY 01ST 2029. This Security Instrument secures to Lender: (a) extensions and modifications of the Note; (b) the payment of all other sums, with interest, advanced under paragraph 7 to protect the security of this Security Instrument; and (c) the performance of Borrower's covenants and agreements under this Security Instrument and the Note. For this purpose Borrower irrevocably grants and conveys to Trustee, in trust, property located in Klamath County, Oregon:

BEING MORE PARTICULARLY DESCRIBED ACCORDING TO 1. LEGAL DESCRIPTION ATTACHED
HERETO AND MADE A PART HEREOF

BEING COMMONLY KNOWN AS: 203 NORDEN AV NUE, Klamath Falls, Oregon 97603
BEING THE SAME PREMISES COM普 BY DEED DATED AND RECORDED IN THE COUNTY RECORDER'S OFFICE IN DEED BOOK E, PAGE BE THIS IS A FIRST AND PARAMOUNT MORTGAGE
LIEV ON THE ABOVE DESCRIBED PREMISES.

PREPARED BY:
CLAUDETTE WASHINGTON

LEGAL DESCRIPTION:
LOTS 18, 19 and 20 in Block 8 of Second Addition to Klamath Falls, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon.

which has the address of 2031 WORDEN AVENUE, Klamath Falls, Oregon 97603 ("Property Address"), together with all the improvements now or hereafter erected on the property, and all easements, appurtenances, fixtures, fixtures and other encumbrances of record. Borrower warrants that the property is free from all liens, except for the security instrument set forth in this instrument.

BORROWER COVENANTS that he will defend generally the title to the property and convey the property and that the property is free from all liens, except for the security instrument set forth in this instrument.

THIS SECURITY INSTRUMENT is limited in its effect by jurisdiction to cover the following property:

OREGON Single Family - Primary Residence
304 Rev. 4/91 (DOHO)

UNIFORM FORM
SECURITY INSTRUMENT

Form 3043 5/90 (page 1 of 5 pages)

UNIFORM COVENANTS, BORROWER AND LENDER

1. Payment of principal and interest. Payment of principal and interest on the debt evidenced by this Security Instrument is made by Borrower to Lender on the day monthly payment is due, unless otherwise provided in this instrument.

2. Funds for Taxes and Insurance. Subject to paragraph 21, Borrower shall pay taxes and assessments which may attain priority over this Security Instrument as a lien on the Property; (b) yearly leasehold payments or ground rents on the Property, if any; (c) yearly insurance premiums; (d) yearly flood insurance premium, if any; and (f) any sums payable by Borrower to Lender, in accordance with the provisions of part 3, in lieu of the payment of mortgage insurance premiums. These items are called "Escrow Items." Lender may, at any time, collect and hold Funds, in an amount not to exceed the maximum amount a lender for a federally related mortgage loan may require for Borrower's escrow account under the federal Real Estate Settlement Procedures Act of 1974 as amended from time to time, 12 U.S.C. § 2601 et seq. ("RESPA"), unless another law that applies to the Funds sets a lesser amount. If so, Lender may, at any time, collect and hold Funds in an amount not to exceed the lesser amount. Lender may estimate the amount of Funds due on the basis of current data and reasonable estimates of expenditures of future Escrow Items or otherwise in accordance with applicable law.

The Funds shall be held in an institution whose deposits are insured by a federal agency, instrumentality, or entity (including Lender, if Lender is such an institution or in any Federal Home Loan Bank). Lender shall apply the Funds to pay the Escrow Items. Lender may not charge Borrower for holding and applying the Funds, annually analyzing the escrow account, or verifying the Escrow Items, unless Lender pays Borrower interest on the Funds and applicable law permits Lender to make such a charge. However, Lender may require Borrower to pay a one-time charge for an independent real estate tax reporting service used by Lender in connection with this loan, unless applicable law provides otherwise. Unless an agreement is made or applicable law requires interest to be paid, Lender shall not be required to pay Borrower any interest or earnings on the Funds. Borrower and Lender may agree in writing, however, that interest shall be paid on the Funds. Lender shall give to Borrower, with each charge, an annual accounting of the Funds, showing credits and debits to the Funds secured by this Security Instrument.

If the Funds held by Lender exceed the amounts permitted to be held by applicable law, Lender shall account to Borrower for the excess Funds in accordance with the requirements of applicable law. If the amount of the Funds held by Lender at any time is not sufficient to pay the Escrow Item when due, Lender may so notify Borrower in writing, and, in such case Borrower shall pay to Lender the amount necessary to make up the deficiency. Borrower shall make up the deficiency in no more than twelve monthly payments, at Lender's sole discretion.

Upon payment in full of all sums secured by this Security Instrument, Lender shall promptly refund to Borrower any Funds held by Lender. If, under paragraph 21, Lender shall acquire or sell the Property, Lender, prior to the acquisition or sale of the Property, shall apply any Funds held by Lender at the time of acquisition or sale as a credit against the sums secured by this Security Instrument.

3. Application of Payments. Unless applicable law provides otherwise, all payments received by Lender under paragraphs 1 and 2 shall be applied first, to any prepayment charges due under the Note; second, to amounts payable under paragraph 2; third, to interest; fourth, to principal due; and last, to any late charges due under the Note.

4. Charges; Liens. Borrower shall pay all taxes, assessments, charges, fines and impositions attributable to the Property which may attain priority over this Security Instrument, and leasehold payments or ground rents, if any, provided in paragraph 2, or if not paid in that manner, Borrower shall pay them on time directly to the person who made payment. Borrower shall promptly furnish to Lender all notices of amounts to be paid under this paragraph. If Borrower makes these payments directly, Borrower shall promptly furnish to Lender receipts evidencing the payments.

Borrower shall promptly discharge any lien which has priority over this Security Instrument unless Borrower: (a) agrees in writing to the payment of the obligation secured by the lien in a manner acceptable to Lender; (b) contests in good faith the lien by, or defends against enforcement of the lien; or (c) secures subordinating the lien to this Security Instrument. If Lender determines that any part of the Property is subject to a lien which may attain priority over this Security Instrument, Lender may give Borrower a notice identifying the lien. Borrower shall satisfy the lien or take one or more of the actions set forth above within 10 days of the giving of notice.

5. Hazard or Property Insurance. Borrower shall keep the improvements now existing or hereafter erected on the Property insured against loss by fire, hazards including floods or flooding, for which Lender requires insurance. This insurance shall be maintained in the amounts and for the periods that Lender requires. The insurance carrier providing the insurance shall be chosen by Borrower subject to Lender's approval which shall not be unreasonably withheld. If Borrower fails to maintain coverage described above, Lender may, at Lender's option, obtain coverage to protect Lender's rights in the Property in accordance with paragraph 7. All insurance policies and renewals shall be acceptable to Lender and shall include a standard mortgage clause. All receipts of paid premiums and renewal notices. In the event of loss, Borrower shall give prompt notice to the insurance carrier and Lender. Lender may make a proof of loss if not made promptly by Borrower.

Unless Lender and Borrower otherwise agree in writing, insurance proceeds shall be applied to restoration or repair of the Property damaged, if the restoration or repair is economically feasible and Lender's security is not lessened. If the restoration or repair is not economically feasible or Lender's security would be lessened, the insurance proceeds shall be applied to the sums secured by this Security Instrument, whether or not the same is due, with any excess paid to Borrower. If Borrower abandons the Property, or does not answer within 30 days a notice from Lender that the insurance carrier has offered to settle a claim, then Lender may collect the insurance proceeds. Lender may use the proceeds to repair or restore the Property or to pay sums secured by his Security Instrument, whether or not then due. The 30-day period will begin when the notice is given.

Unless Lender and Borrower otherwise agree in writing, my application of proceeds to principal shall not extend or postpone the due date of the monthly payment referred to in paragraphs 1 and 2 or change the amount of the payments. If Borrower's right to my insurance policies and proceeds resulting from damage to the Property prior to the instrument is immediately prior to the acquisition of the instrument.

6. Occupancy, Preservation of Lienholders. Borrower shall occupy after the execution of this Security Instrument for at least one year after the date of occupancy, unless Lender otherwise agrees in writing, which consent shall not be unreasonably withheld, or unless excepted, damage or impair the Property, shall be in default if any forfeiture judgment would result in forfeiture of the Property or Lender's security interest, causing the action or proceeding for forfeiture of the Borrower's interest in the Security Instrument or Lender's security interest process, give materially false or inaccurate information or statements to Lender (or failed to provide Lender with any information or statements to Lender, including, but not limited to, representations concerning Borrower's occupancy of the Property as a principal residence). If this Security Instrument is on a leasehold, Borrower shall comply with all the provisions of the lease. If Borrower acquires fee title to the Property, the leasehold and the fee title shall not merge unless Lender agrees to the merger in writing.

7. Protection of Lender's Rights. If there is a legal proceeding that may significantly affect Lender's rights in the Property (such as a proceeding in bankruptcy, probate, for condemnation or forfeiture or to enforce laws or regulations), then Lender may do and pay for what Lender's actions may appear in court, payable to Lender under this paragraph 7, Lender does not have to do so.

Any amounts disbursed by Lender under this paragraph 7 shall be the additional debt of Borrower secured by this Security Instrument. Unless Borrower and Lender agree to other terms of payment, these amounts shall bear interest from the date of disbursement at the No. rate and shall be payable, with interest, upon notice from Lender to Borrower requesting payment.

8. Mortgage Insurance. If Lender required mortgage insurance as a condition of making the loan secured by this Security Instrument, Borrower shall pay the premiums required to maintain the mortgage insurance in effect. If, for any reason, the mortgage insurance coverage required by Lender lapses or ceases to be in effect, Borrower shall pay the premiums required to obtain coverage substantially equivalent to the cost to Lender of the substantially equivalent to the cost to Lender of the insurer approved by Lender. If substantially equivalent to the cost to Lender of the insurer approved by Lender each month a sum equal to one-twelfth of the insurance coverage lapsed or ceased to be in effect. Lender will accept, use and retain these payments as a loss reserve in lieu of mortgage insurance. Loss reserve payments may no longer be required, at the option of Lender, if mortgage insurance coverage (in the amount and for the period that Lender requires) provided by an insurer approved by Lender again becomes available and is obtained. Borrower shall pay the premiums required to maintain mortgage insurance in effect, or to provide a loss reserve until the requirement for mortgage insurance ends in accordance with any written agreement between Borrower and Lender or applicable law.

9. Inspection. Lender or its agent may make reasonable entries upon and inspections of the Property. Lender shall give Borrower notice at the time of or prior to an inspection specifying reasonable cause for the inspection.

10. Condemnation. The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of any part of the Property, or for conveyance in lieu of condemnation, are hereby assigned and shall be paid to Lender.

In the event of a total taking of the Property, the proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with any excess paid to Borrower. In the event of a partial taking of the Property in which the fair market value of the Property immediately before the taking is equal to or greater than the amount of the sums secured by this Security Instrument immediately before the taking, unless Borrower and Lender otherwise agree in writing, the sums secured by this Security Instrument shall be reduced by the amount of the proceeds multiplied by the following fraction: (a) the total amount of the sums secured immediately before the taking, divided by (b) the fair market value of the Property immediately before the taking. Any balance shall be paid to Borrower. In the event of a partial taking of the Property in which the fair market value of the Property immediately before the taking is less than the amount of the sums secured immediately before the taking, unless Borrower and Lender otherwise agree in writing or unless applicable law otherwise provides, the proceeds shall be applied to the sums secured by this Security Instrument whether or not the sums are then due.

If the Property is abandoned by Borrower, or if, after notice by Lender to Borrower that the condemnor offers to make an award or settle a claim for damages, Borrower fails to respond to Lender within 30 days after the date the notice is given, Lender is authorized to collect and apply the proceeds, at its option, either to restoration or repair of the Property or to the sums secured by this Security Instrument, whether or not then due.

Unless Lender and Borrower otherwise agree in writing, any application of proceeds to principal shall not extend or postpone the due date of the monthly payments referred to in paragraphs 1 and 2 or change the amount of such payments.

11. Borrower Not Released. Forbearance by Lender. Extension of the time for payment or modification of amortization of the sums secured by this Security Instrument granted by Lender to any successor in interest of Borrower shall not operate to release the liability of the original Borrower or Borrower's successors in interest. Lender shall not be required to commence proceedings against any successor in interest or refuse to extend time for payment or otherwise modify amortization of the sums secured by this Security Instrument by reason of any demand made by the original Borrower or Borrower's successors in interest. Any forbearance by Lender in exercising any right or remedy shall not be a waiver of or preclude the exercise of any right or remedy.

12. Successors and Assigns. This Security Instrument shall bind and benefit the successors and assigns of Lender and Borrower, subject to the provisions of paragraph 17. Borrower's covenant instrument but does not execute the that Borrower's interest in the Property secured by this Security Instrument, and may amend, modify, forbear or make any appointment Borrower's consent.

2016 Rev. 03 (OHO).

Maintenance and preservation of the Property; Borrower's Loan Application; establishment and use of the Property as Borrower's principal residence within sixty days of the execution of this Security Instrument and shall continue to occupy the Property as Borrower's principal residence, unless Lender otherwise agrees in writing, which consent shall not be unreasonably withheld, or unless Borrower's control over the Property, which is beyond Lender's control. Borrower shall not destroy, damage or impair the Property, allow it to deteriorate, or commit waste on the Property. Borrower nor process, whether civil or criminal, is begun that is Lender's good faith belief that the Property or otherwise materially impair the lien created by this Security Instrument or Lender's security interest, Borrower may cure such a default and reinstate, as provided in paragraph 18, by be dismissed with a ruling that, in Lender's good faith determination, precludes in the Property or other material impairment of the lien created by this Security Instrument, Borrower shall also be in default if Borrower, during the loan application process, give materially false or inaccurate information or statements to Lender (or failed to provide Lender with any information or statements to Lender, including, but not limited to, representations concerning the Property as a principal residence). If this Security Instrument is on a leasehold, Borrower shall comply with all the provisions of the lease. If Borrower acquires fee title to the Property, the leasehold and the fee title shall not merge unless Lender agrees to the merger in writing.

7. Protection of Lender's Rights. If there is a legal proceeding that may significantly affect Lender's rights in the Property (such as a proceeding in bankruptcy, probate, for condemnation or forfeiture or to enforce laws or regulations), then Lender may do and pay for what Lender's actions may appear in court, payable to Lender under this paragraph 7, Lender does not have to do so.

Any amounts disbursed by Lender under this paragraph 7 shall be the additional debt of Borrower secured by this Security Instrument. Unless Borrower and Lender agree to other terms of payment, these amounts shall bear interest from the date of disbursement at the No. rate and shall be payable, with interest, upon notice from Lender to Borrower requesting payment.

8. Mortgage Insurance. If Lender required mortgage insurance as a condition of making the loan secured by this Security Instrument, Borrower shall pay the premiums required to maintain the mortgage insurance in effect. If, for any reason, the mortgage insurance coverage required by Lender lapses or ceases to be in effect, Borrower shall pay the premiums required to obtain coverage substantially equivalent to the cost to Lender of the insurer approved by Lender. If substantially equivalent to the cost to Lender of the insurer approved by Lender each month a sum equal to one-twelfth of the insurance coverage lapsed or ceased to be in effect. Lender will accept, use and retain these payments as a loss reserve in lieu of mortgage insurance. Loss reserve payments may no longer be required, at the option of Lender, if mortgage insurance coverage (in the amount and for the period that Lender requires) provided by an insurer approved by Lender again becomes available and is obtained. Borrower shall pay the premiums required to maintain mortgage insurance in effect, or to provide a loss reserve until the requirement for mortgage insurance ends in accordance with any written agreement between Borrower and Lender or applicable law.

9. Inspection. Lender or its agent may make reasonable entries upon and inspections of the Property. Lender shall give Borrower notice at the time of or prior to an inspection specifying reasonable cause for the inspection.

10. Condemnation. The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of any part of the Property, or for conveyance in lieu of condemnation, are hereby assigned and shall be paid to Lender.

In the event of a total taking of the Property, the proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with any excess paid to Borrower. In the event of a partial taking of the Property in which the fair market value of the Property immediately before the taking is equal to or greater than the amount of the sums secured by this Security Instrument immediately before the taking, unless Borrower and Lender otherwise agree in writing, the sums secured by this Security Instrument shall be reduced by the amount of the proceeds multiplied by the following fraction: (a) the total amount of the sums secured immediately before the taking, divided by (b) the fair market value of the Property immediately before the taking. Any balance shall be paid to Borrower. In the event of a partial taking of the Property in which the fair market value of the Property immediately before the taking is less than the amount of the sums secured by this Security Instrument immediately before the taking, unless Borrower and Lender otherwise agree in writing or unless applicable law otherwise provides, the proceeds shall be applied to the sums secured by this Security Instrument whether or not the sums are then due.

If the Property is abandoned by Borrower, or if, after notice by Lender to Borrower that the condemnor offers to make an award or settle a claim for damages, Borrower fails to respond to Lender within 30 days after the date the notice is given, Lender is authorized to collect and apply the proceeds, at its option, either to restoration or repair of the Property or to the sums secured by this Security Instrument, whether or not then due.

Unless Lender and Borrower otherwise agree in writing, any application of proceeds to principal shall not extend or postpone the due date of the monthly payments referred to in paragraphs 1 and 2 or change the amount of such payments.

11. Borrower Not Released. Forbearance by Lender. Extension of the time for payment or modification of amortization of the sums secured by this Security Instrument granted by Lender to any successor in interest of Borrower shall not operate to release the liability of the original Borrower or Borrower's successors in interest. Lender shall not be required to commence proceedings against any successor in interest or refuse to extend time for payment or otherwise modify amortization of the sums secured by this Security Instrument by reason of any demand made by the original Borrower or Borrower's successors in interest. Any forbearance by Lender in exercising any right or remedy shall not be a waiver of or preclude the exercise of any right or remedy.

12. Successors and Assigns. This Security Instrument shall bind and benefit the successors and assigns of Lender and Borrower, subject to the provisions of paragraph 17. Borrower's covenant instrument but does not execute the that Borrower's interest in the Property secured by this Security Instrument, and may amend, modify, forbear or make any appointment Borrower's consent.

OREGON Form 3038-984 (page 3 of 5 pages)

13. **Loan Increases.** If the loan securing, and this law is finally interpreted in contention with the loan except to the permit necessary to reduce the charge to the permitted limit, will be refunded to Borrower under the Note by making a direct payment or partial prepayment without any prepayment charge imposed by this Security Instrument if subject to law which sets maximum loan so that the interest or other loan charges collected or to be collected in the event of default; (a) any such loan charge shall be reduced by the amount already collected from Borrower which exceeded the amount to be made by Lender in the event of default; (b) any refund by reducing the principal owed by Borrower. If a refund reduces principal, the reduction will be treated as a charge under the Note.

14. **Notices.** Any notice to Borrower shall be given by first class mail, unless otherwise provided for in this Security Instrument, mailing it by first class mail, unless applicable law requires use of another method. The notice shall be directed to the Property Address or any other address for first class mail to Lender's address stated hereinafter, or to Lender's address by notice to Lender. Any notice to Lender shall be given by notice to Borrower. Any notice deemed to have been given to Borrower or Lender when given as provided in this paragraph.

15. **Governing Law; Severability.** jurisdiction in which the Property is located. Note conflicts with applicable law, such which can be given effect without the conflict. Note are declared to be severable.

16. **Borrower's Copy.** Borrower shall be given one confirmed copy of the Note and of this Security Instrument.

17. **Transfer of the Property or Interest in it.** sold or transferred (or if natural person) without Lender's prior written consent, Lender may, at its option, require immediate payment in full of all sums secured by this Security Instrument. However, this option shall not be exercised by Lender if exercise is prohibited by federal law as of the date of this Security

If Lender exercises this option, Lender shall give Borrower notice of acceleration. The notice shall provide a period of not less than 30 days from the date the notice is delivered or mailed within which Borrower must pay all sums secured by this Security Instrument. If Borrower fails to pay these sums prior to the expiration of his period, Lender may invoke any remedies permitted by this Security Instrument without further notice or demand on Borrower.

18. **Borrower's Right to Reinstate.** enforcement of this Security Instrument (continued in applicable law may specify for reinstatement) before sale of the Property pursuant to any power of sale contained in this Security Instrument; or (b) entry of a judgment enforcing this Security Instrument; including, but not reasonably required to assure that the liability of this Security Instrument shall not apply in the case of acceleration under paragraph 17.

If Borrower pays Lender all sums which then would be due under this Security Instrument and the Note as if no acceleration had occurred; (b) cures any default of any other covenant or agreement contained in this Security Instrument; and (c) pays all expenses incurred in enforcing this Security Instrument, Lender's rights in the Property and Borrower's Instrument shall continue unchanged. Upon reinstatement, by hereby shall remain fully effective as if no acceleration had occurred. However, this right to reinstate shall not apply in the case of acceleration under paragraph 17.

19. **Sale of Note; Change of Loan Servicer.** The Note or a partial interest in the Note (together with this Security Instrument) may be sold one or more times without prior notice to Borrower. A sale may result in a change in the entity (known as the "Loan Servicer") that collects monthly payments due under the Note and this Security Instrument. There also may be one or more changes of the Loan Servicer. Borrower will be given written notice of the new address of the new servicer in accordance with paragraph 14 above and applicable law. The notice will state the name and address of the new servicer and the address to which payments should be made.

20. **Hazardous Substances.** So any Hazardous Substances on or in the Property that is in violation of any use, or storage, or the Property of small normal residential uses and to maintainance of the Property.

Borrower shall promptly give Lender written notice of any government or regulatory agency or private party Environmental Law of which Borrower has actual knowledge, or other notification of any remedial actions in accordance with Environmental Law.

As used in this paragraph 20, "Hazardous Substances" are those substances defined as toxic or hazardous substances by Environmental Law, including petroleum products, toxic nts, materials containing asbestos or formaldehyde, and radioactive materials. As used in this paragraph 20, "Environmental Law" means federal laws and laws of the jurisdiction where the Property is located that relate to health, safety or environmental protection.

NON-UNIFORM COVENANT
21. **Acceleration; Remedies.** Lender further covenant and agree as follows:

breach of any covenant or agreement unless applicable law provides otherwise; (c) a date, not less than the default; and (d) that failure to cure the sums secured by this Security Instrument and the right to reinstate after acceleration or any other defense of Borrower to the notice. Lender at its option, instrument, without further demand, Lender shall be entitled to collect all amounts due, including, but not

Lender shall give notice to Borrower prior to acceleration following Borrower's in this Security Instrument (but not prior to acceleration under paragraph 17, if any). The notice shall specify: (i) the default; (ii) the action required to cure the default or before the date specified in the notice may result in acceleration of the Property. The notice shall further inform Borrower of and the right to bring a court action to assert the non-existence of a default or if the default is not cured on or before the date specified in the notice, to payment in full of all sums secured by this Security he power of sale and any other remedies permitted by law, including in pursuing the remedies provided in this attorney fees and costs of title evidence.

If Lender invokes the power of occurrence of an event of default notice to be recorded in each county in which any part of the Property is located. Lender or Trustee shall give notice of sale in the manner prescribed by applicable law. After the time required by public auction to the highest bidder or more parcels and in any order Trustee may determine. Trustee may postpone sale of all or any parcel of the Property by public announcement at the time and place of any previously scheduled sale. Lender or its designee may purchase the Property at any sale.

Trustee shall deliver to the purchaser Trustee's deed conveying the Property without any covenant or warranty, expressed or implied. The recital in the Trustee's deed shall be prima facie evidence of the truth of the statements made therein. Trustee shall apply the proceeds of the sale in the following order: (a) to all expense of the sale, including, but not limited to, reasonable Trustee's and attorneys' fees; (b) to all sums secured by this Security Instrument; and (c) any excess to the person or persons legally entitled to it.

22. Reconveyance. Upon payment of all sums secured by this Security Instrument, Lender shall request Trustee to reconvey the Property and shall surrender this Security Instrument and all notes evidencing debt secured by this Security Instrument to Trustee. Trustee shall reconvey the Property without warranty and without charge to the person or persons legally entitled to it. Such person or persons shall pay any recordation costs.

23. Substitute Trustee. Lender may from time to time remove Trustee and appoint a successor trustee to any Trustee appointed hereunder. Without conveyance of the Property, the successor trustee shall succeed to all the title, power and duties conferred upon Trustee hereunder by applicable law.

24. Attorneys' Fees. As provided in this Security instrument and in the Note, "attorneys' fees shall include any attorneys' fees awarded by an appellate court.

25. Riders to this Security Instrument. If one or more riders are executed by Borrower and recorded together with this Security instrument, the covenants and agreements of each such rider shall be incorporated into and shall amend and supplement the covenants and agreements of this Security instrument as if the rider(s) were apart of this Security instrument. [Check applicable box(es)]

Adjustable Rate Rider

Condominium Rider

1-4 Family Rider

Graduated Payment Rider

Planned Unit Development Rider

Biweekly Payment Rider

Balloon Rider

Rate Improvement Rider

Second Home Rider

Other(s) [specify]

BY SIGNING BELOW, Borrower accepts and agrees to the terms and covenants contained in this Security instrument and in any rider(s) executed by Borrower and recorded with it.

Witnesses:

Edward E. Hathaway
EDWARD E. HATHAWAY

(Seal)
-Borrower

Betty G. Hathaway
BETTY G. HATHAWAY

(Seal)
-Borrower

(Seal)
-Borrower

(Seal)
-Borrower

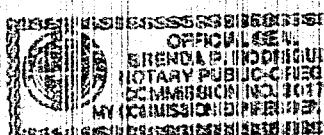
[Sign Below This Line for Acknowledgment]

STATE OF OREGON, Klamath

County of

The foregoing instrument was acknowledged before me this 22ND day of JANUARY, 1999, by EDWARD E. HATHAWAY AND BETTY G. HATHAWAY

as this 22ND day of JANUARY, 1999, by EDWARD E. HATHAWAY



STATE
OF OREGON
NOTARY PUBLIC
COMMISSION NO. 1011
MY COMMISSION EXPIRES
2001
Linda Smith, County Clerk

SIGNATURE

TITLE OR RANK OF OFFICER

SERIAL NUMBER, IF ANY

(Seal)

STATE OF OREGON - COUNTY OF Klamath

Filed for record at request of _____
of _____, January 19, 1999

First Merit Title
Mortgage
P.M. and duly recorded in Vol. M99
on Pg. 3974

RECEIVED \$30.00

Linda Smith, County Clerk

H. Hathaway, R. Smith