

**THE SECURITY INSTRUMENT
varied by jurisdiction to consist
UNIFORM COVENANTS**

• I combine uniform covenants for national use and non-uniform covenants with limited use a uniform security instruments using real property.

1. Payment of Principal and principal of and interest on the debt.
 2. Funds for Taxes and Insurance Lender on the day monthly payment of taxes and assessments which may be payments or ground rents or insurance premiums, if any; (e) Lender, in accordance with the items are called "Escrow Items," amount a lender for a Federally Sponsored Estate Settlement Procedures Act another law that applies to the lesser amount not to exceed the lesser reasonable estimate of expenditure

The Funds shall be held in an Ins
Leader; if Lender is such an instit
Items. Lender may not charge B
verifying the Escrow Items, unless
such a charge. However, Leader's
service used by Lender in connection
applicable law requires interest to b
Borrower and Lender may agree in
without change, an annual account
debit to the Funds was made. The L

If the Funds held by Lender exceed the excess Funds in accordance with time is not sufficient to pay the Escrow shall pay to Lender the amount necessary twelve monthly payment, at Lender

Upon payment in full of all sums so held by Lender. If, under paragraph the Property, shall apply any funds this Security Instrument.

3. Application of Payments. Unless otherwise provided in the instrument, payments made by the debtor shall be applied as follows:

4. Charges; Liens. Borrower shall which may attain priority over this S these obligations in the manner pro directly to the person owed payment paragraph. If Borrower makes these payments,

Borrower shall promptly discharge any writ or process directed against it relating to the payment of the obligation, or defends against enforcement or enforcement of the lien; or (c) secures this Security Instrument. If Lender deems this Security Instrument, Lender may foreclose on the title to the property or take any other action set forth in the instrument.

5. Hazard or Property Insurance. B is insured against loss by fire, hazards in flooding, for which Lender requires it. Lender requires The insurance coverage

Interest; Prepayment and Late Charges. Borrower shall promptly pay when due the interest by the Note and any prepayment and late charges due under the Note.

on) or in any Federal Home Loan Bank. Lender shall apply the Funds to pay the Escrow holder for holding and applying the Funds, annually analyzing the escrow account, or Lender pays Borrower interest on the Funds and applicable law permits Lender to make up to 12% Borrower to pay a one-time charge for an independent real estate tax reporting service with this loan unless applicable law provides otherwise. Unless an agreement is made or paid, Lender shall not be required to pay Borrower any interest or earnings on the Funds. writing, however, that interest shall be paid on the Funds. Lender shall give to Borrower, showing credits and debits to the Funds and the purpose for which each Fund is being used as additional security for all sums secured by this Security Instrument.

at amounts permitted to be held by applicable law, Lender shall account to Borrower for the requirements of applicable law. If the amount of the Funds held by Lender at any time when due, Lender may so notify Borrower in writing, and, in such case Borrower necessary to make up the deficiency. Borrower shall make up the deficiency in no more than sole discretion.

21. by this Security Instrument, Lender shall promptly refund to Borrower any Funds
held by Lender at the time of acquisition or sale as a credit against the sum secured by
this instrument.

applicable law provides otherwise, all payments received by Lender under paragraphs 1 through 4 shall be applied first to any late charges due under the Note; second, to amounts payable under paragraph 2; third, to any late charges due under the Note.

pay all taxes, assessments, charges, fees and impositions attributable to the Property, property insurance, and leasehold payments or ground rents, if any. Borrower shall pay as provided in paragraph 2, or if not paid in that chapter, Borrower shall pay them on time. Borrower shall promptly furnish to Lender all notices of amounts to be paid under this agreement, and Borrower shall promptly furnish to Lender receipts evidencing the payment of such amounts.

by lien which has priority over this Security Instrument unless Borrower: (a) agrees in writing with the Lender to a waiver acceptable to Lender; (b) contests in good faith the lien on the lien in judicial proceedings which in the Lender's opinion operate to prevent the holder of the lien in agreement satisfactory to Lender substantiating the lien to determine that such part of the Property is subject to a lien which may attain priority over the Borrower's notice identifying the lien. Borrower shall satisfy the lien or take one or in 10 days of the giving of notice.

power shall keep the improvements now existing or hereafter erected on the Property insured "within the term" against "extended coverage" and any other hazards, including floods or fires, which shall be minimized to the amounts and for the periods that insurance shall be carried by Borrower subject to Lender's approval.

which shall not be unreasonably in option, obtain coverage to protect Lender's rights in the Property in accordance with paragraph 7.

All insurance policies and renewals shall be insurable to Lender and shall include a standard mortgage clause. Lender shall require Borrower shall promptly give to Lender all receipts of premiums and renewal notices if not made promptly by Borrower.

If the event of loss, Borrower shall give prompt notice to the insurance carrier and Unless Lender and Borrower otherwise agree in writing, insurance proceeds shall be applied to restoration or repair of the Property, if the restoration or repair is economically feasible and Lender's security is not lessened. If the restoration or repair is not economically feasible, Lender's security would be lessened, the insurance proceeds shall be applied to the best, whether or not then 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, Lender may collect the insurance proceeds, Lender may use the proceeds to repair or restore the Property or to pay sums secured by this Security Instrument, whether or not they die. The 10-day period will begin when the notice is given.

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. If under paragraph 22 the Property is acquired by Lender, Borrower's right to buy insurance policies and proceeds resulting from damage to the Property prior to the acquisition shall pass to Lender to the extent of the sums secured by this Security Instrument immediately prior to the acquisition.

6. Occupancy, Preservation, Maintenance and Protection of the Property; Borrower's Loan Application; Leasehold. Borrower shall occupy, establish, and use the Property as Borrower's principal residence within sixty days after the execution of this Security Instrument and shall continue to occupy the Property as Borrower's principal residence 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 extenuating circumstances exist which are beyond Borrower's control. Borrower shall not destroy, damage or impair the Property, allow the Property to deteriorate, or commit waste on the Property. Borrower shall be in default if any forfeiture, action or proceeding, whether civil or criminal, is begun that in Lender's good faith judgment could result in forfeiture of the Property or other interest. Borrower may cure such a default and mitigate, as provided in paragraph 18, by causing the action or proceeding to be dismissed with a ruling that, in Lender's good faith determination, precludes forfeiture of the Borrower's interest in the Property or other material impairment of the lien created by this Security Instrument or Lender's security interest. 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 material information) in connection with the loan evidenced by the Note, 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 in the Property. If Borrower fails to perform the covenants and agreements contained in this Security Instrument, or there is a legal proceeding that may significantly affect Lender's rights in the Property (such as a proceeding in bankruptcy, probate, condemnation or forfeiture or to enforce laws or regulations), then Lender may do and set the value of the Property and Lender's rights in the Property. Lender's actions may include paying any sums secured by a lien, which has priority over this Security Instrument, appearing in court, paying on the Property, to make repairs. Although Lender may take action under this paragraph 7, Lender does not have

Any amounts disbursed by Lender under this paragraph 7 shall become a fiduciary 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 Note rate and shall be payable, with interest, upon notice from Lender to Borrower requesting payment.

8. Mortgage Insurance. If Lender requires 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 by Lender's leases or tenancies to be in effect, Borrower shall pay the premiums required to the mortgage insurance previously in effect, at a cost substantially equivalent to the insurance previously in effect, from an alternate mortgage insurer approved by Lender. If insurance coverage is not available, Borrower shall pay to Lender each month a sum equal to one-twelfth of the yearly mortgage insurance premium being paid by Borrower when the insurance coverage lapsed or ceased to be in effect. Lender will accept payments may no longer be made during the period that Lender requires) Borrower shall pay the premiums required to maintain the mortgage insurance in effect, or to provide a loss reserve until the date of issuance with an oral or written agreement between Borrower and Lender or applicable law.

9. Inspection. Lender or his agent may take a reasonable inspection of the Property at the time of or prior to an inspection by a third party, at any reasonable time and place for the inspection.
10. Condemnation. The proceeds of any condemnation or other taking of any part of the Property, or for damage 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 balance 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 taking divided by (b) the fair market value of the Property 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, it, 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; Forfeiture by Lender Not a Waiver. 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 forfeiture 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; Joint and Several Liability; Co-signers. The covenants and agreements of this Security Instrument shall bind and benefit the successors and assigns of Lender and Borrower, subject to the provisions of paragraph 17. Borrower's covenants and agreement in this Security Instrument shall be joint and several. Any Borrower who co-signs this Security Instrument but does not execute the Note: (a) is co-signing this Security Instrument only to mortgage, grant, and convey that Borrower's interest in the Property under the terms of this Security Instrument; (b) is not personally obligated to pay the sums secured by this Security Instrument and; (c) agrees that Lender and any other Borrower may agree to extend, modify, forbear or make any accommodations with regard to the terms of this Security Instrument or the Note without that Borrower's consent.

13. Loan Charges. If the loan secured by this Security Instrument is subject to a law which sets maximum loan charges, and that law is finally interpreted so that the interest or other loan charges collected or to be collected in connection with the loan exceed the permitted limit, then: (a) any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit; and (b) any terms already collected from Borrower which exceeded permitted limits will be refunded to Borrower. Lender may choose to make this refund by reducing the principal owed under the Note or by making a direct payment to Borrower. If a refund reduces principal, the reduction will be treated as a partial prepayment without any repayment charge under the Note.

14. Notices. Any notice to Borrower provided for in this Security Instrument shall be given by delivering it or by mailing it by first class mail unless applicable law requires use of or any other address Borrower designates by notice to Lender's address stated herein or, if no other address is designated by notice to Borrower, by notice to Borrower. Any notice provided for in this Security Instrument shall be deemed to have been given to Borrower or Lender when given as provided in this paragraph.

15. Governing Law; Severability. This Security Instrument shall be governed by federal law and the law of the jurisdiction in which the Property is located. In the event that any applicable law, which conflict shall not affect other provisions of this Security Instrument or the Note which can be given effect without the conflicting provision. To this end the provisions of this Security Instrument and the Note are declared to be severable.

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

17. Transfer of the Property or a Beneficial Interest. If any or any part of the Property, or any interest in it is sold or transferred (or if a beneficial interest in Borrower is sold or transferred and Borrower is not a natural person) without

Beneficiary prior written consent is required for early exercise of options or for payment in full if all funds secured by this Security Instrument are not received by the date of this Security Interest.

If Lender exercises this option, Lender shall give Borrower notice of six months. 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 this period, Lender may invoke any remedies permitted by this Security Instrument without further notice or demand on Borrower.

18. Borrower's Right to Reinstate. If Borrower meets certain conditions, Borrower shall have the right to have enforcement of this Security Instrument discontinued at any time prior to the earlier of: (a) 5 days (or such other period as applicable law may specify for a repossession) 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. Those conditions are that Borrower: (a) pays Lender all sums which then would be due under this Security Instrument and th: Note; as if no acceleration had occurred; (b) cures any default of any other covenants or agreements, including, but not limited to, reasonable attorneys fees; and (d) takes such action as Lender may reasonably require to assure that the title of this Security Instrument, Lender's rights in the Property and Borrower's obligation to pay the sums secured by this Security Instrument shall continue unaffected. Upon reinstatement by Borrower, this Security Instrument and the obligations secured 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 which collects monthly payments due under the Note and this Security Instrument. There will also be a change in the servicer unrelated to a sale of the Note. If there is a change of the Loan Servicer, in accordance with paragraph 14 above and applicable law, the notice will state the name and address of the new Loan Servicer and the address to which payments should be made. The notice will also contain any other information required by applicable law.

20. Hazardous Substances. Borrower shall not cause or permit the presence, use, disposal, storage or release of any Hazardous Substances on or in the Property. Borrower shall not do, nor allow anyone else to do, anything affecting the Property that is in violation of any Environmental Law. The preceding two sentences shall not apply to the presence, use, or storage on the Property of small quantities of Hazardous Substances that are generally recognized to be appropriate to normal residential uses and to maintenance of the Property.

Borrower shall promptly give Lender written notice of any investigation, claim, demand, lawsuit or other action by any governmental or regulatory agency or private party involving the Property and any Hazardous Substance or Environmental Law of which Borrower has actual knowledge. If Borrower learns, or is notified by any governmental or regulatory authority, that any removal or other remediation of any Hazardous Substance affecting the Property is necessary, Borrower shall promptly take all necessary 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 and the following substances: gasoline, kerosene, other flammable or toxic petroleum products, toxic materials containing asbestos or formaldehyde, and radioactive materials. As used in this paragraph 20, "Environment" means federal laws and laws of the jurisdiction where the Property is located that relate to health, safety or environmental protection.

NON-UNIFORM COVENANTS

21. Acceleration; Remedies. Lender's covenant or agreement in this Section provides otherwise). The notice shall 30 days from the date the notice is given or before the date specified in the instrument of title to the Property. The notice shall further give notice to Borrower prior to acceleration following Borrower's breach of any condition or event of default specified in this Security Instrument, (but not prior to acceleration under paragraph 17 unless applicable law so permits): (a) the default; (b) the action required to cure the default; (c) a date, not less than ten (10) days from the date of notice, by which the default must be cured; and (d) that failure to cure the default may result in acceleration of the sums secured by this Security Instrument and sale of the property. Lender may also give notice to Borrower of the right to reinstate after acceleration and the right to bring a suit of a default or any other defense of Borrower to acceleration and sale. If the default is cured in the notice, Lender at its option may require immediate payment in full of all sums due and further interest and may invoke the power of sale and any other remedies permitted by applicable law. Lender shall be entitled to collect all expenses incurred in pursuing the remedies provided in this paragraph, including, but not limited to, reasonable attorney fees and costs of suit.

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X. H. I. 3 : T. A. 16

Lot 29, YALTA GIRLINGS, in the County of Klamath, State of Oregon.

3099

PREPAYMENT RIDER

4949356MEX

THIS PREPAYMENT RIDER is made this 20th day of JANUARY 1999, and is incorporated into Mortgage, Deed of Trust or Security Deed (the "Security Instrument") of the same date given by the undersigned (the "Borrower") to secure Borrower's Note to NORTWEST MORTGAGE INC. DBA DIRECTORS ACCEPTANCIE of the same date and covering the property described in the Security Instrument and located at: 1828 CANE STREET, Klamath Falls, OR 97603.

(Property Address)

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

I have the right to make prepayments of principal at any time before they are due. A prepayment of all of the unpaid principal is known as a "full prepayment." A prepayment of only part of the unpaid principal is known as a "partial prepayment."

Except as provided below, I may make a full prepayment or a partial prepayment at any time within (1-3) year(s) after the execution of the Security Instrument, I make full payment charge in an amount equal to the payment interest, all the interest rate provided for under the Note, on the amount of original principal amount,

Supreme Prepayment (1-3 yrs) Rider
(Oregon)

(Page 1 of 1)
EC145L Rev. 022030

3100

4949358MEK

NOTICE TO THE BORROWER

Do not sign this Prepayment Rider to the Security Instrument before you read it. This Prepayment Rider provides for the payment of a penalty if you wish to repay the loan prior to the date provided for repayment in the Note and Security Instrument.

BY SIGNING BELOW Borrower accepts and agrees to the terms and provisions contained in this Prepayment Rider.

Benard K. Kiernan
KENNETH D. KIERNAN
John A. Kiernan
JOHN A. KIERNAN

(Seal)
-Borrower(Seal)
-BorrowerSubprime Prepayment (1-5 yrs) Rider
(Oregon)(Page 2 of 2)
EC43SL Rev. 02/13/98

STATE OF OREGON : COUNTY OF CLACKAMAS

Filed for record at request of	A.D.	1999	Spec. Time	3:30	Sec'd by	o'clock	F. M.	the	27th	day
of	No.	881888	on Pg.	3092	and duly recorded in Vol.	N99				
Feb	\$50.00									

Linda Strait, County Clerk

Linda Strait, County Clerk