

Residential Loan Program
Oregon Housing and Community Services Department
State of Oregon

The Lender intends to assign its rights under the attached Deed of Trust to the Oregon Housing and Community Services Department, State of Oregon (the "Department"). In the event the Department accepts such assignment, the rights and obligations of the parties to the attached Deed of Trust are expressly made subject to this Addendum. In the event of any conflict between the provisions of this Addendum and the provisions of the Deed of Trust or Note, the provisions of this Addendum shall control.

1. As long as this mortgage is held by the Department, or its successors or assigns, the Lender may declare all sums secured by this mortgage to be immediately due and payable if:
 - a. all or part of the property is sold or otherwise transferred by Borrower to a purchaser or other transferee:
 - (i) who cannot reasonably be expected to occupy the property as a principal residence within a reasonable time after the sale or transfer, all as provided in Section 143(c) and (I)(2) of the Internal Revenue Code; or
 - (ii) who has had a present ownership interest in a principal residence during any part of the three-year period ending on the date of the sale or transfer, all as provided in Section 143(d) and (I)(2) of the Internal Revenue Code (except that the language "100 percent" shall be substituted for "95 percent or more" where the latter appears in Section 143(d)(1)); or
 - (iii) at an acquisition cost which is greater than 90 percent of the average area purchase price (greater than 110 percent for targeted area residences), all as provided in Section 143(e) and (I)(2) of the Internal Revenue Code; or
 - (iv) who has a gross family income in excess of the applicable percentage of applicable median family income as provided in Section 143(f) and (I)(2) of the Internal Revenue Code; or
 - b. Borrower fails to occupy the property described in the mortgage without prior written consent of the Lender or its successors or assigns described at the beginning of this Addendum; or
 - c. Borrower omits or misrepresents a fact that is material with respect to the provisions of Section 143 of the Internal Revenue Code in an application for this mortgage.

References are to the Internal Revenue Code as amended and in effect on the date of issuance of bonds, the proceeds of which will be used to finance the purchase of the mortgage, and are deemed to include the implementing regulations.

2. The Borrower understands that the agreements and statements of fact contained in the Addendum to Residential Loan Application are necessary conditions for granting this loan.
3. The Borrower agrees that no future advances will be made under this Deed of Trust without the consent of the Department.

WARNING

Unless you (the Borrower) provide us (the Department) with evidence of the insurance coverage as required by this Deed of Trust, we (the Department) may purchase insurance at your expense to protect our interest. This insurance may, but need not, also protect your interest. If the collateral (the Trust Property) becomes damaged, the coverage we purchase may not pay any claim you make or any claim made against you. You may later cancel this coverage by providing evidence that you have obtained property coverage elsewhere.

You are responsible for the cost of any insurance purchased by us. The cost of this insurance may be added to your loan balance. If the cost is added to your loan balance, the interest rate on the underlying loan will apply to this added amount. The effective date of coverage may be the date your prior coverage lapsed or the date you failed to provide proof of coverage.

The coverage we purchase may be considerably more expensive than insurance you can obtain on your own and may not satisfy any need for property damage coverage or any mandatory liability insurance requirements imposed by applicable law.

The Borrower understands and agrees that the above provisions and the interest rate set forth in the Note shall be in effect only if this loan is purchased by the Department or its assigns. If for any reason it is not so purchased, or if such purchase is rescinded, then the above provisions shall cease to be effective and the interest rate may be increased to 8.125 % per annum, and the monthly installment of principal and interest may be increased to \$ 532.74.

NOTICE TO BORROWER: THIS DOCUMENT SUBSTANTIALLY MODIFIES THE TERMS OF THIS LOAN. DO NOT SIGN IT UNLESS YOU HAVE READ AND UNDERSTOOD IT.

I hereby consent to the modifications of the terms of the Deed of Trust and Note which are contained in this Addendum.

Date: _____

Borrower BRYAN GRAY

Borrower KAREN GRAY

STATE OF OREGON)
County of Klamath)ss

On June 22, 2000, before me, the undersigned, a Notary Public in and for said County and State, personally appeared the within named Bryan Gray & Karen Gray, known to me to be the identical individual described in and who executed the within instrument and acknowledged to me that they executed the same freely and voluntarily.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed by official seal this day and year last above written.



Notary Public in and for said County and State
My Commission expires: 12-20-02

(Seal)

After recording, mail to:

SOUTH VALLEY BANK & TRUST
ATTEN: DEANNA
P O BOX 5210

KLAMATH FALLS OR 97601

State of Oregon, County of Klamath
Recorded 06/23/00, at 11:15 a. m.
In Vol. M00 Page 22879
Linda Smith,
County Clerk Fee \$ 31.00