



*(Reserved for Recording Purposes).*

**MASTER FORM**  
**IMPROVEMENT LOAN TRUST DEED, ASSIGNMENT OF RENTS,**  
**SECURITY AGREEMENT, AND FIXTURE FILING**

ODVA Account Number      Tax Account Number

THIS IMPROVEMENT LOAN TRUST DEED, ASSIGNMENT OF RENTS, SECURITY AGREEMENT, AND FIXTURE FILING ("Security Instrument") is made on \_\_\_\_\_ . The grantor is \_\_\_\_\_ , ("Borrower") whose address is \_\_\_\_\_ .

The trustee is ("Trustee"). The beneficiary is the State of Oregon, acting by and through the Director of Veterans' Affairs, whose address is 700 Summer Street NE, Salem, Oregon 97301-1285 ("Note Holder").

As a condition to the making of the loan to Borrower, Note Holder required and Borrower agreed to execute and deliver this Security Instrument.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and for the purpose of securing the Obligations described in Section 3 below, Borrower irrevocably grants, bargains, sells, conveys, assigns, and transfers to Trustee in trust for the benefit and security of Note Holder, with power of sale and right of entry and possession, all of Borrower's right, title and interest in and to the real property ("*the Property*") which has the address of \_\_\_\_\_, Oregon, and is located in \_\_\_\_\_ County, Oregon, and is more particularly described as:

**AFTER RECORDING RETURN TO:**

Until a change is requested, all tax statements shall be sent to the following address:

PROCESSING  
OREGON DEPARTMENT OF VETERANS' AFFAIRS  
700 SUMMER ST NE  
SALEM OR 97301-1285

TOGETHER WITH all interests, estates, and rights that Borrower now has or may acquire in 1) the Property; 2) any and all options, agreements and contracts for the purchase or sale of all or any part or parts of the Property or interests in the Property; 3) all easements, rights-of-way, and rights used in connection with the Property or as a means of access to the Property; and 4) all tenements, hereditaments, privileges, and appurtenances in any manner belonging, relating, or appertaining to the Property;

TOGETHER WITH all interests, estates, and rights of Borrower, now owned or hereafter acquired, in and to any land lying within any streets, sidewalks, alleys, strips, and gores adjacent to or used in connection therewith;

TOGETHER WITH all interests, estates, rights and titles of Borrower, now owned or hereafter acquired, in and to any and all buildings and other improvements of every nature now or hereafter located on the Property, and all appurtenances and additions to and substitutions and replacements of the Property; and any and all fixtures now or hereafter attached to or installed in the Property, including but not limited to all machinery, equipment, appliances and fixtures for generating and distributing air, water, heat, electricity, light, fuel or refrigeration, or for ventilation, or for sanitary purposes, or for the exclusion of vermin or insects, or for the removal of dust, refuse or garbage; all wallbeds, wallsafes, built-in furniture or installations, shelving, lockers, partitions, door stops, vaults, elevators, dumb-waiters, awnings, window shades, venetian blinds, light fixtures, fire hoses and brackets and boxes for same, fire sprinklers, alarm systems, drapery rods and brackets, screens, linoleum, carpets, plumbing, laundry tubs and trays, ice boxes, refrigerators, heating units, stoves, water heaters, incinerators and communication systems and all appurtenances and additions thereto and substitutions and replacements thereof (*all of the foregoing being collectively referred to below as "Improvements"*);

TOGETHER WITH any and all minerals, as defined in ORS 273.775 (*including but not limited to soil, clay, stone, sand and gravel*), and all geothermal resources, as defined in ORS 522.005, together with the right to make such use of the surface as may be reasonably necessary for exploring for, mining, extracting, storing, drilling for, and removing such minerals, materials and geothermal resources; and any and all air rights, development rights, water, water rights, water stock, and water service contracts, drainage rights, zoning rights, timber rights, royalties, and other similar rights or interests that benefit or are appurtenant to the Property or the Improvements or both, and any of their proceeds;

TOGETHER WITH all rights, interests, and claims that Borrower now has or may acquire with respect to any damage to or taking of all or any part of the Property or the Improvements including, without limitation, any and all proceeds of insurance in effect with respect to the Improvements, any and all awards made for taking by eminent domain or by any proceeding or purchase in lieu thereof, of the whole or any part of the Property or the Improvements; and

TOGETHER WITH any shrubbery, flora or timber now growing or hereafter planted or growing thereon.

All of the above may be referenced herein below as "*Trust Property*."

TO HAVE AND TO HOLD the Trust Property to Trustee and its successors and assigns for the benefit of Note Holder and its successors and assigns, forever.

PROVIDED ALWAYS that if all the Obligations shall be paid, performed, and satisfied in full, then the lien and estate granted by this Trust Deed shall be re-conveyed.

To secure the Obligations, Borrower hereby grants to Note Holder a security interest in the following personal property of Borrower which are located on, relate to or arise out of the Property, whether now existing or hereafter arising, and all proceeds and products thereof: all rents, revenues, issues, profits, income, proceeds (*including but not limited to insurance and condemnation proceeds*), benefits, accounts, general intangibles, and equipment (*including but not limited to fixtures*) and all personal property included within the description of the Trust Property. This Security Instrument shall constitute a security agreement and fixture filing under the Uniform Commercial Code of the State of Oregon. The mailing address of Borrower and the address of Note Holder from which information may be obtained are set forth in the introductory paragraph of this Security Instrument. Borrower grants to Note Holder a security interest in any standing timber or timber to be cut located upon the Property, whether now existing or hereafter arising, and any products and proceeds thereof.

This Security Instrument is subject to:

(a) a security instrument in favor of Note Holder dated \_\_\_\_\_, and recorded on \_\_\_\_\_, in \_\_\_\_\_, for \_\_\_\_\_ County, Oregon, which was given to secure the payment of a note dated \_\_\_\_\_, in the amount of \$ \_\_\_\_\_;

(b) a security instrument in favor of Note Holder dated \_\_\_\_\_, and recorded on \_\_\_\_\_, in \_\_\_\_\_, for \_\_\_\_\_ County, Oregon, which was given to secure the payment of a note dated \_\_\_\_\_, in the amount of \$ \_\_\_\_\_; and

(c) a security instrument in favor of Note Holder dated \_\_\_\_\_, and recorded on \_\_\_\_\_, in \_\_\_\_\_, for \_\_\_\_\_ County, Oregon, which was given to secure the payment of a note dated \_\_\_\_\_, in the amount of \$ \_\_\_\_\_.

**TO PROTECT THE RIGHTS GRANTED UNDER THIS SECURITY INSTRUMENT, BORROWER HEREBY COVENANTS AND AGREES AS FOLLOWS:**

1. **First Lien.** Borrower acknowledges that the Trust Property was also given as security by Borrower pursuant to the security instrument(s) listed in the preceding paragraph. Borrower and Note Holder intend that these liens be collectively considered first liens upon the property as prescribed by ORS 407.225(1). A default on the Note or a default on any other outstanding note or notes listed above shall constitute an event of default under this Security Instrument and on all other outstanding security instruments listed above.
2. **Warranty of Fee Title.** Borrower warrants that Borrower holds good and marketable title to the Trust Property, is lawfully seized of the Trust Property and has the right to grant and convey the Trust Property and that except for the liens referred to in Section 1 above in favor of Note Holder, the Trust Property is free and clear of all liens, encumbrances, reservations, restrictions, easements and adverse claims, and Borrower warrants and shall defend generally the title to the Trust Property and Note Holder's and Trustee's rights under this Security Instrument against all claims and demands, subject to any easements and restrictions listed in a schedule of exceptions to coverage in any title insurance policy insuring Note Holder's interest in the Trust Property.
3. **Obligations Secured.** This Security Instrument secures the following, collectively referred to as the "*Obligations*":
  - A. **Note.** The payment of all indebtedness of Borrower, including but not limited to principal and interest, and the performance of all covenants and obligations of Borrower, under the Note, whether such payment or performance is now due or becomes due in the future;
  - B. **Security Instrument.** The payment of all indebtedness of Borrower, including future advances, cost and expenses, and the performance of all covenants and obligations of Borrower, under the Security Instrument; and
  - C. **Other Indebtedness.** The payment of all indebtedness of Borrower, and the performance of all covenants and obligations of Borrower, arising out of any other outstanding notes and any other security instruments, agreements, and undertakings now existing or hereafter executed by Borrower with or for the benefit of the Note Holder respecting this Trust Property.
4. **Payment of Indebtedness, Performance of Covenants.** Borrower shall duly and punctually pay and perform all of the Obligations. If Borrower fails to pay any amount (*other than the scheduled payments due under the Note*) which is due hereunder (*including but not limited to failure to pay any amount due under Section 6, 7, 9, 10, 11, 12, 13, 16, 18, 19.B, 21, 27 or 32*), the amount which Borrower fails to pay shall accrue interest from the date of disbursement at the rate stated in the Note or the then current Oregon veterans' home improvement loan rate, whichever is higher, and shall be secured by this Security Instrument. Said amount shall be payable on demand or may, at Note Holder's option, be payable over such period of time as is agreed to by Note Holder.
5. **Certain Representations and Warranties.** Borrower represents and warrants to Note Holder that:
  - A. **No Preexisting Violations.** Neither the Trust Property nor Borrower is in violation of, or subject to any existing, pending, or threatened investigation by any governmental authority under, any Environmental Requirements (*as defined below*).
  - B. **Permits or Licenses.** Borrower has not obtained, and is not required by any Environmental Requirements to obtain, any permit or license other than those it has obtained to construct or use the Improvements or Trust Property.
  - C. **Past Use of Trust Property.** To the best of Borrower's knowledge, no hazardous substance has ever been used, generated, manufactured, produced, stored, released, discharged, or disposed of on, under, or about the Trust Property (*including the use of lead-based paints, asbestos or the presence of underground storage tanks*) in violation of any Environmental Requirements. If Borrower knows, or has reason to believe, the Trust Property contains or may contain any hazardous substance(s) or item(s) in violation of any Environmental Requirements, Borrower shall provide Note Holder copies of all documents, reports, assessments, studies or notices received or sent to or from any person or notify Note Holder in writing of the presence of any hazardous substances.
6. **Funds for Taxes and Insurance.**
  - A. **Funds.** If Note Holder so elects, subject to applicable law, Borrower shall pay to Note Holder on or before payments of principal and interest are due under the Note, until the Note is paid in full, sums ("*Funds*") equal to: (a) one-twelfth of the yearly taxes and assessments which may attain priority over this Security Instrument, (b) one-twelfth of the yearly premium for hazard or property insurance, (c) one-twelfth of yearly premium for flood insurance, if any, (d) any sums payable by Borrower to Note Holder, in accordance with provisions of Section 13, in lieu of the payment of mortgage insurance, and (e) any additional amounts which Note Holder may deem necessary, all as reasonably estimated initially and from time to time by Note Holder. These items are called "*Reserve Items*." Note Holder may, at any time, collect and hold Funds in an account ("*Account*") in an amount not to exceed the maximum amount Note Holder is allowed by law. Note Holder shall have no duty to maintain the Funds in a segregated Account. Note Holder shall apply the Funds to pay the Reserve Items. However, Note Holder may require Borrower to pay a one-time charge for an independent real estate tax reporting service used by Note Holder in connection with this loan, unless applicable law provides otherwise. Unless an agreement is made or applicable law requires interest to be paid, Note Holder shall not be required to pay Borrower any interest or earnings on the Funds. Borrower and Note Holder may agree

in writing, however, that interest shall be paid on the Funds. Note Holder shall give to Borrower, without charge, an annual accounting of the Funds, showing credits and debits to the Funds and the purpose for which each debit to the Funds was made.

**B. Pledge.** The Funds are pledged as additional security for all sums secured by this Security Instrument.

**C. Excess or Insufficient Funds.** If the Funds held by Note Holder exceed the amounts permitted to be held by applicable law, Note Holder shall account to Borrower for the excess Funds in accordance with the requirements of applicable law. If the amount of the Funds held by Note Holder at any time is not sufficient to pay the Reserve Items when due, Note Holder may so notify Borrower in writing, and in such case Borrower shall pay to Note Holder the amount necessary to make up the deficiency. Borrower shall make up the deficiency immediately or, at Note Holder's sole discretion, the deficiency shall be made up in no more than twelve equal monthly payments.

**D. Upon Full Payment or Foreclosure.** Upon payment in full of all sums secured by this Security Instrument, Note Holder shall promptly refund to Borrower any Funds held by Note Holder. If, under Section 27, Note Holder shall acquire or sell the Property, Note Holder, prior to the acquisition or sale of the Property, may apply any Funds held by Note Holder at the time of acquisition or sale as a credit against the sums secured by this Security Instrument.

**E. General Deposit.** The Account shall be held by Note Holder as a general deposit from Borrower which Note Holder may use for the payment of taxes and assessments, insurance premiums or other Reserve Items required to be paid by Borrower as they become due. Note Holder does not hold the Funds in the Account in trust for Borrower, and Note Holder is not the agent of Borrower for payment of the taxes and assessments, insurance premiums or other Reserve Items required to be paid by Borrower as they become due.

**7. Loan Cancellation Life Insurance.** Loan Cancellation Life Insurance (*LCLI*) is an optional program, and no guarantees are given or implied that Borrower will be accepted for this program because Borrower was accepted under any loan program. If Borrower applies and is accepted for this insurance, Borrower shall pay the estimated premium to Note Holder with Borrower's regular payment as it becomes due. Any changes in the premium may change the amount due with the regular payment. The insurance contract may provide that LCLI will be canceled after payments on the Note become four months past due.

**8. Application of Payments.** Unless applicable law provides otherwise, all payments received by Note Holder under Section 4 shall be applied in an order determined from time to time by Note Holder at Note Holder's sole discretion. Payments are typically applied: first, to LCLI premium due; second, to any late charges due; third, to any amounts due to fund reserves under Section 6; fourth, to any fees and charges (*except for LCLI premium, late charges and amounts due under Section 6*) due under Section 4; fifth, to interest due; sixth, to principal due.

**9. Charges and Liens.** Borrower shall pay all taxes, liens, assessments and other charges, penalties, fines and impositions attributable to the Trust Property, at Note Holder's option in the manner provided under Section 6 hereof or by Borrower making payment, when due, directly to the payee thereof. Borrower shall promptly furnish to Note Holder all notices of amounts due under this Section 9, and in the event Borrower shall make payment directly, Borrower shall promptly furnish to Note Holder receipts evidencing such payments. Borrower shall promptly discharge any lien, provided that Borrower shall not be required to discharge any such lien so long as Borrower shall agree in writing to the payment of the obligation secured by such lien in a manner acceptable to Note Holder or shall in good faith contest such lien by, or defend enforcement of such lien in, legal proceedings which operate to prevent the enforcement of the lien or forfeiture of the Trust Property or any part thereof. In the event that Borrower has an existing loan with Note Holder through which taxes are being paid, those taxes shall continue to be paid in the manner provided in the other outstanding security instrument until such other outstanding loan is paid in full.

**10. Hazard and Flood Insurance.**

**A. Insurance.** Borrower shall keep the Improvements insured against loss by fire, hazards included within the term "extended coverage" and such other hazards as Note Holder may require and in such amounts and for such periods as Note Holder may require. If at any time it is determined that the Trust Property is located in whole or in part within a flood hazard area as defined by the National Flood Insurance Act, Borrower hereby agrees to purchase flood hazard insurance acceptable to Note Holder, at no cost to Note Holder.

**B. Requirements.** All insurance policies and renewals shall be in a form acceptable to Note Holder and shall include a standard mortgagee clause in favor of Note Holder. Note Holder shall have the right to hold the policies and renewals, and Borrower shall promptly furnish to Note Holder all renewal notices and all receipts of paid premiums. The insurance carrier providing the insurance shall be chosen by Borrower subject to approval by Note Holder; provided that such approval shall not be unreasonably withheld. In the event that Borrower has an existing loan with Note Holder through which insurance is being paid, that insurance shall continue to be paid in the manner provided in the other outstanding security instrument until such other outstanding loan is paid in full. In the event that Borrower does not have an outstanding loan with Note Holder through which insurance is being paid or if all prior loans with Note Holder are paid in full, all premiums on insurance policies shall be paid at

Note Holder's option in the manner provided under Section 6 hereof or by Borrower making payment, when due, directly to the insurance carrier.

**C. Force-Placed Insurance.** If Borrower fails to maintain the coverage described above, Note Holder may, at Note Holder's option, obtain coverage to protect Note Holder's rights in the Trust Property in accordance with Section 12 and the following warning:

**NOTE:** In the following "WARNING", the pronoun "you" refers to Borrower, and the pronouns "we" and "us" refer to Note Holder.

### WARNING

Unless you provide us with evidence of the insurance coverage as required by our Security Instrument, we may purchase insurance at your expense to protect our interest. This insurance may, but need not, also protect your interest. If the collateral 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 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.

Note Holder's election to force-place insurance pursuant to this Section shall not constitute a waiver by Note Holder of its right to declare Borrower to be in default of this Security Instrument and to exercise any remedies described in Section 27 or otherwise.

**D. Event Of Loss.** In the event of loss, Borrower shall give prompt notice to the insurance carrier and Note Holder, and Note Holder may make proof of loss if not promptly made by Borrower and to Note Holder's satisfaction. Insurance proceeds shall be paid directly to Note Holder. Note Holder may deal directly with any insurance company. If Note Holder, by reason of such insurance, receives any money for loss or damage, such amounts may be, at the option of the Note Holder, either:

(i) retained and applied by Note Holder toward payment of all or part of the Obligations secured by this Security Instrument in such order as Note Holder may determine, whether or not such Obligations are then due, and without regard to whether or not the security of Note Holder is impaired; or

(ii) paid over wholly or in part to Borrower, upon such conditions as Note Holder may determine, for the repair of the Improvements, for the erection of new buildings or improvements in their place, or for any other purpose or object satisfactory to Note Holder.

No insurance proceeds shall be released if Borrower is in default under any of the Obligations or this Security Instrument. Unless Note Holder and Borrower otherwise agree in writing, any such application of proceeds to principal shall not extend or postpone the due date of the payments referred to in Section 4 hereof or change the amount of such payments. If, in the event of a judicial foreclosure or otherwise and pursuant to the Trustee's exercise of the power of sale, the Trust Property is acquired by Note Holder, all right, title and interest of Borrower in and to any insurance policies and in and to the proceeds thereof (*to the extent of the sum secured by this Security Instrument immediately prior to such sale or acquisition*) resulting from damage to the Trust Property prior to the sale or acquisition shall pass to Note Holder.

**11. Occupancy; Borrower's Loan Application; Preservation and Maintenance of Trust Property; Leaseholds; Condominiums.** Borrower shall occupy, establish, and use the Trust Property primarily as Borrower's principal residence within sixty days after the execution of the Security Instrument and shall continue to occupy the Property primarily as Borrower's principal residence, unless Note Holder otherwise agrees in writing due to extenuating circumstances. Borrower shall keep the Trust Property in good repair and shall not commit, permit or suffer any nuisance nor commit, permit or suffer any waste, impairment, or deterioration of the Trust Property. If Borrower acquires fee title to the Property, the leasehold and the fee title shall not merge unless Note Holder agrees to the merger in writing. If this Security Instrument is on a condominium unit, Borrower shall perform all of the Borrower's obligations under the declaration of condominium or master deed, the bylaws and regulations of the condominium project and constituent documents.

**12. Protection of Note Holder's Security.** If Borrower fails to perform the covenants and agreements contained in this Security Instrument, or if any action or proceeding is commenced which affects Note Holder's interest in the Trust Property, including, but not limited to, eminent domain, insolvency, code enforcement, or arrangements or proceedings involving a bankrupt or decedent, then Note Holder, at Note Holder's option, may make such appearances, disburse such sums and take such action as Note Holder deems is desirable or necessary to protect Note Holder's interest, including, but not limited to, disbursement of reasonable attorneys' fees and

entry upon the Trust Property to make repairs. Borrower shall reimburse Note Holder for all amounts so expended on demand. Any such action by Note Holder shall not constitute a waiver of any default or of any right or remedy which Note Holder may have on account of Borrower's default. Nothing in this Section shall require Note Holder to incur any expense or do any act hereunder.

**13. Mortgage Insurance.** If Note Holder 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 Note Holder lapses or ceases to be in effect, Borrower shall pay the premiums required to obtain coverage substantially equivalent to the mortgage insurance previously in effect from an alternate mortgage insurer approved by Note Holder. Borrower shall pay the premiums required to maintain mortgage insurance in effect until the requirement for mortgage insurance ends in accordance with any written agreement between Borrower and Note Holder or applicable law.

**14. Note Holder's Right to Enter and Inspect.** Note Holder or its agent may make entry upon and inspection of the Trust Property at reasonable times. Note Holder shall give Borrower notice at the time of or prior to an inspection.

**15. Condemnation.**

**A. Notification Requirement.** Should any part of or interest in the Trust Property be taken or damaged by reason of any public improvement, eminent domain, condemnation proceeding, or in any similar manner ("Condemnation"), or should Borrower receive any notice or other information regarding such action, Borrower shall give immediate notice of such action to Note Holder.

**B. Assignment of Proceeds.** Borrower hereby irrevocably assigns to Note Holder, and Note Holder shall be entitled to, the proceeds of any award or claim for damages, direct or consequential, in connection with any Condemnation or other taking of the Trust Property, or part thereof, or for conveyance in lieu of Condemnation ("Condemnation Proceeds") up to the full amount of Borrower's Obligations. Subject to the terms of this Trust Deed, Note Holder is authorized to collect and receive such proceeds, to give proper receipts and acquittances for the proceeds, and to apply them to the Obligations secured by this Trust Deed.

**C. Filing Claim and Full Taking of Property.** Borrower shall file and prosecute in good faith and with due diligence what otherwise would be its claim in any Condemnation award or payment and will cause the same to be collected and paid over to Note Holder. However, Note Holder shall be entitled, at its option, to commence, appear in, and prosecute any Condemnation proceeding in its own or Borrower's name and make any compromise or settlement in connection with such Condemnation or by reason of sale under threat thereof or in anticipation of the exercise of the right of Condemnation. In the event the Trust Property is taken in its entirety by Condemnation, all of Borrower's Obligations secured by the Security Instrument, at Note Holder's election, shall become immediately due and payable.

**D. Application Of Proceeds.** Note Holder may, at its sole option and in such order as Note Holder may determine, apply the Condemnation Proceeds to the reduction of Borrower's Obligations, including reasonable costs, expenses, and attorneys' fees, which may have been incurred by Note Holder in the collection thereof, and may apply all or any portion to the Condemnation Proceeds to the cost of restoring and improving the remaining Trust Property. In the event that Note Holder elects to apply any of the Condemnation Proceeds to restoration and improvement, such Condemnation Proceeds shall be held by Note Holder and shall be released only upon such terms and conditions as Note Holder shall require in its sole discretion, including but not limited to prior approval of plans and release of liens. No Condemnation Proceeds shall be released if Borrower is in default under any of the Obligations or this Security Instrument.

In the event Note Holder elects to apply the Condemnation Proceeds to the reduction of Borrower's Obligations, any such application of proceeds to principal shall not extend or postpone the due date of any of the Obligations or change the amounts of such payments, unless Note Holder and Borrower otherwise agree in writing.

**16. Further Assurances; Filing; Refiling; Etc.**

**A. Further Assurances.** Borrower shall execute, acknowledge, and deliver, from time to time, such further instruments as Note Holder or Trustee may require to accomplish the purposes of this Security Instrument.

**B. Filing.** Borrower, immediately upon the execution and delivery of this Security Instrument, and thereafter from time to time, shall cause this Security Instrument, any supplemental security agreement, mortgage, or deed of trust and each instrument of further assurance, to be recorded and rerecorded in such manner and in such places as may be required by any present or future law in order to perfect, and continue to be perfected, the lien and estate of this Security Instrument, and any such supplemental security agreement, mortgage, or deed of trust and instrument of further assurance.

**C. Payment Of Fees.** Borrower shall pay all filing and recording fees and all expenses incident to the execution, filing, recording, and acknowledgment of this Security Instrument; any security agreement, mortgage, or deed of trust supplemental hereto and any instrument of further assurance; and all federal, state, county, and municipal taxes, assessments and charges arising out of or in connection with the execution, delivery, filing, and recording of this Security Instrument, any supplemental security agreement, mortgage, or deed of trust and any instrument of further assurance.

**17. No Waiver; Borrower Not Released.**

**A. No Waiver.** Any forbearance by Note Holder in exercising any right or remedy hereunder, or otherwise afforded by applicable law, shall not be a waiver or preclude the exercise of any right or remedy hereunder. Waiver of strict performance of any provision of the Note or Security Instrument, including but not limited to acceptance of late payments, shall not be a waiver of or prejudice Note Holder's right to require strict performance of the same provisions without notice in the future or of any other provisions. Any waiver of performance of any provisions of the Note or Security Instrument must be in writing.

The procurement of insurance or the payment of taxes or other liens or charges by Note Holder shall not be a waiver of any of Note Holder's rights or remedies under this Security Instrument.

**B. Borrower Not Released.** Extension of the time for payment, reamortization of the sum secured by this Security Instrument granted by Note Holder to any successor in interest of Borrower, or any other modification or any waiver of any right or remedy shall not operate to release, in any manner, the liability of the original Borrower and Borrower's successors in interest. Note Holder shall not be required to commence proceedings against successors or refuse to extend time for payment, to reamortize the sum secured by this Security Instrument, or to make any modification by reason of any demand made by the original Borrower and Borrower's successors in interest.

**18. 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 limits, then: (a) any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit; and (b) any sums already collected from Borrower which exceeded permitted limits will be refunded to Borrower. Note Holder 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.

**19. Use and Transfer of Trust Property – Acceleration in Certain Instances; Costs; Increased Interest Rate.**

**A. Acceleration in Certain Instances.** Note Holder may declare all sums secured by this Security Instrument to be immediately due and payable if: (a) All or part of the Trust Property is sold or otherwise transferred (*except for a sale or transfer to the original Borrower, the surviving spouse, unremarried former spouse, surviving child or stepchild of the original Borrower, or a governmental entity when the Trust Property is transferred for public use*) by Borrower to a purchaser or other transferee, (b) Borrower rents, leases, or within 60 days after the loan is closed, fails to occupy and continue to occupy the Trust Property primarily as the Borrower's principal residence, or (c) Borrower omits or misrepresents a fact that is material with respect to the provisions of Section 143 of the Internal Revenue Code of 1986, as amended, in an application for this loan. The execution and delivery by Borrower of any joint venture agreement, partnership agreement, declaration of trust, option agreement or other instrument whereunder any other person may become entitled, directly or indirectly, to the possession or enjoyment of the Trust Property, or the income or other benefits derived or to be derived therefrom, may in each case be deemed to be a sale or transfer of Borrower's interest in the Trust Property for the purposes of this Section. If Note Holder exercises this option, Note Holder shall give Borrower notice of acceleration.

**B. Costs; Increased Interest Rate.** If all or part of the Trust Property or any interest therein is sold or otherwise transferred (*except for a sale or transfer to the original Borrower, the surviving spouse, unremarried former spouse, surviving child or stepchild of the original Borrower, or a governmental entity when the Trust Property is transferred for public use*) by Borrower to a purchaser or other transferee, Note Holder may require payment of administrative costs and shall increase the rate of interest due on the loan as prescribed in ORS 407.335 from the date of the transfer to the date the loan is paid in full, and said interest shall be considered an amount due under the Note. If the interest rate is increased as a result of the application of those statutory requirements or administrative rules, the monthly payment of principal and interest shall increase so that the principal balance of the Note shall be fully amortized by the Maturity Date. The increase in the rate of interest shall not affect any other remedies provided under this Security Instrument.

**20. Environmental Covenants.** Borrower will keep and maintain the Trust Property in compliance with and shall not cause or permit all or any portion of the Trust Property, including the ground water, to be in violation of any environmental law or requirement under any governmental authority (*collectively the "Environmental Requirements"*). Borrower shall not place or permit any materials to be located on the Trust Property which require special handling in collection, storage, treatment, or disposal. If at any time materials relocated on or near the Trust Property require special handling in collection, storage, treatment or disposal under any Environmental Requirement, Borrower, within thirty (30) days after written notice, shall take at Borrower's sole expense such actions as may be necessary to comply with all Environmental Requirements. Borrower will not use, generate, manufacture, produce, store, release, discharge or dispose of on, under or about the Trust Property or the Trust Property's ground water or transport to the Trust Property any hazardous substance and will not permit any other person, including but not limited to persons or entities who rent, lease or are invited to the Trust Property, to do so. Hazardous substance includes, without limitation, any material, substance or waste that is or becomes regulated or that is or becomes classified as hazardous, dangerous, or toxic under any Environmental Requirements. Note Holder shall not be deemed an owner or holder of the Trust Property at any time. Note Holder's interest in the Trust Property is to secure payment of the Obligations. All representations, warranties and covenants in Sections 5, 20 and 21 shall survive the satisfaction of the Obligations, the reconveyance of the Trust Property, or the foreclosure of this Security Instrument by any means.

**21. Environmental Indemnification.** Borrower hereby agrees to indemnify, defend (*subject to ORS chapter 180*) and hold harmless Note Holder from and for any loss, liability, lien, damage, cost or expense, including reasonable attorneys fees, for failure of the Trust Property to comply in all respects with the Environmental Requirements. The provisions hereof shall survive payoff, release, or foreclosure of this Security Instrument. Borrower, promptly upon the written request of Note Holder, from time to time, shall provide Note Holder with such governmental site assessment, audit report, or update as Note Holder may reasonably require to assure the protection of the Trust Property, in scope, form, and content satisfactory to Note Holder. This provision shall not be merged with or be affected in any way by the terms of any other agreement between the parties.

**22. Compliance with Laws.** Borrower further represents, warrants and covenants that the Trust Property and all Improvements have been constructed and have and shall be maintained in full compliance with all applicable federal, state and local laws, statutes, regulations, ordinances and codes and in full compliance with all covenants, conditions, easements and restrictions affecting the Trust Property based upon all information available to Borrower and which are in the control of Borrower. Borrower shall comply with all federal, state and local laws, regulations and ordinances applicable to the use or occupancy of the Trust Property and will repair, replace, or take steps to bring into compliance with such laws, regulations and ordinances non-complying features of the Improvements. Borrower may contest in good faith any such law, regulation or ordinance and withhold compliance during any such proceeding, including appropriate appeals, so long as Note Holder's and Trustee's interests in the Trust Property are not jeopardized.

**23. Indemnity.** Borrower shall indemnify, defend (*subject to ORS chapter 180*) and hold Note Holder and Trustee harmless from and for any and all losses and expenses, including but not limited to attorneys fees and court costs, in any suit, action or proceeding or any appeal therefrom brought against Note Holder or Trustee by a third party resulting from or attributable to Note Holder's ownership of the Note or Trustee's interest under this Security Instrument.

**24. Time of Essence.** Time is of the essence in this Security Instrument.

**25. Events of Default.** The following shall constitute events of default:

**A. Nonpayment.** Failure of Borrower to make any payment due under the Note the time required by the Note .

**B. Misinformation.** Falsity in any material respect of any of the representations, warranties or covenants of Borrower contained herein or any representation, warranty or information furnished to Note Holder in connection with the Note or this Security Instrument. It is also an event of default if Borrower, during the loan application process, gave materially false or inaccurate information or statements to Note Holder or failed to provide Note Holder 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 Trust Property as a principal residence.

**C. Other Obligations.** Failure of Borrower to perform any obligation required by any other instrument (*other than this Security Instrument or the Note*) evidencing or securing any indebtedness of Borrower to Note Holder, which failure is not cured within the applicable grace period provided in such other instrument.

**D. Judicial Proceedings.** Initiation of any judicial proceeding against the Trust Property which is not dismissed.

**E. Sale or Transfer.** The sale or transfer of possession of the Trust Property or any part thereof in any manner by Borrower, whether by deed, contract of sale, lease or similar agreements, without the prior written consent of Note Holder, which consent will not be unreasonably withheld.

**F. Bankruptcy.** Insolvency or business failure of Borrower; the commencement by Borrower of a voluntary case under the federal bankruptcy laws or under any other federal or state law relating to insolvency or debtor's relief; the filing of an involuntary petition against Borrower under the federal bankruptcy laws or under any other applicable federal or state law relating to insolvency or debtor's relief which Borrower has not caused to be dismissed within 30 days after such filing; the appointment or the consent by Borrower to the appointment of a receiver, trustee, or custodian of Borrower or of any of Borrower's property which Borrower has not caused to be withdrawn within 30 days after such appointment; an assignment for the benefit of creditors by Borrower; the making or suffering by Borrower of a fraudulent transfer under applicable federal or state law; concealment by Borrower of any of its property in fraud of creditors; the imposition of a lien through legal proceedings or distraint upon any of the property of Borrower; or Borrower's failure generally to pay its debts as such debts become due.

**G. Other Defaults.** Beach of any of its Obligations, other than breaches referred to in Section 19 and subsections A through F above, which breach is not corrected within 30 days of notice (*or such shorter period as indicated in said notice*) from Note Holder of said breach.

**26. Notice of Default.** To provide the notice required under Section 25.D., Note Holder or Trustee, as the case may be, shall in its notice specify (a) the default; (b) the action required to cure such default; (c) a date by which such default must be cured; and (d) that failure to cure such default on or before the date specified in the notice may result in Note Holder or Trustee, without further notice, exercising any of the rights or remedies provided under the Security Instrument, in addition to any other rights or remedies which may be available at law, in equity or otherwise. No notice of default and no opportunity to cure shall be required if, during the prior twelve (12) month period, Note Holder or Trustee has already twice sent notice to Borrower concerning default in performance of its Obligations. In all other cases of default, Note Holder may, in its sole discretion, without notice, exercise any of the rights or remedies provided under the Security Instrument, in addition to any other rights or remedies which may be available at law, in equity or otherwise. A notice of default under the Note or under any other outstanding account with Note Holder may be combined with the notice of default under this Security Instrument.

**27. Remedies.** If an event of default occurs, Note Holder may exercise any of the following rights or remedies in addition to any other rights or remedies which may be available at law, in equity or otherwise.

- A. Acceleration.** Note Holder may declare all sums secured by this Security Instrument, including interest upon the principal Obligation, to be immediately due and payable.
- B. Possession.** Note Holder may, either through a receiver or as a Note Holder-in-possession, take possession of all or any part of the Trust Property, and Borrower shall peaceably surrender the same.
- C. Foreclosure.** Note Holder may obtain a decree foreclosing Borrower's interest in all or any part of the Trust Property.
- D. Power of Sale.** Note Holder may direct Trustee, and Trustee shall be empowered, to foreclose the Trust Property by advertisement and exercise of the power of sale under applicable law.
- E. Cumulative Remedies.** All rights and remedies provided in this Security Instrument are distinct from and cumulative to any other right or remedy under this Security Instrument or afforded by law or equity and may be exercised concurrently, independently or successively. Election to pursue one remedy shall not exclude any other remedy. No delay or omission in exercising any right or remedy shall impair that right or remedy or shall be construed to be a waiver of the default.

With respect to any fixtures or other property subject to the security interest in favor of the Note Holder, Note Holder may exercise any and all of the rights and remedies of a secured party under the Uniform Commercial Code.

**28. Application of Proceeds.** All proceeds from the exercise of the rights and remedies under Section 27 shall be applied to (A) costs of exercising such rights and remedies, then (B) the Obligations, in such order as Note Holder shall determine in its sole discretion; and then (C) the surplus, if any, shall be paid to the clerk of the court in the case of a judicial foreclosure proceeding, otherwise to the person or persons legally entitled thereto.

**29. Reconveyance.** Upon payment of the Obligations secured by this Security Instrument, Note Holder shall request Trustee to reconvey the Trust Property and shall surrender this Security Instrument and all notes evidencing debt secured by this Security Instrument to Trustee. Trustee shall reconvey the Trust Property without warranty to the person or persons legally entitled to it. Such person or persons shall pay any recordation costs. Note Holder may charge such person or persons a fee for reconveying the Trust Property, but only if the fee is paid to a third party (*such as the Trustee*) for services rendered and the charging of the fee is permitted under applicable law.

**30. Substitute Trustee.** In accordance with applicable law, Note Holder may from time to time remove Trustee and appoint a successor trustee to any trustee appointed hereunder. Without reconveyance of the Trust Property, the successor trustee shall succeed to all the title, powers and duties conferred upon the Trustee herein and by applicable law.

**31. Successors and Assigns; Joint and Several.**

- A. Successors and Assigns.** The covenants and agreements herein contained shall bind, and the rights hereunder shall inure to the benefit of, the respective successors and assigns of Note Holder and Borrower, subject to the provisions of Section 19.
- B. Joint and Several.** All covenants and agreements of Borrower shall be joint and several. Any Borrower who co-signs this Security Instrument agrees that Note Holder 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.

**32. Expenses and Attorneys' Fees.** Borrower promises to pay upon demand all costs, expenses, and attorneys' fees incurred by Note Holder in the exercise of any remedy (*with or without litigation*), in any proceeding for the collection of the debt, in any trustee's sale or foreclosure of the Security Instrument or in the realization upon any other security securing Borrower's Obligations and the Note, in protecting or sustaining the lien or priority of said Security Instrument or said other security, or in any litigation or controversy arising from or connected with the Note or this Security Instrument or any security for or guaranty of the Note. Said proceedings shall include, without limitation, any probate, eminent domain, condemnation, bankruptcy, receivership, injunction, arbitration, mediation, or other proceeding, or any appeal from or petition for review of any of the foregoing, in which Note Holder appears to collect its debt,

or protect or enforce its security for the Note and this Security Instrument. Borrower shall also pay all of Note Holder's costs and attorneys' fees incurred in connection with any demand, workout, settlement, compromise, or other activity in which Note Holder engages to collect any portion of its debt not paid when due or as a result of any other default of Borrower. If a judgment is obtained thereon which includes an award of attorneys' fees, such attorneys' fees, costs and expenses shall be in such amount as the court shall deem reasonable, which judgment shall accrue interest at the Note interest rate or the legal judgment rate, whichever is higher, from the date it is rendered.

**33. Notice.** Any notice to Borrower provided for in this Security Instrument shall be given by delivering it or by mailing it by first class mail, postage prepaid, unless applicable law requires use of another method. The notice shall be directed to the address indicated on the first page of this Security Instrument or any other address Borrower designates by notice to Note Holder. Notice mailed to Borrower will be effective upon mailing. Any notice to Note Holder shall be given by first class mail, postage prepaid, to Note Holder's address indicated on the first page of this Security Instrument or any other address Note Holder designates by notice to Borrower. Notice to the Note Holder will be effective upon receipt by the Note Holder. Any notice provided for in this Security Instrument shall be deemed to have been given to Borrower or Note Holder when given as provided in this Section.

**34. Applicable Law; Severability.** This Security Instrument and the Note shall be governed by federal law and the laws of the State of Oregon, and it is distinctly understood and agreed that the Security Instrument and Note are subject to the provisions of Article XI-A of the Oregon Constitution, ORS Chapter 407 and any subsequent amendments thereto and to all rules and regulations which have been issued or may hereafter be issued by the Director of Veterans' Affairs pursuant to the provisions of ORS Chapter 407. In the event that any provision or clause of the Security Instrument or the Note conflicts with applicable law, such conflict shall not affect other provisions of the Security Instrument or the Note which can be given effect without the conflicting provision, and to this end the provisions of this Security Instrument and the Note are declared to be severable. In the event that any provision or clause of this Security Instrument conflicts with any provision or clause of any other outstanding security instrument, the provisions of this Security Instrument shall prevail.

**35. Construction.**

**A. Standard for Discretion.** In the event this Security Instrument is silent on the standard for any consent, approval, waiver, determination, or similar discretionary action or when the term "sole discretion" or a like term is used, the standard shall be, or the term shall mean, Note Holder's sole and unfettered discretion as opposed to any standard of good faith, fairness, or reasonableness.

**B. Headings.** The headings to the Sections and paragraphs of this Security Instrument are included only for the convenience of the parties and shall not have the effect of defining, diminishing or enlarging the rights of the parties or affecting the construction or interpretation of any portion of this Security Instrument.

**C. Words.** The masculine shall be deemed to include the feminine and neuter, and the singular the plural where such connotations are applicable herein.

**36. Entire Agreement.** This Security Instrument contains the entire agreement of the parties with respect to the matters covered herein, and no other previous agreement, statement or promise made by any party to this Security Instrument which is not contained herein shall be binding or valid.

**ORS 93.040 Warning.** THIS INSTRUMENT WILL NOT ALLOW USE OF THE PROPERTY DESCRIBED IN THIS INSTRUMENT IN VIOLATION OF APPLICABLE LAND USE LAWS AND REGULATIONS. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEED TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY APPROVED USES AND TO DETERMINE ANY LIMITS ON LAWSUITS AGAINST FARMING OR FOREST PRACTICES AS DEFINED IN ORS 30.930.

**Under Oregon law, most agreements, promises and commitments made by Note Holder after October 3, 1989, concerning loans and other credit extensions which are not for personal, family or household purposes or secured solely by the Borrower's residence must be in writing, express consideration and be signed by Note Holder to be enforceable.**

Borrower hereby acknowledges receipt of a conformed copy of the Note and of this Security Instrument.

**NOTICE TO BORROWER:** This document may substantially modify what you may do with the property offered for security under your original note and security instrument on loan number(s) \_\_\_\_\_.

**Do NOT sign this Security Instrument unless you have read and understand it.**

IN WITNESS WHEREOF, 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.

*(Initial this box that you have  
read and understand the  
NOTICE TO BORROWER  
above)*

\_\_\_\_\_ *(Signature of Borrower)*

\_\_\_\_\_ *(Signature of Co-Borrower)*

### ACKNOWLEDGMENT

STATE OF OREGON

)  
) Ss.

County of \_\_\_\_\_) On \_\_\_\_\_,

personally appeared the above named \_\_\_\_\_

and acknowledged the foregoing instrument to be \_\_\_\_\_ voluntary act and deed.

Before me:

\_\_\_\_\_ *(Notary Public for Oregon)*

My commission expires: \_\_\_\_\_

State of Oregon, County of Klamath  
Recorded 04/30/01, at 9:17a m.  
In Vol. M01 Page 19030  
*Linda Smith,*  
County Clerk Fee\$ 71<sup>00</sup>