

MTC78374-TM

After Recording Return To: South Valley Bank & Trust  
P O Box 5210  
Klamath Falls, OR 97601  
Jenni Engelbrecht

2007-003101  
Klamath County, Oregon



00015771200700031010120125

02/23/2007 11:19:45 AM

Fee: \$76.00

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## DEED OF TRUST

### DEFINITIONS

Words used in multiple sections of this document are defined below and other words are defined in Sections 3, 11, 13, 18, 20 and 21. Certain rules regarding the usage of words used in this document are also provided in Section 16.

(A) "Security Instrument" means this document, which is dated **February 22, 2007**, together with all Riders to this document.

(B) "Borrower" is **Krista P Allen and John D Allen**

Borrower is the trustor under this Security Instrument.

(C) "Lender" is **South Valley Bank & Trust**

Lender is a **Banking Corporation** organized and existing under the laws of **State of Oregon**. Lender's address is

**P O Box 5210, Klamath Falls, OR 97601**

Lender is the beneficiary under this Security Instrument.

(D) "Trustee" is **Amerititle**

(E) "Note" means the promissory note signed by Borrower and dated **February 22, 2007**. The Note states that Borrower owes Lender **Two Hundred Fifty Thousand Dollars And No Cents**

Dollars (U.S. \$250,000.00) plus interest. Borrower has promised

to pay this debt in regular Periodic Payments and to pay the debt in full not later than

**March 1, 2037**

(F) "Property" means the property that is described below under the heading "Transfer of Rights in the Property."

(G) "Loan" means the debt evidenced by the Note, plus interest, any prepayment charges and late charges due under the Note, and all sums due under this Security Instrument, plus interest.

(H) "Riders" means all Riders to this Security Instrument that are executed by Borrower. The following Riders are to be executed by Borrower [check box as applicable]:

Adjustable Rate Rider

Condominium Rider

Second Home Rider

Balloon Rider

Planned Unit Development Rider

Other(s) [specify]

1-4 Family Rider

Biweekly Payment Rider

OREGON—Single Family—Fannie Mae/Freddie Mac UNIFORM INSTRUMENT

ITEM 1947L1 (0011)

(Page 1 of 12 pages)

Form 3038 1/01

GREATLAND ■

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TOGETHER WITH all the improvements now or hereafter erected on the property, and all easements, appurtenances, fixtures now or hereafter a part of the property. All replacements and additions shall also be covered by this Security instrument. All of the foregoing is referred to in this Security Instrument as the "Property."

which currently has the address of [Street]  
5407 Sierra Ct,  
[City]  
Klamath Falls,  
Oregon  
[Zip Code]  
97601  
("Property Address");

This Security Instrument secures to Lender: (i) the repayment of the Loan, and all renewals, extensions and modifications of Lots 26, 27 and 28, Block 2 in Tract No. 1002, LA WANDA HILLS, according to the official plat thereon file in the office of the County Clerk of Klamath County, Oregon.  
Property located in the County of [Type of Recording Jurisdiction] [Name of Recording Jurisdiction];  
This Note; and (ii) 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, with power of sale, the following described property located in the same subject matter. As used in this Security Instrument, "RESPA" refers to all regulations or requirements that are imposed in regard to a "federally related mortgage loan", even if the Loan does not qualify as a "federally related mortgage loan" under RESPA.  
and restrictions that are imposed in regard to a "federally related mortgage loan" even if the Loan does not qualify as a regularization that governs the same subject matter. As used in this Security Instrument, "RESPA" refers to all regulations or requirements that are imposed in regard to a "federally related mortgage loan", even if the Loan does not qualify as a "federally related mortgage loan" under RESPA.

TRANFER OF RIGHTS IN THE PROPERTY  
(Q) "Successor in Interest of Borrower", means any party that has taken title to the Property, whether or not that party has assumed Borrower's obligations under the Note and/or this Security Instrument.  
(P) "Regulation X (24 C.F.R., Part 3500)", as they might be amended from time to time, or any additional or successor legislation, "RESPA", means the Real Estate Settlement Procedures Act (12 U.S.C. §2601 et seq.) and its implementing regulation.  
(R) "Mortgage Insurance" means insurance protecting Lender against the nonpayment of, or default on, the Loan.  
(S) "Perpetual Payment", means regularly scheduled amount due for (i) principal and interest under the Note, plus (ii) any amounts under Section 3 of this Security Instrument.  
(T) "Mortgage Liasure" means insurance that is held by the Lender in lieu of condemnation of the Property.  
(U) "Mischievous Proceedings", means any compensation, settlement, award of damages, or proceeds paid by any third party (other than insurance proceeds paid under the coverage described in Section 5) for: (i) damage to, or destruction of, the Property; (ii) condemnation or other taking of all or any part of the Property; (iii) conveyance in lieu of condemnation; or (iv) misrepresentation of, or omission from, the coverage described in Section 5.  
(V) "Escrow Items", means those items that are described in Section 3.  
so as to order, instruct, or authorize a financial institution to debit or credit an account. Such term includes, but is not limited to, point-of-sale transfers, automated teller machine transactions, transfers initiated by telephone, wire transfers, and similar paper instrument, which is initiated through an electronic terminal, telephoneic instrument, computer, or magnetic tape instrument, which is initiated transfer of funds, other than a transaction originated by check, draft, or imposes on Borrower or the Property by a condominium association, fees, assessments and other charges that are imposed on Borrower or the Property by a condominium association, homeowners association or similar organization.  
(W) "Community Association Dues, Fees, and Assessments", means all dues, fees, assessments and other charges that are administered rules and orders (that have the effect of law) as well as all applicable final, non-applicable judicial opinions.  
(X) "Applicable Law", means all controlling applicable federal, state and local statutes, regulations, ordinances and

**BORROWER COVENANTS** that Borrower is lawfully seized of the estate hereby conveyed and has the right to grant and convey the Property and that the Property is unencumbered, except for encumbrances of record. Borrower warrants and will defend generally the title to the Property against all claims and demands, subject to any encumbrances of record.

THIS SECURITY INSTRUMENT combines uniform covenants for national use and non-uniform covenants with limited variations by jurisdiction to constitute a uniform security instrument covering real property.

**UNIFORM COVENANTS.** Borrower and Lender covenant and agree as follows:

**1. Payment of Principal, Interest, Escrow Items, Prepayment Charges, and Late Charges.** Borrower shall pay when due the principal of, and interest on, the debt evidenced by the Note and any prepayment charges and late charges due under the Note. Borrower shall also pay funds for Escrow Items pursuant to Section 3. Payments due under the Note and this Security Instrument shall be made in U.S. currency. However, if any check or other instrument received by Lender as payment under the Note or this Security Instrument is returned to Lender unpaid, Lender may require that any or all subsequent payments due under the Note and this Security Instrument be made in one or more of the following forms, as selected by Lender: (a) cash; (b) money order; (c) certified check, bank check, treasurer's check or cashier's check, provided any such check is drawn upon an institution whose deposits are insured by a federal agency, instrumentality, or entity; or (d) Electronic Funds Transfer.

Payments are deemed received by Lender when received at the location designated in the Note or at such other location as may be designated by Lender in accordance with the notice provisions in Section 15. Lender may return any payment or partial payment if the payment or partial payments are insufficient to bring the Loan current. Lender may accept any payment or partial payment insufficient to bring the Loan current, without waiver of any rights hereunder or prejudice to its rights to refuse such payment or partial payments in the future, but Lender is not obligated to apply such payments at the time such payments are accepted. If each Periodic Payment is applied as of its scheduled due date, then Lender need not pay interest on unapplied funds. Lender may hold such unapplied funds until Borrower makes payment to bring the Loan current. If Borrower does not do so within a reasonable period of time, Lender shall either apply such funds or return them to Borrower. If not applied earlier, such funds will be applied to the outstanding principal balance under the Note immediately prior to foreclosure. No offset or claim which Borrower might have now or in the future against Lender shall relieve Borrower from making payments due under the Note and this Security Instrument or performing the covenants and agreements secured by this Security Instrument.

**2. Application of Payments or Proceeds.** Except as otherwise described in this Section 2, all payments accepted and applied by Lender shall be applied in the following order of priority: (a) interest due under the Note; (b) principal due under the Note; (c) amounts due under Section 3. Such payments shall be applied to each Periodic Payment in the order in which it became due. Any remaining amounts shall be applied first to late charges, second to any other amounts due under this Security Instrument, and then to reduce the principal balance of the Note.

If Lender receives a payment from Borrower for a delinquent Periodic Payment which includes a sufficient amount to pay any late charge due, the payment may be applied to the delinquent payment and the late charge. If more than one Periodic Payment is outstanding, Lender may apply any payment received from Borrower to the repayment of the Periodic Payments if, and to the extent that, each payment can be paid in full. To the extent that any excess exists after the payment is applied to the full payment of one or more Periodic Payments, such excess may be applied to any late charges due. Voluntary prepayments shall be applied first to any prepayment charges and then as described in the Note.

Any application of payments, insurance proceeds, or Miscellaneous Proceeds to principal due under the Note shall not extend or postpone the due date, or change the amount, of the Periodic Payments.

**3. Funds for Escrow Items.** Borrower shall pay to Lender on the day Periodic Payments are due under the Note, until the Note is paid in full, a sum (the "Funds") to provide for payment of amounts due for: (a) taxes and assessments and other items which can attain priority over this Security Instrument as a lien or encumbrance on the Property; (b) leasehold payments or ground rents on the Property, if any; (c) premiums for any and all insurance required by Lender under Section 5; and (d) Mortgage Insurance premiums, if any, or any sums payable by Borrower to Lender in lieu of the payment of Mortgage Insurance premiums in accordance with the provisions of Section 10. These items are called "Escrow Items." At origination or at any time during the term of the Loan, Lender may require that Community Association Dues, Fees, and Assessments, if any, be escrowed by Borrower, and such dues, fees and assessments shall be an Escrow Item. Borrower shall promptly furnish to Lender all notices of amounts to be paid under this Section. Borrower shall pay Lender the Funds for Escrow Items unless Lender waives Borrower's obligation to pay the Funds for any or all Escrow Items. Lender may waive Borrower's obligation to pay to Lender Funds for any or all Escrow Items at any time. Any such waiver may only be in

subsequent charges each time remapping or similar changes occur which reasonably might affect such determination or certification and tracking services; or (b) a one-time charge for flood zone determination and certification services and require Borrower to pay, in connection with this Loan, either: (a) a one-time charge for flood zone determination, subject to Lender's right to disapprove Borrower's choice, which right shall not be exercised unreasonably. Lender may subject to Lender's right to disapprove Borrower's choice, which right shall not be chosen by Borrower sentences can change during the term of the Loan. The insurance carrier providing the insurance shall be chosen by Borrower including deductible levels) and for the periods that Lender requires. What Lender requires pursuant to the amounts limited to, earthquakes and floods, for which Lender requires insurance. This insurance shall be maintained in the amounts measured against loss by fire, hazards included within the term "extended coverage," and any other hazards including, but not limited to, earthquakes and floods.

**5. Property Insurance.** Borrower shall keep the improvements now existing or hereafter erected on the property Lender in connection with this Loan.

Lender may require Borrower to pay a one-time charge for a real estate tax verification and/or reporting service used by above in this Section 4.

10 days of the date on which notice is given, Borrower shall satisfy the lien or take one or more of the actions set forth in which can attach priority over this Security Instrument, Lender may give Borrower a notice identifying the lien. Within lien which can attach priority over this Security Instrument. If Lender determines that any part of the Property is subject to a Lender subordinating the lien to this Security Instrument, it secures from the holder of the lien an agreement satisfactory to a pending, but only until such proceedings are concluded; or (c) secures from the holder of the lien while those proceedings are legal proceedings which in Lender's opinion operate to prevent the enforcement of the lien while those proceedings are Borrower is performing such agreement; (d) contests the lien in good faith by, or defers acceptance of the lien in, Borrower shall promptly discharge any lien which has priority over this Security Instrument unless Borrower: (a) agrees to the payment of all taxes, assessments, charges, fines, and impositions attributable to the Lender, but only so long as in writing to the payee of the obligation secured by the lien in a manner acceptable to Lender, but only so long as Borrower is attaining priority over this Security Instrument, leaseshold payments or ground rents on the Property, if any, and Community Association Dues, Fees, and Assessments, if any. To the extent that these items are Escrow Items, Borrower

**4. Charges; Liens.** Borrower shall pay all taxes, assessments, charges, fines, and impositions attributable to the funds held by Lender.

Upon payment in full of all sums secured by this Security Instrument, Lender shall promptly refund to Borrower any necessary to make up the deficiency in accordance with RESPA, but in no more than 12 months. Funds held by Lender.

defined under RESPA, Lender shall notify Borrower as required by RESPA, and Borrower shall pay to Lender the amount accrued with RESPA, but in no more than 12 months. If there is a deficiency of Funds held in escrow, as notify Borrower as required by RESPA, and Borrower shall pay to Lender the amount necessary to make up the shortage in funds in accordance with RESPA. It there is a shortage of Funds held in escrow, as defined under RESPA, Lender shall hold account to Borrower for the excess funds in accordance with RESPA. If there is a surplus of Funds held in escrow, as defined under RESPA, Lender shall pay to Borrower, without charge, an annual accounting of the Funds as required by RESPA.

Lender shall give to Borrower and Lender can agree in writing, however, that interest shall be paid on the Funds, or earnings on the Funds, Borrower and Lender can agree in writing, however, that interest shall be paid on the Funds, writing or Applicable Law requires to be paid on the Funds, Lender shall not be required to pay Borrower any interest in Borrower holding in the Funds, annually analyzing the escrow account, or verifying the Escrow Items, unless Lender pays holding and applying the Funds, annually analyzing the escrow account, or verifying the Escrow Items, unless Lender pays apply the Funds to pay the Escrow Items no later than the time specified under RESPA. Lender shall not charge Borrower for holding Lender, if Lender is an institution whose depositors are so insured) or in any Federal Home Loan Bank. Lender shall including Lender, if Lender is an institution whose depositors are insured by a federal agency, instrumentality, or entity The Funds shall be held in an institution whose depositors are insured by a federal agency, instrumentality, or entity

items or otherwise in accordance with Applicable Law.

estimate the amount of Funds due on the basis of current data and reasonable estimates of expenditures of future Escrow time specified under RESPA, and (b) not to exceed the maximum amount a Lender can require under RESPA. Lender shall

Lender may, at any time, collect and hold Funds in an amount (a) sufficient to permit Lender to apply the Funds at the revocation, Borrower shall pay to Lender all Funds, and in such amounts, that are then required under this Section 3.

revoke the waiver as to any or all Escrow Items at any time by a notice given in accordance with Section 15 and, upon such pay such amount and Borrower shall then be obligated under Section 9 to repay to Lender any such amount. Lender may a waiver, and Borrower fails to pay the amount due for an Escrow Item, Lender may exercise its rights under Section 9 and the phrase "covention and agreement" is used in Section 9. If Borrower is obligated to pay Escrow Items directly, pursuant to to provide receipts shall fail for all purposes to be a covention and agreement contained in this Security Instrument, as evidence such payment within such time period as Lender may require. Borrower's obligation to make such payments and

items for which payment of Funds has been waived by Lender and, if Lender requires, shall furnish to Lender receipts

writing. In the event of such waiver, Borrower shall pay directly, when and where payable, the amounts due for any Escrow

certification. Borrower shall also be responsible for the payment of any fees imposed by the Federal Emergency Management Agency in connection with the review of any flood zone determination resulting from an objection by Borrower.

If Borrower fails to maintain any of the coverages described above, Lender may obtain insurance coverage, at Lender's option and Borrower's expense. Lender is under no obligation to purchase any particular type or amount of coverage. Therefore, such coverage shall cover Lender, but might or might not protect Borrower, Borrower's equity in the Property, or the contents of the Property, against any risk, hazard or liability and might provide greater or lesser coverage than was previously in effect. Borrower acknowledges that the cost of the insurance coverage so obtained might significantly exceed the cost of insurance that Borrower could have obtained. Any amounts disbursed by Lender under this Section 5 shall become additional debt of Borrower secured by this Security Instrument. These amounts shall bear interest at the Note rate from the date of disbursement and shall be payable, with such interest, upon notice from Lender to Borrower requesting payment.

All insurance policies required by Lender and renewals of such policies shall be subject to Lender's right to disapprove such policies, shall include a standard mortgage clause, and shall name Lender as mortgagee and/or as an additional loss payee. Lender shall have the right to hold the policies and renewal certificates. If Lender requires, Borrower shall promptly give to Lender all receipts of paid premiums and renewal notices. If Borrower obtains any form of insurance coverage, not otherwise required by Lender, for damage to, or destruction of, the Property, such policy shall include a standard mortgage clause and shall name Lender as mortgagee and/or as an additional loss payee.

In the event of loss, Borrower shall give prompt notice to the insurance carrier and Lender. Lender may make proof of loss if not made promptly by Borrower. Unless Lender and Borrower otherwise agree in writing, any insurance proceeds, whether or not the underlying insurance was required by Lender, 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. During such repair and restoration period, Lender shall have the right to hold such insurance proceeds until Lender has had an opportunity to inspect such Property to ensure the work has been completed to Lender's satisfaction, provided that such inspection shall be undertaken promptly. Lender may disburse proceeds for the repairs and restoration in a single payment or in a series of progress payments as the work is completed. Unless an agreement is made in writing or Applicable Law requires interest to be paid on such insurance proceeds, Lender shall not be required to pay Borrower any interest or earnings on such proceeds. Fees for public adjusters, or other third parties, retained by Borrower shall not be paid out of the insurance proceeds and shall be the sole obligation of Borrower. 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 then due, with the excess, if any, paid to Borrower. Such insurance proceeds shall be applied in the order provided for in Section 2.

If Borrower abandons the Property, Lender may file, negotiate and settle any available insurance claim and related matters. If Borrower does not respond within 30 days to a notice from Lender that the insurance carrier has offered to settle a claim, then Lender may negotiate and settle the claim. The 30-day period will begin when the notice is given. In either event, or if Lender acquires the Property under Section 22 or otherwise, Borrower hereby assigns to Lender (a) Borrower's rights to any insurance proceeds in an amount not to exceed the amounts unpaid under the Note or this Security Instrument, and (b) any other of Borrower's rights (other than the right to any refund of unearned premiums paid by Borrower) under all insurance policies covering the Property, insofar as such rights are applicable to the coverage of the Property. Lender may use the insurance proceeds either to repair or restore the Property or to pay amounts unpaid under the Note or this Security Instrument, whether or not then due.

**6. Occupancy.** Borrower shall occupy, establish, and use the Property as Borrower's principal residence within 60 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.

**7. Preservation, Maintenance and Protection of the Property; Inspections.** Borrower shall not destroy, damage or impair the Property, allow the Property to deteriorate or commit waste on the Property. Whether or not Borrower is residing in the Property, Borrower shall maintain the Property in order to prevent the Property from deteriorating or decreasing in value due to its condition. Unless it is determined pursuant to Section 5 that repair or restoration is not economically feasible, Borrower shall promptly repair the Property if damaged to avoid further deterioration or damage. If insurance or condemnation proceeds are paid in connection with damage to, or the taking of, the Property, Borrower shall be responsible for repairing or restoring the Property only if Lender has released proceeds for such purposes. Lender may disburse proceeds for the repairs and restoration in a single payment or in a series of progress payments as the work is completed. If the insurance or condemnation proceeds are not sufficient to repair or restore the Property, Borrower is not relieved of Borrower's obligation for the completion of such repair or restoration.

(which may include funds obtained from Mortgage Insurance premiums).  
Borrower does not repay the Loan as agreed. Borrower is not a party to the Mortgage Insurance.  
Mortgage Insurance remunerates Lender (or any entity that purchases the Note) for certain losses it may incur if  
Borrower does not satisfy the Note for certain losses it may incur if  
pay interest at the rate provided in the Note.

Mortgage Insurance ends in accordance with any written agreement between Borrower and Lender's requirement for  
separately designed payments toward the premiums for Mortgage Insurance, Borrower shall pay the premiums  
make separately designed payments toward the premiums for Mortgage Insurance, Borrower shall pay the premiums  
make separately designed payments toward the premiums for Mortgage Insurance, Borrower was required to  
Mortgage Insurance becomes available, is obtained, and Lender requires separately designed payments toward the premiums for  
Lender agrees to pay Borrower any interest or earnings on such loss reserve. Lender can no longer require loss reserve payments if  
loss reserve shall be non-refundable, notwithstanding the fact that the Loan is ultimately paid in full, and Lender shall not be  
eligible. Lender will accept, use and retain these payments as a non-refundable loss reserve in lieu of Mortgage Insurance. Such  
to pay to Lender the amount of the separately designed payments that were due when the insurance ceased to be in  
insurer selected by Lender. If substantially equivalent Mortgage Insurance is not available, Borrower shall continue  
substantially equivalent to the cost to Borrower of the Mortgage Insurance previously in effect, from an alternate mortgage  
premiums required to make separately designed payments toward the premiums for Mortgage Insurance, Borrower shall pay the  
was required to make separately designed payments toward the premiums for Mortgage Insurance, Borrower shall pay the  
premiums required to make the Mortgage Insurance in effect. If, for any reason, the Mortgage Insurance coverage  
pay the premiums required to maintain the Mortgage Insurance as a condition of making the Loan, Borrower shall  
10. **Mortgage Insurance.** If Lender required Mortgage Insurance as a condition of making the Loan, Borrower shall  
acquires fee title to the Property, the lesseehold and the fee title shall not merge unless Lender agrees to the merger in writing.  
If this Security Instrument is on a leasehold, Borrower shall comply with all the provisions of the lease. If Borrower  
with such interests, upon notice from Lender to Borrower requesting payment.

Security Instrument. These amounts shall bear interest at the Note rate from the date of disbursement and shall be payable,  
Any amounts disbursed by Lender under this Section 9 shall become additional debt of Borrower secured by this  
It is agreed that Lender incurs no liability for not taking any or all actions authorized under this Section 9.  
Lender may take action under this Section 9, Lender does not have to do so and is not under any duty or obligation to do so.  
pipes, eliminate building or other code violations or dangerous conditions, and have utilities turned on or off. Although  
limited to, entering the Property to make repairs, change locks, replace or board up doors and windows, drain water from  
Security instrument, including its secured position in a bankruptcy proceeding. Securing the Property includes, but is not  
(b) appealing in court; and (c) paying reasonable attorney's fees to protect its interest in the Property and/or rights under this  
can include, but are not limited to: (a) paying any sums secured by a lien which has priority over this Security Instrument;  
including proceeding and/or assessing the value of the Property, and securing and/or repairing the Property. Lender's actions  
whatever is reasonable or appropriate to protect Lender's interest in the Property and rights under this Security Instrument,  
Instrument or to enforce laws or regulations), or (c) Borrower has abandoned the Property, then Lender may do and pay for  
bankruptcy, probable, for condemnation or forfeiture, for enforcement of a lien which may attain priority over this Security  
significantly affect Lender's interest in the Property and/or rights under this Security Instrument (such as a proceeding that might  
fails to perform the covenants and agreements contained in this Security Instrument, (b) there is a legal proceeding that might  
9. **Protection of Lender's Interest in the Property and Rights Under this Security Instrument.** If (a) Borrower  
occupancy of the Property as Borrower's principal residence.

connection with the Loan. Material representations included, but are not limited to, representations concerning Borrower's  
misleading, or inaccurate information or statements to Lender (or failed to provide Lender with material information) in  
any persons or entities acting at the direction of Borrower or with Borrower's knowledge or consent gave materially false  
may inspect the interior of the Property. Lender shall give Borrower notice at the time of or prior to  
Lender or its agent may make reasonable entries upon and inspectors of the Property. If it has reasonable cause, Lender  
such an interior inspection specifying such reasonable cause.

As a result of these agreements, Lender, any purchaser of the Note, another insurer, any reinsurer, any other entity, or any affiliate of any of the foregoing, may receive (directly or indirectly) amounts that derive from (or might be characterized as) a portion of Borrower's payments for Mortgage Insurance, in exchange for sharing or modifying the mortgage insurer's risk, or reducing losses. If such agreement provides that an affiliate of Lender takes a share of the insurer's risk in exchange for a share of the premiums paid to the insurer, the arrangement is often termed "captive reinsurance." Further:

(a) Any such agreements will not affect the amounts that Borrower has agreed to pay for Mortgage Insurance, or any other terms of the Loan. Such agreements will not increase the amount Borrower will owe for Mortgage Insurance, and they will not entitle Borrower to any refund.

(b) Any such agreements will not affect the rights Borrower has—if any—with respect to the Mortgage Insurance under the Homeowners Protection Act of 1998 or any other law. These rights may include the right to receive certain disclosures, to request and obtain cancellation of the Mortgage Insurance, to have the Mortgage Insurance terminated automatically, and/or to receive a refund of any Mortgage Insurance premiums that were unearned at the time of such cancellation or termination.

**11. Assignment of Miscellaneous Proceeds; Forfeiture.** All Miscellaneous Proceeds are hereby assigned to and shall be paid to Lender.

If the Property is damaged, such Miscellaneous 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. During such repair and restoration period, Lender shall have the right to hold such Miscellaneous Proceeds until Lender has had an opportunity to inspect such Property to ensure the work has been completed to Lender's satisfaction, provided that such inspection shall be undertaken promptly. Lender may pay for the repairs and restoration in a single disbursement or in a series of progress payments as the work is completed. Unless an agreement is made in writing or Applicable Law requires interest to be paid on such Miscellaneous Proceeds, Lender shall not be required to pay Borrower any interest or earnings on such Miscellaneous Proceeds. If the restoration or repair is not economically feasible or Lender's security would be lessened, the Miscellaneous Proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with the excess, if any, paid to Borrower. Such Miscellaneous Proceeds shall be applied in the order provided for in Section 2.

In the event of a total taking, destruction, or loss in value of the Property, the Miscellaneous Proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with the excess, if any, paid to Borrower.

In the event of a partial taking, destruction, or loss in value of the Property in which the fair market value of the Property immediately before the partial taking, destruction, or loss in value is equal to or greater than the amount of the sums secured by this Security Instrument immediately before the partial taking, destruction, or loss in value, unless Borrower and Lender otherwise agree in writing, the sums secured by this Security Instrument shall be reduced by the amount of the Miscellaneous Proceeds multiplied by the following fraction: (a) the total amount of the sums secured immediately before the partial taking, destruction, or loss in value divided by (b) the fair market value of the Property immediately before the partial taking, destruction, or loss in value. Any balance shall be paid to Borrower.

In the event of a partial taking, destruction, or loss in value of the Property in which the fair market value of the Property immediately before the partial taking, destruction, or loss in value is less than the amount of the sums secured immediately before the partial taking, destruction, or loss in value, unless Borrower and Lender otherwise agree in writing, the Miscellaneous 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 Opposing Party (as defined in the next sentence) offers to make an award to 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 Miscellaneous Proceeds either to restoration or repair of the Property or to the sums secured by this Security Instrument, whether or not then due. "Opposing Party" means the third party that owes Borrower Miscellaneous Proceeds or the party against whom Borrower has a right of action in regard to Miscellaneous Proceeds.

Borrower shall be in default if any action or proceeding, whether civil or criminal, is begun that, in Lender's judgment, could result in forfeiture of the Property or other material impairment of Lender's interest in the Property or rights under this Security Instrument. Borrower can cure such a default and, if acceleration has occurred, reinstate as provided in Section 19, by causing the action or proceeding to be dismissed with a ruling that, in Lender's judgment, precludes forfeiture of the Property or other material impairment of Lender's interest in the Property or rights under this Security Instrument. The proceeds of any award or claim for damages that are attributable to the impairment of Lender's interest in the Property are hereby assigned and shall be paid to Lender.

All Miscellaneous Proceeds that are not applied to restoration or repair of the Property shall be applied in the order provided for in Section 2.



As used in this Security Instrument: (a) words of the masculine gender shall mean and include corresponding neuter words or words of the feminine gender; (b) words in the singular shall mean and include the plural and vice versa; and (c) the word "may" gives sole discretion without any obligation to take any action.

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

**18. Transfer of the Property or a Beneficial Interest in Borrower.** As used in this Section 18, "Interest in the Property" means any legal or beneficial interest in the Property, including, but not limited to, those beneficial interests transferred in a bond for deed, contract for deed, installment sales contract or escrow agreement, the intent of which is the transfer of title by Borrower at a future date to a purchaser.

If all or any part of the Property or any Interest in the Property is sold or transferred (or if Borrower is not a natural person and a beneficial interest in Borrower is sold or transferred) without Lender's prior written consent, Lender may require immediate payment in full of all sums secured by this Security Instrument. However, this option shall not be exercised by Lender if such exercise is prohibited by Applicable Law.

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 given in accordance with Section 15 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.

**19. Borrower's Right to Reinstate After Acceleration.** If Borrower meets certain conditions, Borrower shall have the right to have enforcement of this Security Instrument discontinued at any time prior to the earliest of: (a) five days before sale of the Property pursuant to any power of sale contained in this Security Instrument; (b) such other period as Applicable Law might specify for the termination of Borrower's right to reinstate; or (c) 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 the Note as if no acceleration had occurred; (b) cures any default of any other covenants or agreements; (c) pays all expenses incurred in enforcing this Security Instrument, including, but not limited to, reasonable attorneys' fees, property inspection and valuation fees, and other fees incurred for the purpose of protecting Lender's interest in the Property and rights under this Security Instrument; and (d) takes such action as Lender may reasonably require to assure that Lender's interest in the Property and rights under this Security Instrument, and Borrower's obligation to pay the sums secured by this Security Instrument, shall continue unchanged. Lender may require that Borrower pay such reinstatement sums and expenses in one or more of the following forms, as selected by Lender: (a) cash; (b) money order; (c) certified check, bank check, treasurer's check or cashier's check, provided any such check is drawn upon an institution whose deposits are insured by a federal agency, instrumentality or entity; or (d) Electronic Funds Transfer. Upon reinstatement by Borrower, this Security Instrument and 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 Section 18.

**20. Sale of Note; Change of Loan Servicer; Notice of Grievance.** The Note or a partial interest in the Note (together with this Security Instrument) can be sold one or more times without prior notice to Borrower. A sale might result in a change in the entity (known as the "Loan Servicer") that collects Periodic Payments due under the Note and this Security Instrument and performs other mortgage loan servicing obligations under the Note, this Security Instrument, and Applicable Law. There also might be one or more changes of the Loan Servicer unrelated to a sale of the Note. If there is a change of the Loan Servicer, Borrower will be given written notice of the change which will state the name and address of the new Loan Servicer, the address to which payments should be made and any other information RESPA requires in connection with a notice of transfer of servicing. If the Note is sold and thereafter the Loan is serviced by a Loan Servicer other than the purchaser of the Note, the mortgage loan servicing obligations to Borrower will remain with the Loan Servicer or be transferred to a successor Loan Servicer and are not assumed by the Note purchaser unless otherwise provided by the Note purchaser.

Neither Borrower nor Lender may commence, join, or be joined to any judicial action (as either an individual litigant or the member of a class) that arises from the other party's actions pursuant to this Security Instrument or that alleges that the other party has breached any provision of, or any duty owed by reason of, this Security Instrument, until such Borrower or Lender has notified the other party (with such notice given in compliance with the requirements of Section 15) of such alleged breach and afforded the other party hereto a reasonable period after the giving of such notice to take corrective action. If Applicable Law provides a time period which must elapse before certain action can be taken, that time period will be deemed to be reasonable for purposes of this paragraph. The notice of acceleration and opportunity to cure given to Borrower pursuant to Section 22 and the notice of acceleration given to Borrower pursuant to Section 18 shall be deemed to satisfy the notice and opportunity to take corrective action provisions of this Section 20.

Instrument to Trustee. Trustee shall reconvey the Property without warranty to the person or persons legally entitled to it. Recouvery the Property and shall surrender this Security Instrument and all notes evidencing debt secured by this Security instrument; and (c) any excess to the person or persons legally entitled to it.

Instrument, Trustee shall apply the proceeds of the sale in the following order: (a) to all expenses of the sale, made therein. The credits in the Trustee's deed shall be prima facie evidence of the truth of the statements expressed or implied. The credits in the Trustee's deed conveying the Property without any covenant of warranty, Trustee shall deliver to the purchaser Trustee's deed conveying the Property without any covenant of warranty, instrument; and (c) any excess to the person or persons legally entitled to it.

Property at any sale. Trustee at the time and place of any previously scheduled sale. Lender or its designee may purchase the annunciation at the time and place determined. Trustee may postpone sale of all or any parcel of the Property by public auction to the highest bidder at the time and place under the terms designated in the notice of sale in one or more parcels to the time required by Applicable Law, Trustee, without demand on Borrower, shall sell the Property at public auction in the manner prescribed by Applicable Law to Borrower and to other persons prescribed by Applicable Law. After the recorderd in each country in which any part of the Property is located. Lender or Trustee shall give notice of sale to be recorded at its option may require immediate payment in full of all sums secured by this Security Instrument unless otherwise specified in the acceleration and sale. If the default is not cured on or before the date specified in the notice of default to accelerate the acceleration and the right to bring a court action to assert the non-existence of a default or any other defense to Borrower to accelerate the acceleration and sale of the Property. The note shall further inform Borrower of the sums secured by this Security Instrument and sale of the Property. The note may result in acceleration of cure; Lender at its option may require immediate payment in full of all sums secured by this Security Instrument without further demand and may invoke the power of sale and any other remedies permitted by Applicable Law, without notice, but not limited to, reasonable attorney fees and costs of title evidence.

If Lender invokes the power of sale, Lender shall execute or cause Trustee to execute a written notice of the acceleration, but not limited to, reasonable attorney fees and costs of title evidence. Lender shall be entitled to collect all expenses incurred in pursuing the remedies provided in this Section 22, including, but not limited to, reasonable attorney fees and costs of title evidence.

Lender shall be entitled to collect all expenses incurred in pursuing the remedies provided in this Section 22, including, but not limited to, reasonable attorney fees and costs of title evidence. Lender shall be entitled to collect all expenses incurred in pursuing the remedies provided in this Section 22, including, but not limited to, reasonable attorney fees and costs of title evidence.

Lender further demands that any private party, that any removal or other remediation of any pollution by any government or regulatory authority, or any private party, that any removal or other remediation of any presence, use or release of a Hazardous Substance which adversely affects the value of the Property. If Borrower learns, or is aware of any release or threat of release of any Hazardous Substance, which creates a condition caused by the presence, leaking, discharging, spilling, or otherwise causing damage or threat to the environment or health, or any violation of any applicable environmental laws, Borrower shall promptly give Lender written notice of (a) any investigation, claim, demand, lawsuit or other action by Lender; (b) the action required to cure the defect; (c) a date, not less than 30 days from the date the note is given to Borrower, by which the defect must be cured; and (d) the date the defect is cured. If the defect is not cured on or before the date specified in the note, Borrower shall provide written notice of any violation of any applicable environmental law to Lender. Unless otherwise specified, (a) the defect, (b) the action required to cure the defect, (c) the date, and (d) the date the defect is cured, shall be contained in the note.

NON-UNIFORM COVENANTS. Borrower and Lender further covenant and agree as follows:

Borrower shall promptly give Lender written notice of (a) any investigation, claim, demand, lawsuit or other action by Lender to remedy any violation of any applicable environmental law to Lender. Note: nothing herein shall create any obligation on Lender for an Environmental Clean-up. According to the Environment Law, nothing herein shall create any obligation on Lender for an Environmental Clean-up. Hazardous Substance affecting the Property is necessary, Borrower shall promptly take all necessary remedial actions in accordance with Environmental Law. Note: nothing herein shall create any obligation on Lender for an Environmental Clean-up. Hazardous Substance affecting the Property is necessary, Borrower shall promptly take all necessary remedial actions in accordance with Environmental Law, nothing herein shall create any obligation on Lender for an Environmental Clean-up. Hazardous Substance affecting the Property is necessary, Borrower shall promptly take all necessary remedial actions in accordance with Environmental Law, nothing herein shall create any obligation on Lender for an Environmental Clean-up. Hazardous Substance affecting the Property is necessary, Borrower shall promptly take all necessary remedial actions in accordance with Environmental Law, nothing herein shall create any obligation on Lender for an Environmental Clean-up. Hazardous Substance affecting the Property is necessary, Borrower shall promptly take all necessary remedial actions in accordance with Environmental Law, nothing herein shall create any obligation on Lender for an Environmental Clean-up. Hazardous Substance affecting the Property is necessary, Borrower shall promptly take all necessary remedial actions in accordance with Environmental Law, nothing herein shall create any obligation on Lender for an Environmental Clean-up.

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**21. Hazardous Substances.** As used in this Section 21: (a) "Hazardous Substances" are those substances defined as

Such person or persons shall pay any recordation costs. Lender may charge such person or persons a fee for reconveying the 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.

**24. 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 herein and by Applicable Law.

**25. Attorneys' Fees.** As used in this Security Instrument and in the Note, attorneys' fees shall include those awarded by an appellate court.

**26. Protective Advances.** This Security Instrument secures any advances Lender, at its discretion, may make under Section 9 of this Security Instrument to protect Lender's interest in the Property and rights under this Security Instrument.

**27. Required Evidence of Property Insurance.**

**WARNING**

Unless you provide us with evidence of the insurance coverage as required by our contract or loan agreement, 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 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 contract or loan balance. If the cost is added to your contract or loan balance, the interest rate on the underlying contract or 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.

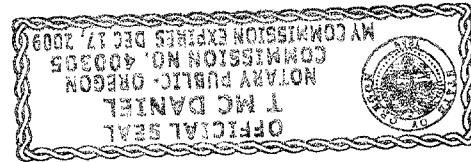
The coverage we purchase may be considerably more expensive than insurance you can obtain on your own and may not satisfy any need for property damage coverage or any mandatory liability insurance requirements imposed by Applicable Law.

Notary Public for Oregon

(person[s] acknowledging).

(date) by

February 22, 2007



Krista P Allen and John D Allen  
This instrument was acknowledged before me on

State of Oregon  
County of Klamath

Witness:

Witness:

(Seal)  
-Borrower

(Seal)  
-Borrower

(Seal)  
-Borrower

(Seal)  
-Borrower

(Seal)  
John D Allen  
-Borrower

(Seal)  
Krista P Allen  
-Borrower

BY SIGNING BELOW, Borrower accepts and agrees to the terms and covenants contained in pages 1 through 12 of this Security Instrument and in any Rider executed by Borrower and recorded with it.