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Cook County Recorder 39.50



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State of Illinois

MORTGAGE

FHA Case No.

1371542786/729

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THIS MORTGAGE ("Security Instrument") is made on JANUARY 25TH, 2002 . The Mortgagor is
PETE BERNAL, AND PATRICIA K BERNAL, HUSBAND AND WIFE

whose address is 91 E BURLINGTON, RIVERSIDE, IL 60546

("Borrower). This Security Instrument is given to MID AMERICA BANK, FSB. which is organized
and existing under the laws of THE UNITED STATES OF AMERICA , and whose address is
1823 CENTRE POINT CIRCLE, P O BOX 3142, NAPERVILLE, IL 60566-7142("Lender"). Borrower owes
Lender the principal sum of ONE HUNDRED SEVENTY TWO THOUSAND FIVE HUNDRED SIXTY TWO AND NO/100
Dollars (U.S. \$172,562.00). This debt is evidenced by Borrower's note dated the same date as this Security
Instrument ("Note"), which provides for monthly payments, with the full debt, if not paid earlier, due and payable on
FEBRUARY 1, 2032 . This Security Instrument secures to Lender: (a) the repayment of the debt
evidenced by the Note, with interest, and all renewals, extensions and modifications of the Note; (b) the payment of
all other sums, with interest, advanced under paragraph 7 to protect the security of this Security Instrument; and (c)
the performance of Borrower's covenants and agreements under this Security Instrument and the Note. For this
purpose, Borrower does hereby mortgage, warrant, grant and convey to Lender, with power of sale the following
described property located in COOK County, Illinois:

LOT 17 AND THE NORTH 1/2 OF LOT 18 IN BLOCK 10 IN KOMAREK'S WEST 22ND
STREET FIFTH ADDITION BEING A SUBDIVISION OF PART OF THE EAST HALF OF THE
NORTH EAST QUARTER OF SECTION 27, TOWNSHIP 39 NORTH, RANGE 12, EAST OF THE
THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

P.I.N. 15272190320000
which has the address of 2449 FORESTVIEW DRIVE, NORTH RIVERSIDE

[Street, City],

Illinois 60546
FHA ILLINOIS MORTGAGE

[Zip Code] ("Property Address");

TOGETHER WITH all the improvements now or hereafter erected on the property, and all easements, appurtenances, and 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."

BORROWER COVENANTS that Borrower is lawfully seized of the estate hereby conveyed and has the right to mortgage, 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.

Borrower and Lender covenant agree as follows:

UNIFORM COVENANTS.

1. **Payment of Principal, Interest and Late Charge.** Borrower shall pay when due the principal of, and interest on, the debt evidenced by the Note and late charges due under the Note.

2. **Monthly Payments of Taxes, Insurance and Other Charges.** Borrower shall include in each monthly payment, together with the principal and interest as set forth in the Note and any late charges, a sum for (a) taxes and special assessments levied or to be levied against the Property, (b) leasehold payments or ground rents on the Property, and (c) premiums for insurance required under paragraph 4. In any year in which the Lender must pay a mortgage insurance premium to the Secretary of Housing and Urban Development ("Secretary"), or in any year in which such premium would have been required if Lender still held the Security Instrument, each monthly payment shall also include either: (i) a sum for the annual mortgage insurance premium to be paid by Lender to the Secretary, or (ii) a monthly charge instead of a mortgage insurance premium if this Security Instrument is held by the Secretary, in a reasonable amount to be determined by the Secretary. Except for the monthly charge by the Secretary, these items are called "Escrow Items" and the sums paid to Lender are called "Escrow Funds."

Lender may, at any time, collect and hold amounts for Escrow Items in an aggregate amount not to exceed the maximum amount that may be required for Borrower's escrow account under the Real Estate Settlement Procedures Act of 1974, 12 U.S.C. § 2601 et seq. and implementing regulations, 24 CFR Part 3500, as they may be amended from time to time ("RESPA"), except that the cushion or reserve permitted by RESPA for unanticipated disbursements or disbursements before the Borrower's payments are available in the account may not be based on amounts due for the mortgage insurance premium.

If the amounts held by Lender for Escrow Items exceed the amounts permitted to be held by RESPA, Lender shall deal with the excess funds as required by RESPA. If the amounts of funds held by Lender at any time is not sufficient to pay the Escrow Items when due, Lender may notify the Borrower and require Borrower to make up the shortage as permitted by RESPA.

The Escrow Funds are pledged as additional security for all sums secured by this Security Instrument. If Borrower tenders to Lender the full payment of all such sums, Borrower's account shall be credited with the balance remaining for all installment items (a), (b), and (c) and any mortgage insurance premium installment that Lender has not become obligated to pay to the Secretary, and Lender shall promptly refund any excess funds to Borrower. Immediately prior to a foreclosure sale of the Property or its acquisition by Lender, Borrower's account shall be credited with any balance remaining for all installment items (a), (b), and (c).

3. **Application of Payments.** All payments under paragraphs 1 and 2 shall be applied by Lender as follows:

First, to the mortgage insurance premium to be paid by Lender to the Secretary or to the monthly charge by the Secretary instead of the monthly mortgage insurance premium;

Second, to any taxes, special assessments, leasehold payments or ground rents, and fire, flood and other hazard insurance premiums, as required;

Third, to interest due under the Note;

Fourth, to amortization of the principal of the Note; and

Fifth, to late charges due under the Note.

4. **Fire, Flood and Other Hazard Insurance.** Borrower shall insure all improvements on the Property, whether now in existence or subsequently erected, against any hazards, casualties, and contingencies, including fire, for which Lender requires insurance. This insurance shall be maintained in the amounts and for the periods that Lender

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requires. Borrower shall also insure all improvements on the Property, whether now in existence or subsequently erected, against loss by floods to the extent required by the Secretary. All insurance shall be carried with companies approved by Lender. The insurance policies and any renewals shall be held by Lender and shall include loss payable clauses in favor of, and in a form acceptable to, Lender.

In the event of loss, Borrower shall give Lender immediate notice by mail. Lender may make proof of loss if not made promptly by Borrower. Each insurance company concerned is hereby authorized and directed to make payment for such loss directly to Lender, instead of to Borrower and to Lender jointly. All or any part of the insurance proceeds may be applied by Lender, at its option, either (a) to the reduction of the indebtedness under the Note and this Security Instrument, first to any delinquent amounts applied in the order in Paragraph 3, and then to prepayment of principal, or (b) to the restoration or repair of the damaged Property. Any application of the proceeds to the principal shall not extend or postpone the due date of the monthly payments which are referred to in Paragraph 2, or change the amount of such payments. Any excess insurance proceeds over an amount required to pay all outstanding indebtedness under the Note and this Security Instrument shall be paid to the entity legally entitled thereto.

In the event of foreclosure of this Security Instrument or other transfer of title to the Property that extinguishes the indebtedness, all right, title and interest of Borrower in and to insurance policies in force shall pass to the purchaser.

5. Occupancy, Preservation, Maintenance and Protection of the Property; Borrower's Loan Application; Leaseholds. Borrower shall occupy, establish, and use the Property as Borrower's principal residence within sixty days after the execution of this Security Instrument (or within sixty days of a later sale or transfer of the Property) and shall continue to occupy the Property as Borrower's principal residence for at least one year after the date of occupancy, unless Lender determines that requirement will cause undue hardship for Borrower, or unless extenuating circumstances exist which are beyond Borrower's control. Borrower shall notify Lender of any extenuating circumstances. Borrower shall not commit waste or destroy, damage or substantially change the Property or allow the Property to deteriorate, reasonable wear and tear excepted. Lender may inspect the Property if the Property is vacant or abandoned or the loan is in default. Lender may take reasonable action to protect and preserve such vacant or abandoned Property. Borrower shall also be in default if Borrower, during the loan application process, gave materially false or inaccurate information or statements to Lender (or failed to provide Lender with any material information) in connection with the loan evidenced by the Note, including, but not limited to, representations concerning Borrower's occupancy of the Property as a principal residence. If this Security Instrument is on a leasehold, Borrower shall comply with the provisions of the lease. If Borrower acquires fee title to the Property, the leasehold and fee title shall not be merged unless Lender agrees to the merger in writing.

6. Condemnation. The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of any part of the Property, or for conveyance in place of condemnation, are hereby assigned and shall be paid to Lender to the extent of the full amount of the indebtedness that remains unpaid under the Note and this Security Instrument. Lender shall apply such proceeds to the reduction of the indebtedness under the Note and this Security Instrument, first to any delinquent amounts applied in the order provided in Paragraph 3, and then to prepayment of principal. Any application of the proceeds to the principal shall not extend or postpone the due date of the monthly payments, which are referred to in Paragraph 2, or change the amount of such payments. Any excess proceeds over an amount required to pay all outstanding indebtedness under the Note and this Security Instrument shall be paid to the entity legally entitled thereto.

7. Charges to Borrower and Protection of Lender's Rights in the Property. Borrower shall pay all governmental or municipal charges, fines and impositions that are not included in Paragraph 2. Borrower shall pay these obligations on time directly to the entity which is owed the payment. If failure to pay would adversely affect Lender's interest in the Property, upon Lender's request Borrower shall promptly furnish to Lender receipts evidencing these payments.

If Borrower fails to make these payments or the payments required by Paragraph 2, or fails to perform any other covenants and agreements contained in this Security Instrument, or there is a legal proceeding that may significantly affect Lender's rights in the Property (such as a proceeding in bankruptcy, for condemnation or to enforce laws or regulations), then Lender may do and pay whatever is necessary to protect the value of the Property and Lender's rights in the Property, including payment of taxes, hazard insurance and other items mentioned in Paragraph 2.

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Any amounts disbursed by Lender under this Paragraph shall become an additional debt of Borrower and be secured by this Security Instrument. These amounts shall bear interest from the date of disbursement at the Note rate, and at the option of Lender shall be immediately due and payable.

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

8. Fees. Lender may collect fees and charges authorized by the Secretary.

9. Grounds for Acceleration of Debt.

(a) **Default.** Lender may, except as limited by regulations issued by the Secretary in the case of payment defaults, require immediate payment in full of all sums secured by this Security Instrument if:

(i) Borrower defaults by failing to pay in full any monthly payment required by this Security Instrument prior to or on the due date of the next monthly payment, or

(ii) Borrower defaults by failing, for a period of thirty days, to perform any other obligations contained in this Security Instrument.

(b) **Sale Without Credit Approval.** Lender shall, if permitted by applicable law (including section 341 (d) of the Garn-St Germain Depository Institutions Act of 1982, 12 U.S.C. 1701j-3(d)) and with the prior approval of the Secretary, require immediate payment in full of all sums secured by this Security Instrument if:

(i) All or part of the Property, or a beneficial interest in a trust owning all or part of the Property, is sold or otherwise transferred (other than by devise or descent), and

(ii) The Property is not occupied by the purchaser or grantee as his or her principal residence, or the purchaser or grantee does so occupy the Property, but his or her credit has not been approved in accordance with the requirements of the Secretary.

(c) **No Waiver.** If circumstances occur that would permit Lender to require immediate payment in full, but Lender does not require such payments, Lender does not waive its rights with respect to subsequent events.

(d) **Regulations of HUD Secretary.** In many circumstances regulations issued by the Secretary will limit Lender's rights, in the case of payment defaults, to require immediate payment in full and foreclose if not paid. This Security Instrument does not authorize acceleration or foreclosure if not permitted by regulations of the Secretary.

(e) **Mortgage Not Insured.** Borrower agrees that if this Security Instrument and the Note are not determined to be eligible for insurance under the National Housing Act within 60 days from the date hereof, Lender may, at its option require immediate payment in full of all sums secured by this Security Instrument. A written statement of any authorized agent of the Secretary dated subsequent to 60 days from the date hereof, declining to insure this Security Instrument and the Note shall be deemed conclusive proof of such inability. Notwithstanding the foregoing, this option may not be exercised by Lender when the unavailability of insurance is solely due to Lender's failure to remit a mortgage insurance premium to the Secretary.

10. Reinstatement. Borrower has a right to be reinstated if Lender has required immediate payment in full because of Borrower's failure to pay an amount due under the Note or this Security Instrument. This right applies even after foreclosure proceedings are instituted. To reinstate the Security Instrument, Borrower shall tender in a lump sum all amounts required to bring Borrower's account current including, to the extent they are obligations of Borrower under this Security Instrument, foreclosure costs and reasonable and customary attorney's fees and expenses properly associated with the foreclosure proceeding. Upon reinstatement by Borrower, this Security Instrument and the obligations that it secures shall remain in effect as if Lender had not required immediate payment in full. However, Lender is not required to permit reinstatement if: (i) Lender has accepted reinstatement after the commencement of foreclosure proceedings within two years immediately preceding the commencement of a current

foreclosure proceeding, (ii) reinstatement will preclude foreclosure on different grounds in the future, or (iii) reinstatement will adversely affect the priority of the lien created by this Security Instrument.

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

12. Successors and Assigns Bound; Joint and Several Liability; Co-Signers. The covenants and agreements of this Security Instrument shall bind and benefit the successors and assigns of Lender and Borrower, subject to the provisions of Paragraph 9 (b). Borrower's covenants and agreements shall be joint and several. Any Borrower who co-signs this Security Instrument but does not execute the Note: (a) is co-signing this Security Instrument only to mortgage, grant and convey that Borrower's interest in the Property under the terms of this Security Instrument; (b) is not personally obligated to pay the sums secured by this Security Instrument; and (c) agrees that Lender and any other Borrower may agree to extend, modify, forbear or make any accommodations with regard to the terms of this Security Instrument or the Note without that Borrower's consent.

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

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

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

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

Borrower shall promptly give Lender written notice of any investigation, claim, demand, lawsuit or other action by any governmental or regulatory agency or private party involving the Property and any Hazardous Substance or Environment Law of which Borrower has actual knowledge. If Borrower learns, or is notified by any governmental or regulatory authority, that any removal or other remediation of any Hazardous Substances affecting Property is necessary, Borrower shall promptly take all necessary remedial actions in accordance with Environmental Law.

As used in this paragraph 16, "Hazardous Substances" are those substances defined as toxic or hazardous substances by Environmental Law and the following substances: gasoline, kerosene, other flammable or toxic petroleum products, toxic pesticides and herbicides, volatile solvents, materials containing asbestos or formaldehyde, and radioactive materials. As used in the Paragraph 16, "Environmental Law" means federal laws and laws of the jurisdiction where the Property is located that relate to health, safety or environmental protection.

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

17. Assignment of Rents. Borrower unconditionally assigns and transfers to Lender all the rents and revenues of the Property. Borrower authorizes Lender or Lender's agents to collect the rents and revenues and hereby directs each tenant of the Property to pay the rents to Lender or Lender's agents. However, prior to Lender's notice to Borrower of Borrower's breach of any covenant or agreement in the Security Instrument, Borrower shall collect and receive all rents and revenues of the Property as trustee for the benefit of Lender and Borrower. This assignment of rents constitutes an absolute assignment and not an assignment for additional security only.

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(Seal) - Borrower

(Seal) - Borrower

(Seal) - Borrower

PATRICIA K BERNAL

PETE BERNAL

(Seal) - Borrower

Witnesses:

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

Condominium Rider
 Planned Unit Development Rider
 Growing Equity Rider
 ADJUSTABLE RATE RIDER
 Other [Specify] _____

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

If the Lender's interest in this Security Instrument is held by the Secretary and the Secretary requires immediate payment in full under Paragraph 9, the Secretary may invoke the nonjudicial power of sale provided in the Single Family Mortgage Foreclosure Act of 1994 ("Act") (12 U.S.C. 3751 et seq.) by requesting a foreclosure and to sell the Property as provided in the Act. Nothing in the preceding sentence shall deprive the Secretary of any rights other wise available to a Lender under this Paragraph 18 or applicable law.

If Lender invokes the power of sale, Lender shall give notice of sale to Borrower in the manner provided in Paragraph 13. Lender shall publish and post the notice of sale, and the Property shall be sold in the manner prescribed by applicable law. Lender or its designee may purchase the Property at any sale. The proceeds of the sale shall be applied in the following order: (a) to all expenses of the sale, including, but not limited to, reasonable attorney's fee; (b) to all sums secured by this Security Instrument; and (c) any excess to the person or persons legally entitled to it.

18. Foreclosure Procedure. If Lender requires immediate payment in full under Paragraph 9, Lender may invoke the power of sale and any other remedies permitted by applicable law. Lender shall be entitled to collect all expenses incurred in pursuing the remedies provided in this Paragraph 18, including, but not limited to, reasonable attorney's fee and costs of title evidence.

Lender shall not be required to enter upon, take control of or maintain in the Property before or after giving notice of breach to Borrower. However, Lender or a judicially appointed receiver may do so at any time there is a breach. Any application of rents shall not cure or waive any default or invalidate any other right or remedy of Lender. This assignment of rents of the Property shall terminate when the debt secured by the Security Instrument is paid in full.

Borrower has not executed any prior assignment of the rents and has not and will not perform any act that would prevent Lender from exercising its rights under this paragraph 17.

If Lender gives notice of breach to Borrower: (a) all rents received by Borrower shall be held by Borrower as trustee for benefit of Lender only, to be applied to the sums secured by the Security Instrument; (b) Lender shall be entitled to collect and receive all of the rents of the Property; and (c) each tenant of the Property shall pay all rents due and unpaid to Lender or Lender's agent on Lender's written demand to the tenant.

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STATE OF ILLINOIS,

Cook County ss:

I, *the undersigned*, a Notary Public in and for said county and state do hereby certify that

Qito Bernal and Patricia K. Bernal

, personally known to me to be the same person(s) whose name(s) subscribed to the foregoing instrument, appeared before me this day in person, and acknowledged that *the* signed and delivered the said instrument as *a* free and voluntary act, for the uses and purposes therein set forth.

Given under my hand and official seal, this *25th* day of *January* *2002*.

My Commission expires:



Sandra K. Falcone
Notary Public

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THIS INSTRUMENT WAS PREPARED BY:
KENNETH KORANDA
1823 CENTRE POINT CIRCLE
P. O. BOX 3142
NAPERVILLE, IL 60566-7142

WHEN RECORDED RETURN TO:
MID AMERICA BANK, FSB.
1823 CENTRE POINT CIRCLE
P. O. BOX 3142
NAPERVILLE, IL 60566-1742

Property of Cook County Clerk's Office

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ADJUSTABLE RATE RIDER

THIS ADJUSTABLE RATE RIDER is made this 25TH day of JANUARY 2002 and is incorporated into and shall be deemed to amend and supplement the Mortgage, of even date herewith, given by the undersigned (Mortgagor) to secure Mortgagor's Adjustable Rate Note ("Note"), of even date herewith, to MIDAMERICA FEDERAL SAVINGS BANK ("Mortgagee"), covering the premises described in the Mortgage located at

2449 FORESTVIEW DRIVE , NORTH RIVERSIDE IL 60546

[Property Address]

Notwithstanding anything to the contrary set forth in the Mortgage, Mortgagor and Mortgagee hereby agree to the following:

1. Under the Note, the initial stated interest rate of FIVE AND ONE HALF per centum (5.500 %) per annum ("Initial Interest Rate") on the unpaid principal balance is subject to change, as hereinafter described. When the interest rate changes, the equal monthly installments of principal and interest also will be adjusted, as hereinafter provided, so that each installment will be in an amount necessary to fully amortize the unpaid principal balance of the Note, at the new adjusted interest rate, over the remaining term of the Note.
2. The first adjustment to the interest rate (if any adjustment is required) will be effective on the first day of FEBRUARY 2003 , (which date will not be less than twelve months nor more than eighteen months from the due date of the first installment payment under the Note), and thereafter each adjustment to the interest rate will be made effective on that day of each succeeding year during the term of the Mortgage ("Change Date").
3. Each adjustment to the interest rate will be made based upon the following method of employing the weekly average yield on the United States Treasury Securities adjusted to a constant maturity of one year ("Index"; the Index is published in the Federal Reserve Bulletin and made available by the United States Treasury Department in Statistical Release H.15 (519)). As of each Change Date, it will be determined whether or not an interest rate adjustment must be made, and the amount of the new adjusted interest rate, if any, as follows:
 - (a) The amount of the Index will be determined, using the most recently available figure, thirty (30) days before the Change Date ("Current Index").
 - (b) TWO AND ONE HALF percentage points (2.500 % ; the "Margin") will be added to the Current Index and the sum of this addition will be rounded to the nearest one-eighth of one percentage point (0.125%). The rounded sum, of the Margin plus the Current Index, will be called the "Calculated Interest Rate" for each Change Date.

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- (c) The Calculated Interest Rate will be compared to the interest rate being earned immediately prior to the current Change Date (such interest rate being called the "Existing Interest Rate"). Then, the new adjusted interest rate, if any, will be determined as follows:
- (i) If the Calculated Interest Rate is the same as the Existing Interest Rate, the Interest Rate will not change.
 - (ii) If the difference between the Calculated Interest Rate and the Existing Interest Rate is less than or equal to one percentage point, the new adjusted interest rate will be equal to the Calculated Interest Rate (subject to the maximum allowable change over the term of the Mortgage of five percentage points, in either direction, from the Initial Interest Rate, herein called "5% Cap").
 - (iii) If the Calculated Interest Rate exceeds the Existing Interest Rate by more than one percentage point, the new adjusted interest rate will be equal to one percentage point higher than the Existing Interest Rate (subject to the 5% Cap).
 - (iv) If the Calculated Interest Rate is less than the Existing Interest Rate by more than one percentage point, the new adjusted interest rate will be equal to one percentage point less than the Existing Interest Rate (subject to the 5% Cap).
- (d) Notwithstanding anything contained in this Adjustable Rate Rider, in no event will any new adjusted interest rate be more than five percentage (5%) points higher or lower than the Initial Interest Rate. If any increase or decrease in the Existing Interest Rate would cause the new adjusted interest rate to exceed the 5% Cap, the new adjusted interest rate will be limited to five percentage (5%) points higher or lower, whichever is applicable, than the Initial Interest Rate.
- (e) Mortgagee will perform the functions required Subparagraphs 3(a), (b) and (c) to determine the amount of the new adjusted rate, if any. Any such new adjusted interest rate will become effective on the Change Date and thereafter will be deemed to be the Existing Interest Rate. The new Existing Interest Rate will remain in effect until the next Change Date on which the interest rate is adjusted.
- (f) If the index is no longer available, Mortgagee will be required to use any index prescribed by the Department of Housing and Urban Development. Mortgagee will notify Mortgagor in writing of any such substitute index (giving all necessary information for Mortgagor to obtain such index) and the date of such notice the substitute index will be deemed to be the Index hereunder.
- (a) If the Existing Interest Rate changes on any Change Date, Mortgagee will recalculate the monthly installment payments of principal and interest to determine the amount which would be necessary to repay in full, on the maturity date, the unpaid principal balance (which unpaid principal balance will be deemed to be the amount due on such Change Date assuming there has been no default in any payment on the Note but that all prepayments on the Note have been taken into account), at the new Existing Interest Rate, in equal monthly payments. At least 25 days before the date on which monthly payment at the new level is due, Mortgagee will give Mortgagor written notice ("Adjustment Notice") of any change in the Existing Interest Rate and of the revised amount of the monthly installment payments of principal and interest, calculated as provided above. Each Adjustment Notice will set forth (i) the date the Adjustment Notice is given, (ii) the Change Date, (iii) the current interest rate, (iv) the new Existing Interest Rate as adjusted on the Change Date, (v) the amount of the adjusted monthly installment payments, calculated as provided above, (vi) the Current Index and the date it was published, (vii) the method of calculating the adjustment to the monthly installment payment, and (viii) any other information which may be required by law from time to time.

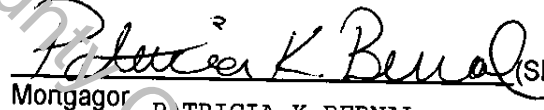
(b) Mortgagor agrees to pay the adjusted monthly payment amount beginning on the first payment date which occurs at least twenty-five (25) days after Mortgagee has given the Adjustment Notice to Mortgagor. Mortgagor will continue to pay the adjusted monthly installment amount as set forth in the last Adjustment Notice given by Mortgagee to Mortgagor until the first payment date which occurs at least twenty-five (25) days after Mortgagee has given a further Adjustment Notice to Mortgagor. Notwithstanding anything to the contrary contained in this Adjustable Rate Rider or the Mortgage, Mortgagor will be relieved of any obligation to pay, and Mortgagee will have forfeited its right to collect, any increase in the monthly installment amount (caused by the recalculation of such amount under Subparagraph 4 (a)) for any payment date occurring less than twenty-five (25) days after Mortgagee has given the applicable Adjustment Notice to Mortgagor.

(c) Notwithstanding anything contained in this Adjustable Rate Rider, in the event that (i) the Existing Interest Rate was reduced on a Change Date, and (ii) Mortgagee failed to give the Adjustment Notice when required, and (iii) Mortgagor, consequently, has made any monthly installment payments in excess of the amount which would have been set forth in such Adjustment Notice ("Excess Payments"), then Mortgagor, at Mortgagor's sole option, may either (1) demand the return from Mortgagee (who for the purposes of this sentence will be deemed to be the mortgagee, or mortgagees, who received such Excess Payments, whether or not any such mortgagee subsequently assigned the Mortgage) of all or any portion of such Excess Payments, with interest thereon at a rate equal to the sum of the Margin and the Index on the Change Date when the Existing Interest Rate was so reduced, from the date each such Excess Payment was made by Mortgagor to repayment, or (2) request that all or any portion of such Excess Payments, together with all interest thereon calculated as provided above, be applied as payments against principal.

5. Nothing contained in this Adjustable Rate Rider will permit Mortgagee to accomplish an interest rate adjustment through an increase (or decrease) to the unpaid principal balance. Changes to the Existing Interest Rate may only be reflected through adjustment to Mortgagor's monthly installment payments of principal and interest, as provided for herein.

BY SIGNING BELOW, Mortgagor accepts and agrees to the terms and covenants contained in this Adjustable Rate Rider.

 (SEAL)
Mortgagor PETE BERNAL

 (SEAL)
Mortgagor PATRICIA K BERNAL

____ (SEAL)
Mortgagor

____ (SEAL)
Mortgagor

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