

UNOFFICIAL COPY

1. Payment of Principal and Interest. Borrower and Lender covenant and agree as follows:
Lender shall pay to Borrower the principal of and interest on the indebtedness evidenced by the Note, prepayment and late charges as provided in the Note, and the principal of and interest on any future Advances secured by this Mortgage.

2. Funds for Taxes and Insurance. Subject to applicable law or to a written waiver by Lender, Borrower shall pay to Lender on the day monthly installments of principal and interest under the Note, until the Note is paid in full. A sum therein ("Funds") equal to one-twelfth of the year's taxes and assessments which may attach priority over the Mortgage and ground rents on the Property, if any, plus one-twelfth of yearly premium installments for mortgage insurance, if any, all as reasonably estimated initially and from time to time by Lender on the basis of assessments and bills and reasonable estimates thereof.

The Funds shall be held in an institution the deposits of accounts of which are insured or guaranteed by a Federal or state agency including Lender if Lender is such an institution. Lender shall apply the Funds to pay said taxes, assessments, insurance premiums and ground rents. Lender may and charge for so holding and applying the Funds, analyzing said account or verifying and compiling said assessments and bills, unless Lender pays Borrower interest on the Funds and applicable law permits Lender to make such a charge. Borrower and Lender may agree in writing at the time of execution of this Mortgage that interest on the Funds shall be paid to Borrower, and unless such agreement is made or applicable law requires such interest to be paid, Lender shall not be required to pay Borrower any interest or earnings on the Funds. Lender 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. The Funds are pledged as additional security for the sums secured by this Mortgage.

If the amount of the Funds held by Lender, together with the future monthly installments of Funds payable prior to the due dates of taxes, assessments, insurance premiums and ground rents, shall exceed the amount required to pay said taxes, assessments, insurance premiums and ground rents as they fall due, such excess shall be, at Borrower's option, either promptly repaid to Borrower or credited to Borrower on monthly installments of Funds. If the amount of the Funds held by Lender shall not be sufficient to pay taxes, assessments, insurance premiums and ground rents as they fall due, Borrower shall pay to Lender any amount necessary to make up the deficiency within 30 days from the date notice is mailed by Lender to Borrower requesting payment thereof.

3. Funds secured by this Mortgage. Lender shall promptly refund to Borrower any Funds held by Lender. If under paragraph 2 hereof the Property is sold or the Property is otherwise acquired by Lender, Lender shall apply, no later than immediately prior to the sale of the Property or its acquisition by Lender, any Funds held by Lender as a credit against the sums secured by this Mortgage.

4. Application of Payments. Unless applicable law provides otherwise, all payments received by Lender under the Note and paragraph 1 and 2 hereof shall be applied by Lender first in payment of amounts payable to Lender by Borrower under paragraph 2 hereof, then to the principal of the Note, and then to interest and principal on any future Advances.

5. Charges. Lender shall pay all taxes, assessments, and other charges, times and impositions attributable to the Property which may attach priority over this Mortgage, and household payments or ground rents, if any, in the manner provided under paragraph 2 hereof, if not paid in such manner, by Borrower making payment, when due, directly to the government thereof. Borrower shall promptly furnish to Lender all notices of amounts due under this paragraph, and in the event Borrower shall make payment directly to Lender, Borrower shall promptly furnish to Lender receipts evidencing such payments. Borrower shall promptly furnish to Lender all notices of amounts due under this paragraph, and in the event Borrower shall make payment directly to Lender, Borrower shall promptly furnish to Lender receipts evidencing such payments. Borrower shall promptly furnish to Lender all notices of amounts due under this paragraph, and in the event Borrower shall make payment directly to Lender, Borrower shall promptly furnish to Lender receipts evidencing such payments. Borrower shall promptly furnish to Lender all notices of amounts due under this paragraph, and in the event Borrower shall make payment directly to Lender, Borrower shall promptly furnish to Lender receipts evidencing such payments. Borrower shall promptly furnish to Lender all notices of amounts due under this paragraph, and in the event Borrower shall make payment directly to Lender, Borrower shall promptly furnish to Lender receipts evidencing such payments.

6. Hazard Insurance. Borrower shall keep the improvements now existing or hereafter erected on the Property insured against loss by fire, hazards, theft, burglary, vandalism, and for such periods as Lender may require, and in such amounts and by such means as Lender may require, provided that the amount of such coverage exceeds that amount of coverage required by the sums secured by this Mortgage. The insurance carrier providing the insurance shall be chosen by Borrower subject to approval by Lender, provided that such approval shall not be unreasonably withheld. All premiums on insurance policies shall be paid in the manner provided under paragraph 2 hereof, or, if not paid in such manner, by Lender making payment, when due, directly to the insurance carrier.

All insurance policies and proceeds thereon shall be in favor of and in trust for Lender and shall include a standard mortgage clause in favor of and in trust for Lender. Lender shall have the right to hold the policies and renewals thereof, and Borrower shall promptly furnish to Lender all renewal notices and all receipts of paid premiums. 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.

7. Less Lender and Borrower otherwise agree in writing, insurance proceeds shall be applied to restoration or repair of the Property damaged, provided such restoration or repair is economically feasible and the security of this Mortgage is not thereby impaired. If such restoration or repair is not economically feasible or if the security of this Mortgage would be impaired, the insurance proceeds shall be applied to the sums secured by this Mortgage, with the excess, if any, paid to Lender within 30 days from the date notice is mailed by Lender to Borrower that the insurance carrier offers to settle a claim for insurance benefits. Lender is authorized to collect and apply the insurance proceeds at Lender's option either to restoration or repair of the Property or to the sums secured by this Mortgage.

Unless Lender and Borrower otherwise agree in writing, any such application of proceeds in paragraph 7 hereof shall not extend to the date of the monthly installments referred to in paragraphs 1 and 2 hereof or change the amount of such installments. If under paragraph 7 hereof the Property is acquired by Lender, all right, title and interest of Borrower in and to any insurance policy and in and to the proceeds thereof resulting from damage to the Property prior to the sale or acquisition shall pass to Lender to the extent of the sums secured by this Mortgage immediately prior to such sale or acquisition.

8. Preservation and Maintenance of Property. Liveness, Condition, and Maintenance of Property. Lender shall keep the Property in good repair and shall not commit waste or permit impairment or deterioration of the Property and shall comply with the provisions of any lease of this Mortgage as on a leasehold. If this Mortgage is on a unit in a condominium or a planned unit development, Borrower shall perform all of Borrower's obligations under the declaration or covenants creating or governing the condominium or planned unit development, the by-laws and regulations of the condominium or planned unit development, and consistent documents. If a condominium or planned unit development interest is exercised by Borrower and recorded together with this Mortgage, the covenants and agreements of such interest shall be incorporated into and shall amend and supplement the covenants and agreements of this Mortgage as if the order were a part hereof.

9. Protection of Lender's Security. If Borrower fails to perform the covenants and agreements contained in this Mortgage, or if any action or proceeding is commenced which materially affects Lender's interest in the Property, including, but not limited to, eminent domain, insolvency, code enforcement, or arrangements or proceedings involving a bankruptcy or reorganization of Lender's business, Lender may, in its discretion, take any action which Lender may deem necessary and proper to protect its interest in the Property, including, but not limited to, the appointment of a receiver, the filing of a petition in bankruptcy, or the filing of an application for summary judgment or summary judgment in a court of competent jurisdiction. Lender shall not be bound by any action or proceeding of the kind mentioned herein, and Lender shall be authorized to take any action which Lender may deem necessary and proper to protect its interest in the Property, including, but not limited to, the appointment of a receiver, the filing of a petition in bankruptcy, or the filing of an application for summary judgment or summary judgment in a court of competent jurisdiction. Lender shall not be bound by any action or proceeding of the kind mentioned herein, and Lender shall be authorized to take any action which Lender may deem necessary and proper to protect its interest in the Property, including, but not limited to, the appointment of a receiver, the filing of a petition in bankruptcy, or the filing of an application for summary judgment or summary judgment in a court of competent jurisdiction.

10. Development. Lender shall be authorized to take any action which Lender may deem necessary and proper to protect its interest in the Property, including, but not limited to, the appointment of a receiver, the filing of a petition in bankruptcy, or the filing of an application for summary judgment or summary judgment in a court of competent jurisdiction. Lender shall not be bound by any action or proceeding of the kind mentioned herein, and Lender shall be authorized to take any action which Lender may deem necessary and proper to protect its interest in the Property, including, but not limited to, the appointment of a receiver, the filing of a petition in bankruptcy, or the filing of an application for summary judgment or summary judgment in a court of competent jurisdiction.

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