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This Document was prepared by
and after recording should be
returned to:

Bank of America Illinois
231 South LaSalle Street
Chicago, Illinois 60697
attn: Jean M. Lamberth
Loan # 3039856

DEPT-01 RECORDING \$29.00
T#0012 TRAN 6543 09/21/95 12:45:00
#0427 + CG #-95-639677
COOK COUNTY RECORDER

MORTGAGE

THIS MORTGAGE is made this 18th. day of September, 1995 between Robert S. Osborne and Martha T. Osborne, husband and wife, as Tenants by the Entirety as Mortgagor and BANK OF AMERICA ILLINOIS, 231 South LaSalle Street, Chicago, Illinois 60697, as Mortgagee. As used in this document the words "you" and "your" refer to the persons signing this instrument and the word "Lender" refers to Bank of America Illinois and its successors and assigns.

Indebtedness Being Secured. You are signing this Mortgage to secure to Lender (i) repayment of amounts outstanding under a certain variable-rate Private Equity Line Agreement (the "Agreement") dated the same date as this Mortgage in the amount of \$ 200,000.00 ("Credit Limit") or so much thereof as may be outstanding from time to time under the Agreement plus accrued interest (Finance Charges), fees, charges, and other amounts that may be owing under the Agreement providing for monthly payments of interest (Finance Charges) and providing for all sums owing to Lender hereunder and under the Agreement if not paid earlier either voluntarily or required to be paid on September 20, 2000 ("Maturity Date"), and all renewals, extensions, or modifications of the Agreement, (ii) any amounts advanced to protect the security of this Mortgage, (iii) the performance of the parties signing the Agreement, and (iv) your performance of covenants and agreements contained in the Mortgage. The Agreement sets forth terms under which the rate (Annual Percentage Rate) at which the Finance Charge is computed may change over the term of the Agreement. The Annual Percentage Rate may vary each month if the Prime Rate used to determine the Annual Percentage Rate changes. The Prime Rate shall mean the highest of the Prime Rates, as reported in the Money Rates Section of the Wall Street Journal on the last business day of the month before the Billing Period in which it is to be applied. The effect of an increase in the Annual Percentage Rate will be an increase in the scheduled minimum monthly payment of the Finance Charge. The Agreement states that the interest rate component of the Annual Percentage Rate will never exceed 18%.

Security. You hereby mortgage, grant, and convey to Lender the following described real estate located in the County of Cook, State of Illinois, subject only to prior encumbrances, restrictions of record, and the lien of this Mortgage:

The South 20 feet of Lot 29, Lot 30 and the North half of Lot 31 in McGuire and Orr's Arbor Vitae Road Subdivision of Block 4 and that part of Block 5 lying East of the East Line of Lincoln Avenue in Winnetka, in Sections 20 and 21, Township 42 North, Range 13 East of the Third Principal Meridian, in Cook County, Illinois

PTN: 05-21-101-022-0000

BOX 333-CTI

later Date F2 7566301 F2

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The property, having an address of 564 Maple; Winnetka, Illinois 60093 together with all interests described below relating to this real estate (or the leasehold estate if this Mortgage is on a leasehold) is referred to in this Mortgage as the "Property."

TOGETHER with all the improvements now or hereafter erected on the property, and all easements, rights, appurtenances, and rents, all of which shall be deemed to be and remain a part of the property covered by this Mortgage; and all of the foregoing, together with said property (or the leasehold estate if this Mortgage is on a leasehold), are hereinafter referred to as the "Property."

You covenant that you are lawfully seized of the estate hereby conveyed and have the right to mortgage, grant, and convey the Property, and that the Property is unencumbered, except for encumbrances of record. You covenant that you warrant and will defend generally the title to the Property against all claims and demands, subject to encumbrances of record.

Promises and Agreements. You agree with Lender as follows:

1. **Payment of Principal and Interest.** You shall promptly pay or cause to be paid, as and when required by the Agreement, the principal and interest due under the Agreement together with all other charges imposed under the Agreement.

2. **Application of Payments.** Unless applicable law provides otherwise, all payments received by Lender will be applied first to billed or unpaid finance charges, then to any "other charges," then to principal, and then to accrued but unbilled finance charges.

3. **Prior Encumbrances; Liens.** You shall perform all of your obligations under any mortgage, deed of trust, or other security agreement with a lien that has priority over this Mortgage (Prior Encumbrance), including your covenants to make payments when due. You shall pay or cause to be paid all taxes, assessments, and other charges, fines, and impositions attributable to the Property that may attain a priority over this Mortgage and leasehold payments or ground rents, if any.

You shall keep the Property free from mechanic's or other liens not expressly subordinated to the lien hereof.

4. **Taxes and Assessments; Rents.** You shall pay or cause to be paid when due all general and special taxes and assessments and water, sewer, and other charges, fines, and impositions attributable to the Property that may attain priority over this Mortgage, and leasehold payments or ground rents, if any, and all other sums due under any said ground lease. You shall provide evidence satisfactory to Lender of said payments promptly after the respective due dates thereof. You shall pay in full, under protest in the manner provided by statute, any tax or assessment you desire to contest.

5. **Hazard Insurance.** You shall keep all buildings and improvements now existing or hereafter situated on the Property insured against loss by fire, hazards included within the term "extended coverage," and such other hazards as Lender may require (including but not limited to insurance against flood damage) in amounts sufficient either to pay the cost of replacing the Property in full or to pay in full the indebtedness secured hereby, together with the amount of indebtedness secured by any Prior Encumbrances.

The insurance carriers providing said insurance shall be selected by you, subject to Lender's approval, which shall not be unreasonably withheld. All policies and renewals thereof shall be in form acceptable to Lender, shall include a standard mortgagee clause with loss payable to and in form otherwise acceptable to Lender, and further shall provide for 30 days' written notice to Lender prior to cancellation or material change in coverage. Subject to the terms of any Prior Encumbrance, Lender shall have the right to hold the policies and renewals thereof, which policies and renewals (stamped "Paid") shall be delivered to Lender no later than 10 banking days before expiration or any of said policies. You shall give prompt notice of any loss or damage to the insurance carrier(s) and to Lender. Lender may make proof of loss if not made promptly by you.

If the Property is abandoned by you, or if you fail to respond to Lender within 30 days from the date notice is mailed by Lender to you 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 sole option and discretion, either to restoration or repair of the Property or to the payment of the sums secured by this Mortgage. You hereby direct any insurance companies to pay directly to Lender, as its interest may appear, any proceeds in the event of any loss or damage.

6. **Use, Preservation, and Maintenance of Property; Leaseholds; Condominiums; Planned Unit Developments.** You shall keep the Property in good repair and shall not commit waste or permit impairment or deterioration of the Property. You shall promptly restore or rebuild any buildings or improvements now or hereafter on the Property that may become damaged or destroyed. You shall comply with all requirements of law or municipal ordinances with respect to use, operation, and maintenance of the Property, and shall make no material alterations in said Property except as required by law or municipal ordinance, or otherwise without the prior written consent of Lender. If this Mortgage is on a unit in a condominium or planned unit development, you shall perform all of your obligations under the declaration of covenants creating or governing the condominium or planned unit development, the by-laws and regulations of the condominium or planned unit development, and constituent documents. If this Mortgage is on a leasehold, you shall perform or cause to be performed all obligations of lessee under said lease.

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7. Protection of Lender's Security. If you fail to perform any of the covenants and agreements contained in this Mortgage, or if any action or proceeding is threatened or commenced that materially affects Lender's interest in the Property, then Lender, at Lender's option, upon notice to you, may make such appearances, disburse such sums, including reasonable attorneys' fees, and take such action as is necessary to protect Lender's interest, including but not limited to making repairs, full or partial payment or discharge of Prior Encumbrances, payment, settling, or discharge of tax liens, payment of ground rents (if any), and procurement of insurance. Lender, in making said authorized payments of taxes and assessments, may do so in accordance with any bill, statement, or estimate procured from the appropriate public office without inquiry into the accuracy of same or into the validity of any tax, assessment, sale, forfeiture, tax lien, or title, or claim thereof.

Any amounts disbursed by Lender pursuant to this Paragraph 7, with interest thereon at the rate then applicable under the Agreement, shall become additional indebtedness secured by this Mortgage. Unless you and Lender agree to other terms of payment, such amounts shall be payable upon notice from Lender to you requesting payment thereof. Nothing contained in this Paragraph 7 shall require Lender to incur any expense or take any action hereunder, and inaction by Lender shall never be considered a waiver of any right accruing to Lender on account of any provision in this Paragraph 7.

If Lender required private mortgage insurance as a condition of making the loan secured by this Mortgage, you shall pay the premiums required to maintain such insurance in effect until such time as the requirement for such insurance terminates in accordance with your and Lender's written agreement or applicable law.

8. Inspection. Lender may make or cause to be made reasonable entries upon and inspections of the Property, provided that Lender shall give you notice prior to any such inspections.

9. Condemnation. Subject to the terms of any Prior Encumbrance, the proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of the Property, or part thereof, or for conveyance in lieu of condemnation, are hereby assigned and shall be paid to Lender. Lender is authorized to collect the proceeds and, at Lender's sole option and discretion, to apply said proceeds either to restoration or repair of the Property or to the payment of the sums secured by this Mortgage.

10. Continuation of Your Obligation; Forbearance by Lender Not a Waiver; Remedies Cumulative. Extension of the time for payment or modification of amortization of the sums secured by this Mortgage granted by Lender to you or any of your successors in interest shall not operate to release, in any manner, your liability. Lender shall not be required to commence proceedings against such successor or to extend time for payment or otherwise modify amortization of the sums secured by this Mortgage by reason of any demand made by you or your successors in interest. Any forbearance by Lender in exercising any right or remedy hereunder, or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of any such right or remedy. All remedies provided in this Mortgage are distinct and cumulative to any other right or remedy under this Mortgage or afforded by law or equity, and may be exercised concurrently, independently, or successively.

11. Successors and Assigns Bound; Joint and Several Liability; Co-signers. Subject to the provisions of Paragraph 16 hereof, the covenants and agreements herein contained shall bind you and the rights hereunder shall inure to, the respective successors and assigns of Lender and you. All covenants and agreements of yours shall be joint and several. Each of you who co-signs this Mortgage, but does not execute the Agreement: (a) is co-signing this Mortgage only to mortgage and warrant your interest in the Property to Lender under the terms of this Mortgage and to release homestead rights; (b) is not personally liable on the Agreement or under this Mortgage; and (c) agrees that Lender and any other Mortgagor hereunder may agree to extend, modify, forbear, or make any other accommodations with regard to the terms of this Mortgage or the Agreement without your consent and without releasing the Mortgagor or modifying this Mortgage as to that Mortgagor's interest in the Property.

12. Notice. Except for any notice required under applicable law to be given in another manner, any notices required to be given under this Mortgage shall be served by hand delivery or by certified mail, return receipt requested. Notices shall be served upon you at the Property address and upon Lender at Lender's address stated herein. Notices shall be deemed to have been served and effective on the date of delivery, if hand-delivered, or three days after the date of mailing shown on the certified receipt, if mailed. Any party hereto may change the address to which notices are sent by notice as provided herein.

13. Governing Law; Severability. The state and local laws applicable to this Mortgage shall be the laws of the jurisdiction in which the Property is located. The foregoing sentence shall not limit the applicability of federal law to this Mortgage. In event that any provision or clause of this Mortgage or the Agreement conflicts with applicable law, such conflict shall not affect other provisions of this Mortgage or the Agreement that can be given effect without the conflicting provision, and to this end the provisions of this Mortgage and the Agreement are declared to be severable. As used herein, "costs," "expenses," and "attorneys' fees" include all sums to the extent not prohibited by applicable law or limited herein.

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14. **Your Copy.** You shall be furnished a conformed copy of the Agreement and of this Mortgage at the time of execution or after recordation thereof.

15. **Rehabilitation Loan Agreement.** You shall fulfill all of your obligations under any home rehabilitation, improvement, repair, or other loan agreement that you enter into with Lender. Lender, at Lender's option, may require you to execute and deliver to Lender, in form acceptable to Lender, an assignment of any rights, claims, or defenses that you may have against parties who supply labor, materials, or services in connection with improvements made to the Property.

16. **Transfer of the Property or of a Beneficial Interest in Mortgagor.** It shall be an immediate default hereunder if, without the prior written consent of Lender, which consent shall be granted or withheld at Lender's sole discretion, you shall create, effect, or consent to or shall suffer or permit any conveyance, sale (including installment sale), assignment, transfer, lien, pledge, mortgage, security interest, or other encumbrance or alienation (collectively, "transfer") of the Property or any part thereof or interest therein (or if all or a portion of the beneficial interest of Mortgagor is transferred, where Mortgagor is not a natural person). In the event of such default, Lender may declare the entire unpaid balance, including interest, immediately due and payable; provided, however, the foregoing provisions of this Paragraph 16 shall not apply to the lien of current taxes and assessments not yet due and payable. This option shall not be exercised by Lender if exercise is prohibited by federal law as of the date of this Mortgage.

If Lender exercises (his) option, Lender Shall give you notice of acceleration. The notice shall provide a period of not less than 30 days from the date of service of the notice (as defined in Paragraph 12 hereof) within which you must pay or cause to be paid all sums secured by this Mortgage. If you fail to pay or cause to be paid said sums prior to the expiration of said 30-day period, Lender may invoke any remedies permitted by this Mortgage without further notice or demand on you.

17. **Acceleration; Remedies.** Except as provided in Paragraph 16 of this Mortgage, upon your breach of any of the termination or acceleration covenants listed in the paragraph entitled *Events of Default* in the Agreement as events of default, including the covenants to pay when due any sums secured by this Mortgage, Lender shall, prior to such acceleration, give you notice as provided in the paragraph entitled *Declaration of Event of Default; Remedies* in the Agreement, specifying (i) the particular termination covenant that has been breached; (ii) the action, if any, required to cure such breach; (iii) a date, not less than 10 days from the date the notice is mailed to you, by which such breach must be cured; and (iv) that failure to cure such breach on or before the date specified in the notice may result in acceleration of the sums secured by this Mortgage, foreclosure by judicial proceeding, and sale of the Property. The notice shall further inform you of the right to reinstate after acceleration and the right to assert in the foreclosure proceeding the non-existence of a default or any other defense of yours to acceleration and foreclosure. If the breach is not cured on or before the date specified in the notice, Lender may, at Lender's option, declare all sums secured by this Mortgage to be immediately due and payable without further demand and may foreclose this Mortgage by judicial proceedings. Lender shall be entitled to collect on such proceeding all expenses of foreclosure, including, but not limited to, reasonable attorneys' fees and cost of documentary evidence, abstracts, and title reports.

Lender may also exercise all remedies available to it under the Agreement, including suspension of future credit privileges and decreasing the Credit Limit.

18. **Right to Reinstate.** Notwithstanding Lender's acceleration of the payment of the sums secured by this Mortgage due to your breach, you shall have the right to have any proceedings begun by Lender to enforce this Mortgage discontinued at any time prior to entry of a judgment enforcing this Mortgage if: (a) you pay Lender all sums that would be then due under this Mortgage and the Agreement as if no acceleration occurred; (b) you cure all breaches of any other covenants or agreements contained in this Mortgage; (c) you pay all reasonable expenses incurred by Lender in enforcing the covenants and agreements contained in this Mortgage, and in enforcing Lender's remedies as provided in Paragraph 17 hereof, including, but not limited to, reasonable attorneys' fees; and (d) you take such action as Lender may reasonably require to assure that the lien of this obligation to pay the sums secured by this Mortgage shall continue unimpaired. Upon such payment and cure by you this Mortgage and the obligations secured hereby shall remain in full force and effect as if no acceleration had occurred.

19. **Revolving Loan.** This Mortgage secures all Loans made and indebtedness outstanding under the Agreement from time to time (whether such Loans or indebtedness represent obligatory or discretionary advances) within 20 years from the date of this Mortgage. The Loans outstanding shall be secured to the same extent as if each were made on the date of this Mortgage, and the fact that there is no outstanding indebtedness under the Agreement shall not affect the priority of the lien of this Mortgage as it exists on the date of the Mortgage. This Mortgage shall be prior to all subsequent liens and encumbrances (except for tax liens and assessments levied on the Property) even if there is no indebtedness owing under the Agreement, to the extent of the Credit Limit shown in the Agreement and on the first page hereof, plus all other amounts owing under the Agreement and/or secured by or that may be secured by this Mortgage.

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20. **Assignments of Rents; Appointment of Receiver.** As additional security hereunder, you hereby assign to Lender the rents of the Property, provided that you shall, prior to acceleration under Paragraphs 16 and 17 hereof or abandonment of the Property, have the right to collect and retain such rents as they become due and payable.

Upon acceleration under Paragraphs 16 and 17 hereof or abandonment of the Property, and further notice to you, Lender shall be entitled to have a receiver appointed by a court to enter upon, take possession of, and manage the Property and to collect the rents of the Property, including those past due. Said receiver shall have the power to collect said rents from time of acceleration through the pendency of any foreclosure proceeding and during the full statutory period of redemption, if any. All rents collected by the receiver shall be applied first to payment of the costs of management of the Property and collection of rents, including, but not limited to, receiver's fees, premiums on receiver's bonds, and reasonable attorneys' fees, and then to the payment of the sums secured by this Mortgage. The receiver shall be liable to account only for those rents actually received.

21. **Release.** Upon payment of all sums secured by this Mortgage, Lender shall release this Mortgage upon your payment of all costs and fees to release same, if any. You shall also pay all costs of recordation, if any.

22. **Homestead Waiver.** By signing below, you waive all rights of Homestead exemption in the Property.

23. **Authority to Sign, If Corporation.** The execution of this Mortgage has been duly authorized by our Board of Directors.

24. **Riders.** The Condominium Rider, attached hereto, if any, is incorporated herein and made a part hereof.

REQUEST FOR NOTICE OF DEFAULT AND FORECLOSURE UNDER PRIOR ENCUMBRANCES

You and lender request the holder of any Prior Encumbrance or other encumbrance with a lien that has priority over this Mortgage to give notice to Lender, at Lender's address set forth on page one of this Mortgage, of any default under the Prior Encumbrance and of any sale or other foreclosure action.

IN WITNESS WHEREOF, Mortgagor has executed this Mortgage.

[Signature] (Seal)
Robert S. Osborne - Mortgagor

[Signature] (Seal)
Martha T. Osborne - Mortgagor

[Signature] (Seal)
Martha T. Osborne - Mortgagor

[Signature] (Seal)
Martha T. Osborne - Mortgagor

SPACE BELOW THIS LINE FOR ACKNOWLEDGMENT

STATE OF ILLINOIS)

(ss.

COUNTY OF COOK)

I, PATRICE A. BROZYNSKI, a Notary Public in and for said county and state, do hereby certify that, Robert S. Osborne & Martha T. Osborne, husband and wife personally known to me to be the same person(s) are subscribed to the foregoing instrument, appearing before me this day in person, and acknowledged that he signed and delivered the said instrument as their free and voluntary act, for the use and purposes therein set forth. Given under my hand and official seal, this 18TH day of SEPTEMBER 1995.

"OFFICIAL SEAL"
PATRICE A. BROZYNSKI
Notary Public, State of Illinois
My Commission Expires June 8, 1998

Patrice A. Brozynski
Notary Public

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person) without Lender's prior written consent, Lender may, at its option, require immediate payment in full of all sums secured by this Security Instrument. However, this option shall not be exercised by Lender if exercise is prohibited by federal law as of the date of this Security Instrument.

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 delivered or mailed 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.

18. **Borrower's Right to Reinstate.** If Borrower meets certain conditions, Borrower shall have the right to have enforcement of this Security Instrument discontinued at any time prior to the earlier of: (a) 5 days (or such other period as applicable law may specify for reinstatement) before sale of the Property pursuant to any power of sale contained in this Security Instrument; or (b) 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; and (d) takes such action as Lender may reasonably require to assure that the lien of this Security Instrument, Lender's rights in the Property and Borrower's obligation to pay the sums secured by this Security Instrument shall continue unchanged. Upon reinstatement by Borrower, this Security Instrument and the 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 paragraph 17.

19. **Sale of Note; Change of Loan Servicer.** The Note or a partial interest in the Note (together with this Security Instrument) may be sold one or more times without prior notice to Borrower. A sale may result in a change in the entity (known as the "Loan Servicer") that collects monthly payments due under the Note and this Security Instrument. There also may 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 in accordance with paragraph 14 above and applicable law. The notice will state the name and address of the new Loan Servicer and the address to which payments should be made. The notice will also contain any other information required by applicable law.

20. **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 Environmental 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 Substance affecting the Property is necessary, Borrower shall promptly take all necessary remedial actions in accordance with Environmental Law.

As used in this paragraph 20, "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 this paragraph 20, "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:

21. **Acceleration; Remedies.** Lender shall give notice to Borrower prior to acceleration following Borrower's breach of any covenant or agreement in this Security Instrument (but not prior to acceleration under paragraph 17 unless applicable law provides otherwise). The notice shall specify: (a) the default; (b) the action required to cure the default; (c) a date, not less than 30 days from the date the notice is given to Borrower, by which the default must be cured; and (d) that failure to cure the default on or before the date specified in the notice may result in acceleration of the sums secured by this Security Instrument, foreclosure by judicial proceeding and sale of the Property. The notice shall further inform Borrower of the right to reinstate after acceleration and the right to assert in the foreclosure proceeding the non-existence of a default or any other defense of Borrower to acceleration and foreclosure. If the default is not cured on or before the date specified in the notice, Lender at its option may require immediate payment in full of all sums secured by this Security Instrument without further demand and may foreclose this Security Instrument by judicial proceeding. Lender shall be entitled to collect all expenses incurred in pursuing the remedies provided in this paragraph 21, including, but not limited to, reasonable attorneys' fees and costs of title evidence.

22. **Release.** Upon payment of all sums secured by this Security Instrument, Lender shall release this Security Instrument without charge to Borrower. Borrower shall pay any recordation costs.

23. **Waiver of Homestead.** Borrower waives all right of homestead exemption in the Property.

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UNIFORM COVENANTS Borrower and Lender covenant and agree as follows:

1. Payment of Principal and Interest; Prepayment and Late Charges. Borrower shall promptly pay when due the principal of and interest on the debt evidenced by the Note and any prepayment due under the Note. Funds for taxes and assessments which may be levied on the Property shall be paid in full, a sum ("Funds") for pay to Lender on the day monthly payments are due under the Note, until the Note is paid in full, a sum ("Funds") for (a) yearly taxes and assessments which may be levied on the Property; (b) yearly escrow payments or ground rents on the Property, if any; (c) yearly mortgage insurance premiums, if any; and (d) any sums payable by Borrower to Lender, in accordance with the provisions of paragraph 8, in lieu of the payment of mortgage insurance premiums. These items are called "Escrow Items." Lender may, at any time, collect and hold Funds in an amount not to exceed the maximum amount a lender for a federally related mortgage loan may require for Borrower's escrow account under the federal Real Estate Settlement Procedures Act of 1974 as amended from time to time, 12 U.S.C. § 2601 et seq. ("RESPA"), unless another law that applies to the Funds sets a lesser amount. If so, Lender may, at any time, collect and hold Funds in an amount not to exceed the lesser amount. Lender may estimate the amount of Funds due on the basis of current data and reasonable estimates of expenditures of future Escrow Items or otherwise in accordance with applicable law.

The Funds shall be held in an institution whose deposits are insured by a federal agency, instrumentality, or entity (including Lender). Lender is such an institution) or in any Federal Home Loan Bank. Lender shall apply the Funds to pay the Escrow Items. Lender may not charge Borrower for holding and applying the Funds, annually analyzing the escrow account, or verifying the escrow items, unless Lender pays Borrower interest on the Funds and applicable law permits Lender to make such a charge. However, Lender may require Borrower to pay a one-time charge for an independent real estate tax reporting service used by Lender in connection with this loan, unless applicable law provides otherwise. Unless an agreement is made or applicable law requires interest to be paid, Lender shall not be required to pay Borrower any interest or earnings on the Funds. Borrower and Lender may agree in writing, however, that interest shall be paid 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 all sums secured by this Security Instrument.

If the Funds held by Lender exceed the amount permitted to be held by applicable law, Lender shall account to Borrower for the excess Funds in accordance with the requirements of applicable law. If the amount of the Funds held by Lender at any time is not sufficient to pay the Escrow Items when due, Lender may so notify Borrower in writing, and, in such case Borrower shall pay to Lender the amount necessary to make up the deficiency. Borrower shall make up the deficiency in no more than twelve monthly payments, at Lender's sole discretion.

Upon payment in full of all sums secured by this Security Instrument, Lender shall promptly refund to Borrower any Funds held by Lender. If, under paragraph 21, Lender shall acquire or sell the Property, Lender, prior to the acquisition or sale of the Property, shall apply any Funds held by Lender at the time of acquisition or sale as a credit against the sums secured by this Security Instrument.

3. Application of Payments. Unless applicable law provides otherwise, all payments received by Lender under paragraphs 1 and 2 shall be applied: first, to any prepayment charges due under the Note; second, to amounts payable under paragraph 2; third, to interest due; fourth, to principal due; and last, to any late charges due under the Note.

4. Charges; Liens. Borrower shall pay all taxes, assessments, charges, taxes and impositions attributable to the Property which may be levied on the Property, and escrow payments, ground rents, if any, Borrower shall pay them on time directly to the person owed payment. Borrower shall promptly furnish to Lender all notices of amounts to be paid under this paragraph. If Borrower makes these payments directly, Borrower shall promptly furnish to Lender receipts evidencing the payments.

Borrower shall promptly discharge any lien which has priority over this Security Instrument unless Borrower: (a) agrees in writing to the payment of the obligation secured by the lien in a manner acceptable to Lender; (b) consents 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.

5. Hazard or Property Insurance. Borrower shall keep the improvements now existing or hereafter erected on the Property insured against loss by fire, hazards included within the term "extended coverage" and any other hazards, including floods or flooding, for which Lender requires insurance. This insurance shall be maintained in the amounts and for the periods that Lender requires. The insurance carrier providing the insurance shall be chosen by Borrower subject to Lender's approval which shall not be unreasonably withheld. If Borrower fails to maintain coverage described above, Lender may, at Lender's option, obtain coverage to protect Lender's rights in the Property in accordance with paragraph 7.

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