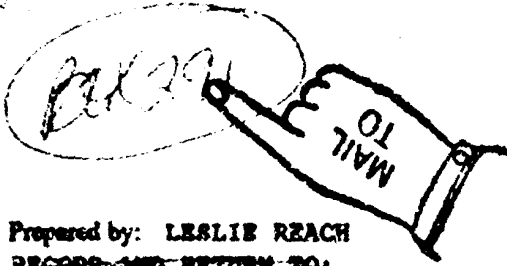


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COOK COUNTY
RECORDER
JESSE WHITE
ROLLING MEADOWS

RECORDING 35.00
96245098

Prepared by: LESLIE REACH
RECORDS AND RETURN TO:
CU/AMERICA FINANCIAL SERVICES, INC.
3080 OGDEN AVENUE, SUITE 205
LISLE, ILLINOIS 60532

MORTGAGE

Loan No. 85010

THIS MORTGAGE ("Security Instrument") is given on March 7, 1996. The mortgagor is WILLIAM J. ARNOLD and DIANE L. ARNOLD, HUSBAND AND WIFE

("Borrower"). This Security Instrument is given to CU/AMERICA FINANCIAL SERVICES, INC.

which is organized and existing under the law of THE STATE OF ILLINOIS, and whose address is 3080 OGDEN AVENUE, SUITE 205, LISLE, ILLINOIS 60532

("Lender"). Borrower owes Lender the principal sum of Two Hundred Thousand Five Hundred and no/100----- Dollars (U.S. \$ 200,500.00).

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 April 29, 2009

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, grant and convey to Lender the following described property located in COOK County, Illinois:

LOT 45 IN PARK ST. CLAIRE UNIT 1 BEING A SUBDIVISION IN THE NORTHEAST QUARTER (1/4) OF SECTION 23, AND THE WEST HALF (1/2) OF THE NORTHWEST QUARTER (1/4) OF SECTION 24, ALL IN TOWNSHIP 41 NORTH, RANGE 10, EAST OF THE THIRD PRINCIPAL MERIDIAN, ACCORDING TO THE PLAT THEREOF RECORDED MAY 11, 1990 AS DOCUMENT NUMBER 90219579 IN COOK COUNTY, ILLINOIS.

PIN 07-24-111-045-0000
which has the address of 14 SAINT CLAIRE CIRCLE SCHAUNBURG [Street, City], Illinois 60173 [Zip Code] ("Property Address");

ILLINOIS Family-FINMA, FHLMC UNIFORM INSTRUMENT Form 3014 9/90 Amended 5/91
- (MCL) 15021.01

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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.

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 and late charges due under the Note.

2. Fund: For Taxes and Insurance. Subject to applicable law or to a written waiver by Lender, Borrower shall pay to Lender on the day monthly payments due under the Note, until the Note is paid in full, a sum ("Funds") not (a) yearly base and surcharges which may state priority over this Security Instrument as a lien on the Property; (b) yearly installment payments or ground rent, in the Property, if any; (c) yearly hazard or property insurance premiums; (d) yearly hazard insurance premium, if any; (e) yearly mortgage insurance premiums, if any; and (f) 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 "Borrower Funds."

Lender may, at any time, collect and hold Funds in an amount not to exceed the maximum amount a holder for a federally related mortgage loan may require for Borrower's account under the federal Real Estate Settlement Procedures Act of 1974 as amended from time to time, 12 U.S.C. Section 2601 et seq. ("RESPA"), unless another law that applies to the Funds sets a lower amount. If so, Lender may, at any time, collect and hold Funds in an amount not to exceed the lower amount. Lender may estimate the amount of Funds due on the basis of current data and reasonable estimates of expenditures of future Borrower Funds 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, if Lender is such an institution) or in any Federal Home Loan Bank. Lender shall apply the Funds to pay the Borrower's debt. Lender may not charge Borrower for holding and applying the Funds, generally analyzing the account records, or verifying the Borrower's funds, unless Lender pays the 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 the Funds, 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 payments for which such debt to the Funds was made. The Funds are pledged as additional security for all sums secured by this Security Instrument.

If the Funds are held by Lender except 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 Borrower's debt 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 as 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; and last, to any late charges due under the Note.

4. Charges. Lender shall pay all taxes, assessments, charges, fees and impositions attributable to the Property which may state priority over this Security Instrument, and household payments or ground rent, if any. Borrower shall pay these obligations in the manner provided in paragraph 2, or if not paid in that manner, 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 incurred by the lien in a manner acceptable to Lender; (b) consents in good faith to the lien by, or demands agreement satisfaction 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 the Security Instrument. If Lender determines that any part of the Property is subject to a lien which may state priority over the Property, Lender shall promptly discharge the lien.

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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.

All insurance policies and renewals shall be acceptable to Lender and shall include a standard mortgage clause. Lender shall have the right to hold the policies and renewals. If Lender requires, Borrower shall promptly give to Lender all receipts of paid premiums and renewal notices. 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, insurance proceeds shall be applied to restoration or repair of the Property damaged, if the restoration or repair is economically feasible and Lender's security is not lessened. 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 any excess paid to Borrower. If Borrower abandons the Property, or does not answer within 30 days a notice from Lender that the insurance carrier has offered to settle a claim, then Lender may collect the insurance proceeds. Lender may use the proceeds to repair or restore the Property or to pay sums secured by this Security Instrument, whether or not then due. The 30-day period will begin when the notice is given.

Unless Lender and Borrower otherwise agree in writing, any application of proceeds to principal shall not extend or postpone the due date of the monthly payments referred to in paragraphs 1 and 2 or change the amount of the payments. If under paragraph 21 the Property is acquired by Lender, Borrower's right to any insurance policies and proceeds resulting from damage to the Property prior to the acquisition shall pass to Lender to the extent of the sums secured by this Security Instrument immediately prior to the acquisition.

6. 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 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. Borrower shall not destroy, damage or impair the Property, allow the Property to deteriorate, or commit waste on the Property. Borrower shall be in default if any forfeiture action or proceeding, whether civil or criminal, is begun that in Lender's good faith judgment could result in forfeiture of the Property or otherwise materially impair the lien created by this Security Instrument or Lender's security interest. Borrower may cure such a default and reinstate, as provided in paragraph 12, by causing the action or proceeding to be dismissed with a ruling that, in Lender's good faith determination, precludes forfeiture of the Borrower's interest in the Property or other material impairment of the lien created by this Security Instrument or Lender's security interest. 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 all the provisions of the lease. If Borrower acquires fee title to the Property, the leasehold and the fee title shall not merge unless Lender agrees to the merger in writing.

7. Protection of Lender's Rights in the Property. If Borrower fails to perform the covenants and payments 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, probate, for condemnation or forfeiture or to enforce laws or regulations), then Lender may do and pay for whatever is necessary to protect the value of the Property and Lender's rights in the Property. Lender's actions may include paying any sums secured by a lien which has priority over this Security Instrument, appearing in court, paying reasonable attorneys' fees and entering on the Property to make repairs. Although Lender may take action under this paragraph 7, Lender does not have to do so.

Any amounts disbursed by Lender under this paragraph 7 shall become additional debt of Borrower secured by this Security Instrument. Unless Borrower and Lender agree to other terms of payment, these amounts shall bear interest from the date of disbursement at the Note rate and shall be payable, with interest, upon notice from Lender to Borrower requesting payment.

8. Mortgage Insurance. If Lender required mortgage insurance as a condition of making the loan secured by this Security Instrument, Borrower shall pay the premiums required to maintain the mortgage insurance in effect. If, for any reason, the mortgage insurance coverage required by Lender lapses or ceases to be in effect, Borrower shall pay the premiums required to

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[Handwritten Signature]

Initials: _____

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14. 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 the address set forth in the Note.

13. Loan Charges. If the loan secured by this Security Instrument is subject to a law which sets maximum loan charges, and that law is finally interpreted so that the interest or other loan charges collected or to be collected in connection with the loan exceed the permitted limits, then: (a) any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit; and (b) any sum already collected from Borrower which exceeded permitted limits will be refunded to Borrower. Lender may choose to make this refund by reducing the principal owed under the Note or by making a direct payment to Borrower. If a refund reduces principal, the reduction will be treated as a partial prepayment without any prepayment charge under the Note.

12. Successors and Assigns; 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 17. 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 enforce, grant and convey the Borrower's interest in the Property under the terms of this Security Instrument; (b) is not personally obligated to pay the sum 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.

11. Borrower Not Released; Forbearance by Lender. Notwithstanding any provision in this Security Instrument to the contrary, the due date of the monthly payments referred to in paragraphs 1 and 2 or change the amount of such payments. Lender shall not be released from its obligations under this Security Instrument by the death, disability, insolvency, bankruptcy, liquidation, reorganization, assignment, or other transfer of the sum secured by this Security Instrument. Lender shall not be released from its obligations under this Security Instrument by the death, disability, insolvency, bankruptcy, liquidation, reorganization, assignment, or other transfer of the sum secured by this Security Instrument. Lender shall not be released from its obligations under this Security Instrument by the death, disability, insolvency, bankruptcy, liquidation, reorganization, assignment, or other transfer of the sum secured by this Security Instrument.

10. Conditional. 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 the proceeds in lieu of condemnation, are hereby assigned and shall be paid to Lender. In the event of a total taking of the Property, the proceeds shall be applied to the sums secured by this Security Instrument, whether or not the date, with any excess paid to Borrower, in the event of a partial taking of the Property in which the first market value of the Property immediately before the taking is equal to or greater than the amount of the sums secured by this Security Instrument. If the proceeds of the taking are applied to the sums secured by this Security Instrument, the total amount of the sums secured by the taking, divided by (b) the first market value of the Property immediately before the taking, shall be paid to Borrower. In the event of a partial taking of the Property in which the first market value of the Property immediately before the taking is less than the amount of the sums secured immediately before the taking, unless Borrower and Lender agree in writing or unless applicable law otherwise provides, the proceeds shall be applied to the sums secured by this Security Instrument whether or not the sums are then due.

9. Inspection. Lender or its agent may make reasonable written inquiries and inspections of the Property. Lender shall give Borrower written notice at the time of or prior to an inspection. Lender or its agent may make reasonable written inquiries and inspections of the Property. Lender shall give Borrower written notice at the time of or prior to an inspection. Lender or its agent may make reasonable written inquiries and inspections of the Property. Lender shall give Borrower written notice at the time of or prior to an inspection.

8. Insurance. Lender will accept, use and retain these payments as a loss reserve in lieu of mortgage insurance. Lender reserves the right to require that Borrower obtain and maintain mortgage insurance coverage (in the amount and for the period that Lender requires) provided by an insurer approved by Lender. If mortgage insurance coverage is obtained, Borrower shall pay to Lender each month a sum equal to substantially equivalent mortgage insurance premium being paid by Borrower when the insurance coverage lapses or ceases to be in effect. Lender will accept, use and retain these payments as a loss reserve in lieu of mortgage insurance. Lender reserves the right to require that Borrower obtain and maintain mortgage insurance coverage (in the amount and for the period that Lender requires) provided by an insurer approved by Lender. If mortgage insurance coverage is obtained, Borrower shall pay to Lender each month a sum equal to substantially equivalent mortgage insurance premium being paid by Borrower when the insurance coverage lapses or ceases to be in effect.

7. Remedies. Lender shall have the right to enforce the obligations of Borrower under this Security Instrument by any legal remedy available to Lender or applicable law. Lender shall have the right to enforce the obligations of Borrower under this Security Instrument by any legal remedy available to Lender or applicable law. Lender shall have the right to enforce the obligations of Borrower under this Security Instrument by any legal remedy available to Lender or applicable law.

6. Assignment. Lender may assign its rights and obligations under this Security Instrument to any other lender or assignee. Lender may assign its rights and obligations under this Security Instrument to any other lender or assignee. Lender may assign its rights and obligations under this Security Instrument to any other lender or assignee.

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Lender's address stated herein or any other 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.

15. 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.

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

17. Transfer of the Property or a Beneficial Interest in Borrower. If all or any part of the Property or any interest in it is sold or transferred (or if a beneficial interest in Borrower is sold or transferred and Borrower is not a natural 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 those 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 Reinstatement. 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 attorney's 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.

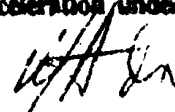
Borrower shall promptly give Lender written notice of any investigation, claim, demand, lawsuit or other action by any governmental or regulatory agency or private party involving the Property and any Hazardous Substance or Environmental Law of which Borrower has actual knowledge. If Borrower learns, 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

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Initials: _____

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BIWEEKLY PAYMENT RIDER

(Fixed Rate)

THIS BIWEEKLY PAYMENT RIDER is made this _____ day of _____, and is incorporated into and shall be deemed to amend and supplement the Mortgage, Deed of Trust or Security Deed (the "Security Instrument") of the same date given by the undersigned (the "Borrower") to secure Borrower's Note (the "Note") to

EU/AMERICA FINANCIAL SERVICES, INC.

(the "Lender")

of the same date and covering the property described in the Security Instrument and located at:

16 SAINT CLAIR CIRCLE
SCHALBURG, IL 60173
(Property Address)

ADDITIONAL COVENANTS. In addition to the covenants and agreements made in the Security Instrument, Borrower and Lender further covenant and agree as follows:

A. BIWEEKLY PAYMENTS

The Note provides for the Borrower's biweekly loan payments, and the termination of the Borrower's right to make the biweekly payments, as follows:

3. PAYMENTS

(A) Time and Place of Payments

I will pay principal and interest by making payments every fourteen days (the "biweekly payments"), beginning on APRIL 1ST, 1996. I will make the biweekly payments every fourteen days until I have paid all of the principal and interest and any other charges described below that I may owe under this Note. My biweekly or any monthly payments will be applied to interest before principal.

I will make my biweekly or any monthly payments at 3080 Ogden Avenue #205
Lisle, IL 60532 or at a different place if required by the Note Holder.

(B) Amount of Biweekly Payments

My biweekly payment will be in the amount of U.S. \$94.09

(C) Manner of Payment

My biweekly payments will be made by an automatic deduction from an account I will maintain with the Note Holder, or with a different entity specified by the Note Holder. I will keep sufficient funds in the account to pay the full amount of each biweekly payment on the date it is due.

I understand that the Note Holder, or an entity acting for the Note Holder, may deduct the amount of my biweekly payment from the account to pay the Note Holder for each biweekly payment on the date it is due until I have paid all amounts owed under this Note.

4. TERM

If I make all my biweekly payments on time, and pay all other amounts owed under this Note, I will repay my loan in full on March 30, 2009. If, on March 1, 2011 (insert applicable 15-, 20- or 30-year maturity date based on a monthly repayment schedule) I still owe amounts under this Note, I will pay those amounts in full on that date, which is called the "Maturity Date."

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MULTISTATE BIWEEKLY PAYMENT RIDER (Fixed Rate) - Single Family - Fannie Mae Uniform Instrument

Page 1 of 3

Form 3177 3/96

888 (9103)

VMP MORTGAGE FORMS - (310)220-8100 • (800)881-1331

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Property of Cook County Clerk's Office

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5. [omitted]

6. [omitted]

7. BORROWER'S FAILURE TO PAY AS REQUIRED

(A) Late Charge for Overdue Payments

If the Note Holder has not received the full amount of any biweekly or monthly payment by the end of FIFTEEN calendar days after the date it is due, I will pay a late charge to the Note Holder.

The amount of the charge will be \$ _____ % of my overdue payment of principal and interest. I will pay this late charge promptly but only once on each late payment.

(B) Default

If I do not pay the full amount of each biweekly or monthly payment on the date it is due, I will be in default. I also will be in default if I do not maintain the account I am required to maintain under Section 3(C) above.

(C) Termination of Biweekly Payments

If I am in default for three consecutive biweekly payments, the Note Holder may terminate my right to make biweekly payments under this Note. If the Note Holder terminates my biweekly payments, I will instead pay all amounts owed under this Note by making one payment each month on the first day of the month.

The Note Holder will determine the amount of my monthly payment by calculating the amount that would be sufficient to repay all amounts owed under this Note in full on the Maturity Date in substantially equal payments. Beginning with the first day of the month after the month in which I am given notice of termination, I will pay the new amount as my monthly payment until the Maturity Date.

B. BIWEEKLY PAYMENT AMENDMENTS TO THE SECURITY INSTRUMENT

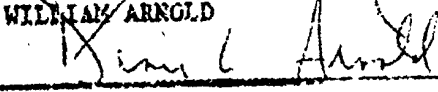
1. Until Borrower's right to make biweekly payments is terminated under the conditions stated in Section A of this Biweekly Payment Rider, the Security Instrument is amended as follows:

- (a) The word "monthly" is changed to "biweekly" in the Security Instrument wherever "monthly" appears.
- (b) In Uniform Covenant 2 of the Security Instrument ("Fund for Taxes and Insurance"), the word "twelve" is changed to "twenty-six."

2. If Lender terminates Borrower's right to make biweekly payments under the conditions stated in Section A of this Biweekly Payment Rider, the amendments to the Security Instrument contained in Section B 1 above shall then cease to be in effect, and the provisions of the Security Instrument shall instead be in effect without the amendments stated in this Biweekly Payment Rider.

BY SIGNING BELOW, Borrower accepts and agrees to the terms and covenants contained in this Biweekly Payment Rider.


 _____ (Seal)
 WILIAM ARNOLD -Borrower


 _____ (Seal)
 DIANE ARNOLD -Borrower

 _____ (Seal)
 -Borrower

 _____ (Seal)
 -Borrower

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