

# UNOFFICIAL COPY

15-330701-4

## ONE YEAR CONVERTIBLE ARM RIDER

THIS CONVERTIBLE ARM RIDER is made this 21ST day of JULY, 19 88, and is incorporated into and shall be deemed to amend and supplement the Mortgage, Deed of Trust, or Deed to Secure Debt (the "Security Instrument") of the same date given by the undersigned (the "Borrower") to secure Borrower's Adjustable Rate Note (the "Note") to ARLINGTON HEIGHTS FEDERAL SAVINGS AND LOAN ASSOCIATION, 25 E. CAMPBELL, ARLINGTON HEIGHTS, ILLINOIS 60005 (the "Lender") of the same date and covering the property described in the Security Instrument and located at:

121 SOUTH GEORGE STREET, MOUND PROSPECT, ILLINOIS 60056

(Property Address)

PERMANENT TAX NUMBER OR

12-212-010-48

The Note contains provisions allowing for changes in the interest rate. If the interest rate increases the Borrower's monthly payments will be higher. If the interest rate decreases, the Borrower's monthly payment will be lower. Anytime during the first five years, the Borrower may convert the adjustable rate loan into a fixed rate, level payment, fully amortizing loan. \* On any anniversary change date during the first 5 years.

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

### A. INTEREST RATE AND MONTHLY PAYMENT CHANGES

The Note provides for an initial interest rate of 6.9%. Section 4 of the Note provides for changes in the interest rate and the monthly payments, as follows:

### 4. INTEREST RATE AND MONTHLY PAYMENT CHANGES

#### (A) Change Dates

The interest rate I will pay may change on the 1ST day of AUGUST, 19 89, and on that day of the month every 12 months thereafter. Each date on which my interest rate could change is called a "Change Date."

#### (B) The Index

Beginning with the first Change Date, my interest rate will be based on an "Index." The Index is the NATIONAL MONTHLY AVERAGE COST OF FUNDS TO FSLIC INSURED SAVINGS AND LOAN ASSOCIATIONS, FEDERAL HOME LOAN BANK BOARD. The most recent Index figure available as of 45 days before each Change Date is called the "Current Index."

If the index is no longer available, the Note Holder will choose a new index which is based upon comparable information. The Note Holder will give me notice of its choice.

#### (C) Calculation of Changes

Before each Change Date, the Note Holder will calculate my new interest rate by adding THREE percentage points (3.0%) to the Current Index. The sum will be my new interest rate. THE INTEREST RATE WILL NOT BE INCREASED OR DECREASED BY MORE THAN 2 PERCENTAGE POINTS ANNUALLY, BEGINNING WITH THE FIRST ADJUSTMENT, OR 6% OVER THE LIFE OF THE LOAN.

The Note Holder will then determine the amount of the monthly payment that would be sufficient to repay in full the principal I am expected to owe on the Change Date in substantially equal payments by the maturity date at my new interest rate. The result of this calculation will be the new amount of my monthly payment.

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H. LENDER'S NOTICE TO BORROWER

At Borrower's Request, Lender's "Notice of Changes" to Borrower pursuant to paragraph 4(f) of the Note given prior to the first Change Date shall also contain the following additional information pertaining to Borrower's option to convert:

(i) the fixed interest rate payable by Borrower if Borrower converts into a fixed interest rate loan;

(ii) the amount of Borrower's new monthly payment at the fixed rate of interest; and

(iii) a date, not more than 15 days from the date the notice is given, by which Borrower must execute and deliver to Lender a document in the form required by Lender evidencing the modification of the Note to provide a fixed interest rate.

I. SELECTION OF FIXED INTEREST RATE AND MONTHLY PAYMENT ADJUSTMENT

THE MAXIMUM INTEREST RATE WILL NOT EXCEED 18%.

Lender shall set the fixed rate of interest payable by Borrower at a rate identical to the sum of the Federal Home Loan Mortgage Corporation's Required Net Yield for 60 day delivery of 30 year, fixed rate mortgages available 30 days prior to the first Change Date plus ONE HALF OF ONE PERCENT (.50%). If no such Required Net Yield is available, Lender will determine the fixed interest rate by using a comparable figure. The new fixed interest rate will become effective on the first Change Date if Borrower chooses to convert to a fixed interest rate. IN ADDITION, BORROWER WILL BE CHARGED A 1% FEE ON THE THEN PRINCIPAL BALANCE BEING CONVERTED.

Borrower's monthly payments at the new fixed interest rate will begin as of the first monthly payment after the first Change Date. The monthly payment will be the amount that is necessary to repay in full the principal Borrower is expected to owe on the Change Date in substantially equal payments by the maturity date at the fixed interest rate.

J. BORROWER'S ELECTION NOT TO CONVERT

Borrower must execute and deliver to Lender the document evidencing the modification of the Note within the period set in Lender's notice as provided in paragraph H above. If Borrower does not do this within the specified date, Borrower can no longer exercise the option to convert. In this case, the terms of Borrower's Note will continue in effect without any change.

K. EFFECTIVENESS OF PROVISIONS

Upon Borrower's delivery of the executed modification to the Note, paragraph A above shall cease to be effective. IN WITNESS WHEREOF, BORROWER has executed this Convertible ARM Rider.

LAWRENCE W. BING  
*Lawrence W. Bing*  
Borrower

PATRICIA A. BING  
*Patricia A. Bing*  
Borrower

Borrower  
*(Sign Original Only)*

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## D. UNIFORM SECURITY INSTRUMENT; GOVERNING LAW; SEVERABILITY

Uniform Covenant 15 of the Security Instrument is amended to read as follows:

**15. Uniform Security Instrument; Governing Law; Severability.** This form of 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. 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, and to this end the provisions of this Security Instrument and the Note are declared to be severable.

## E. TRANSFER OF THE PROPERTY OR A BENEFICIAL INTEREST IN BORROWER

Uniform Covenant 17 of the Security Instrument is amended to read as follows:

**17. Transfer of the Property or a Beneficial Interest in Borrower.** If all or any part of the Property of an interest therein 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 Lender's option, declare all the sums secured by this Security Instrument to be immediately due and payable. However, this option shall not be exercised by Lender if exercise is not authorized by Federal Law.

If Lender exercises such option to accelerate, Lender shall mail Borrower notice of acceleration in accordance with paragraph 14 hereof. Such notice shall provide a period of not less than 30 days from the date the notice is mailed within which Borrower may pay the sums declared due. If Borrower fails to pay such sums prior to the expiration of such period, Lender may, without further notice or demand on Borrower, invoke any remedies permitted by paragraph 18 hereof.

Notwithstanding a sale or transfer, Borrower will continue to be obligated under the Note and this Security Instrument unless Lender has released Borrower in writing.

## F. LOAN CHARGES

If the loan secured by the 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 permitted limits, then: (1) any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit; and (2) any sums already collected from Borrower which exceed 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 under this Note.

## G. BORROWER'S OPTION TO CONVERT

Borrower may, at Borrower's option, modify the repayment terms of the indebtedness secured hereby ~~XXXXXX~~ ~~XXXXXX~~ ~~XXXXXX~~. At that time, Borrower may convert the Adjustable Rate Loan evidenced by the Note into a fixed interest rate loan to be fully repaid by equal monthly payments of principal and interest over the remaining term of the loan. \* On any anniversary change date during the first 5 years.

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fax 312 355 8350

ARLINGTON, ILLINOIS (Address)  
ROSALENE B. O'DONNELL, ASST. V.P. LENDING (Name)

NOTARY PUBLIC STATE OF ILLINOIS  
OFFICIAL SEAL  
JUL 22 AM 8:33  
312 355 8350

TITLE TRUST & COLLN. PC  
701 LEE STREET, SUITE 500  
DES PLAINES, ILLINOIS 60016

This instrument was prepared by:

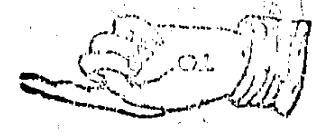
Given under my hand and official seal this \_\_\_\_\_ day of \_\_\_\_\_, 1988

*Handwritten signatures and notes:*  
372 355 8350  
Notary Public  
312 355 8350  
372 355 8350  
312 355 8350

set forth.  
signed and delivered the said instrument as their  
free and voluntary act, for the uses and purposes therein  
subscribed to the foregoing instrument, appeared before me this day in person, and acknowledged that he y  
personally known to me to be the same person(s) whose name(s) ARE  
do hereby certify that LAWRENCE W. BING AND PATRICIA A. BING, HIS WIFE,  
the undersigned  
a Notary Public in and for said county and state,  
County \_\_\_\_\_

STATE OF ILLINOIS, COOK

ARLINGTON HEIGHTS FEDERAL SAVINGS AND LOAN ASSOCIATION  
11111 CANTON STREET  
ARLINGTON HEIGHTS, ILLINOIS 60005  
ATTN: RICHARD J. WILSON  
ASSISTANT VICE PRESIDENT



\_\_\_\_\_  
(Seal) Borrower  
\_\_\_\_\_  
(Seal) Borrower  
\_\_\_\_\_  
(Seal) Borrower  
LAWRENCE W. BING  
PATRICIA A. BING

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

- (Others) [Specify]
- Graduated Payment Rider
- Planned Unit Development Rider
- Adjustable Rate Rider
- Condominium Rider
- 2-4 Family Rider

23. Refer to this Security Instrument. If one or more riders are executed by Borrower and recorded together with this Security Instrument, the covenants and agreements 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 boxes]

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

21. 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.

20. Lender in Possession. Upon acceleration under paragraph 19 or abandonment of the Property and at any time prior to the expiration of any period of redemption following judicial sale, Lender (in person, by agent or by judicially appointed receiver) shall be entitled to enter upon, take possession of and manage the Property and to collect the rents of the Property including those past due. Any rents collected by Lender or the receiver shall be applied first to payment of the receiver's bonds and reasonable attorneys' fees, and then to the sums secured by this Security Instrument. Lender shall release this Security Instrument without charge to Borrower. Borrower shall pay any recordation costs.

19. 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 paragraphs 13 and 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 19, including, but not limited to, reasonable attorneys' fees and costs of title evidence.

If Lender required mortgage insurance, Borrower shall pay the premium as required. Insurance terminates in accordance with Borrower's and Lender's written agreement or applicable law.

**8. Inspection.** Lender or its agent may make reasonable entries upon and inspections of the Property. Lender shall give Borrower notice at the time of or prior to an inspection specifying reasonable cause for the inspection.

**9. Condemnation.** The proceeds of any condemnation or other taking of any interest in the Property, or for conveyance 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 in excess paid to Borrower. In the event of a partial taking of the Property, in writing, the sums secured by this Security Instrument shall be reduced by the following fraction: (a) the total amount of the sums secured immediately before the taking, divided by (b) the fair market value of the Property immediately before the taking. Any balance shall be paid to Borrower.

If the Property is abandoned by Borrower, or if, after notice by Lender to Borrower that the condemnor offers to make an award or settle a claim for damages given, Lender is authorized to collect and pay to the sums secured by this Security Instrument, whether or not then due.

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 such payments.

**10. Borrower Not Released; Forfeiture of Waiver.** Extension of the time for payment or modification of amortization of the sum secured by this Security Instrument granted by Lender to any successor in interest shall not be a waiver of or preclude the exercise of the liability of the original Borrower or Borrower's successors in interest. Proceedings against any successor in interest or refusal to extend time for payment of the sums secured by this Security Instrument by reason of any demand made by Lender in exercising any right or remedy shall not constitute a waiver of any right or remedy.

**11. Successors and Assigns Bound.** The covenants and agreements of this Security Instrument shall bind and be enforceable against the successors and assigns of Lender and Borrower, subject to the provisions of paragraphs 1 and 2. Borrower's covenants and agreements in this Security Instrument but does not execute the Note shall not be enforceable against the sums secured by this Security Instrument. Lender shall not be required to comment on or otherwise modify, amend, or vary the terms of this Security Instrument by the original Borrower or Borrower's successors in interest. Any forbearance by Lender in exercising any right or remedy shall not constitute a waiver of any right or remedy.

**12. Loan Charges.** If the law in the jurisdiction in which the Property is located provides 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 in excess of the permitted limits will be refunded to Borrower; and (b) any sums already collected from Borrower which exceeded the permitted limits will be refunded to Borrower. Lender may choose to make this refund by reducing the principal owed to Borrower. If a refund reduces principal, the reduction will be treated as a prepayment without any prepayment penalty.

**13. Legislation Affecting Lender's Rights.** If enactment or expiration of applicable laws has the effect of rendering any provision of the Note or this Security Instrument unenforceable according to its terms, Lender, at its option, may invoke any remedies available to it under applicable law. In this option, Lender shall take the steps specified in the second paragraph of this section.

**14. Notices.** Any notice to Borrower shall be given by first class mail unless applicable law requires use of another method. The notice shall be directed to the address of the Property, address or any other address designated by notice to Lender. Any notice to Lender shall be given by first class mail to Lender's address stated in the Note or any other address Lender designates by notice to Borrower. Any notice 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 provision or clause shall be unenforceable, but the remainder of this Security Instrument and the Note shall not be affected. 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 Interest in Borrower.** If all or any part of the Property or any beneficial interest in Borrower is sold or transferred (or if a Beneficial Interest in Borrower is sold or transferred) and Borrower is not a natural person, Lender may, at its option, require immediate payment in full of all sums secured by this Security Instrument. This option shall not be exercised by Lender if exercise is prohibited by applicable law.

If Lender exercises this option, Lender shall give Borrower notice of acceleration. The notice shall provide a period of not less than 30 days from the date the notice is 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 the sums secured by this Security Instrument continued at any time prior to the earlier of: (a) 5 days (or such other period as may be specified in writing) before sale of the Property pursuant to any power of sale contained in this Security Instrument; (b) enforcement of this Security Instrument. Those conditions are that Borrower: (1) pays Lender all sums which then were due under this Security Instrument and the Note had no acceleration of the sums secured by this Security Instrument; (2) cures any default of any of the covenants or agreements; (3) pays all expenses incurred in enforcing this Security Instrument, including, but not limited to, reasonable attorneys' fees; and (4) takes such action as Lender may require to assure that the lien obligation to pay the sums secured by this Security Instrument shall continue unchanged. Upon reinstatement by Borrower, this Security Instrument and the Note shall remain fully effective as if no acceleration had occurred. However, this right to reinstate shall not apply in the case of acceleration under paragraphs 13 or 17.

as a condition of making the loan secured by this Security Instrument, Borrower shall maintain the insurance in effect until such time as the requirement for the insurance terminates in accordance with Borrower's and Lender's written agreement or applicable law.

Lender may make reasonable entries upon and inspections of the Property. Lender shall give Borrower notice at the time of or prior to an inspection specifying reasonable cause for the inspection.

The proceeds of any condemnation or other taking of any interest in the Property, or for conveyance 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 in excess paid to Borrower. In the event of a partial taking of the Property, in writing, the sums secured by this Security Instrument shall be reduced by the following fraction: (a) the total amount of the sums secured immediately before the taking, divided by (b) the fair market value of the Property immediately before the taking. Any balance shall be paid to Borrower.

If the Property is abandoned by Borrower, or if, after notice by Lender to Borrower that the condemnor offers to make an award or settle a claim for damages given, Lender is authorized to collect and pay to the sums secured by this Security Instrument, whether or not then due.

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 such payments.

**10. Borrower Not Released; Forfeiture of Waiver.** Extension of the time for payment or modification of amortization of the sum secured by this Security Instrument granted by Lender to any successor in interest shall not be a waiver of or preclude the exercise of the liability of the original Borrower or Borrower's successors in interest. Proceedings against any successor in interest or refusal to extend time for payment of the sums secured by this Security Instrument by reason of any demand made by Lender in exercising any right or remedy shall not constitute a waiver of any right or remedy.

**11. Successors and Assigns Bound.** The covenants and agreements of this Security Instrument shall bind and be enforceable against the successors and assigns of Lender and Borrower, subject to the provisions of paragraphs 1 and 2. Borrower's covenants and agreements in this Security Instrument but does not execute the Note shall not be enforceable against the sums secured by this Security Instrument. Lender shall not be required to comment on or otherwise modify, amend, or vary the terms of this Security Instrument by the original Borrower or Borrower's successors in interest. Any forbearance by Lender in exercising any right or remedy shall not constitute a waiver of any right or remedy.

**12. Loan Charges.** If the law in the jurisdiction in which the Property is located provides 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 in excess of the permitted limits will be refunded to Borrower; and (b) any sums already collected from Borrower which exceeded the permitted limits will be refunded to Borrower. Lender may choose to make this refund by reducing the principal owed to Borrower. If a refund reduces principal, the reduction will be treated as a prepayment without any prepayment penalty.

**13. Legislation Affecting Lender's Rights.** If enactment or expiration of applicable laws has the effect of rendering any provision of the Note or this Security Instrument unenforceable according to its terms, Lender, at its option, may invoke any remedies available to it under applicable law. In this option, Lender shall take the steps specified in the second paragraph of this section.

**14. Notices.** Any notice to Borrower shall be given by first class mail unless applicable law requires use of another method. The notice shall be directed to the address of the Property, address or any other address designated by notice to Lender. Any notice to Lender shall be given by first class mail to Lender's address stated in the Note or any other address Lender designates by notice to Borrower. Any notice 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 provision or clause shall be unenforceable, but the remainder of this Security Instrument and the Note shall not be affected. 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 Interest in Borrower.** If all or any part of the Property or any beneficial interest in Borrower is sold or transferred (or if a Beneficial Interest in Borrower is sold or transferred) and Borrower is not a natural person, Lender may, at its option, require immediate payment in full of all sums secured by this Security Instrument. This option shall not be exercised by Lender if exercise is prohibited by applicable law.

If Lender exercises this option, Lender shall give Borrower notice of acceleration. The notice shall provide a period of not less than 30 days from the date the notice is 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 the sums secured by this Security Instrument continued at any time prior to the earlier of: (a) 5 days (or such other period as may be specified in writing) before sale of the Property pursuant to any power of sale contained in this Security Instrument; (b) enforcement of this Security Instrument. Those conditions are that Borrower: (1) pays Lender all sums which then were due under this Security Instrument and the Note had no acceleration of the sums secured by this Security Instrument; (2) cures any default of any of the covenants or agreements; (3) pays all expenses incurred in enforcing this Security Instrument, including, but not limited to, reasonable attorneys' fees; and (4) takes such action as Lender may require to assure that the lien obligation to pay the sums secured by this Security Instrument shall continue unchanged. Upon reinstatement by Borrower, this Security Instrument and the Note shall remain fully effective as if no acceleration had occurred. However, this right to reinstate shall not apply in the case of acceleration under paragraphs 13 or 17.

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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 and late charges due under the Note.

**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 payments are due under the Note, until the Note is paid in full, a sum ("Funds") equal to one-twelfth of: (a) yearly taxes and assessments which may attach to the Property; (b) yearly hazard insurance premiums; and (c) yearly leasehold payments or ground rents on the Property, if any. These items are called "escrow items." Lender may estimate the Funds due on the basis of current data and reasonable estimates of future escrow items.

The Funds shall be held in an institution or 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 the escrow items. Lender may not charge for holding and applying the Funds, analyzing the account or verifying the escrow items, 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 that interest shall be paid on the Funds. Unless an agreement is made or applicable law requires, 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 debt to the Funds was made. The Funds are pledged as additional security for the sums secured by this Security Instrument.

If the amount of the Funds held by Lender, together with the future monthly payments of Funds payable prior to the due dates of the escrow items, shall exceed the amount required to pay the escrow items when due, the excess shall be at Borrower's option, either promptly repaid to Borrower or credited to Borrower on monthly payments of Funds. If the amount of the Funds held by Lender is not sufficient to pay the escrow items when due, Borrower shall pay to Lender any amount necessary to make up the deficiency in one or more payments as required by Lender.

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 19 the Property is sold or 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 at the time of application 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 late charges due under the Note; second, to prepayment charges due under the Note; third, to amounts payable under paragraph 2; fourth, to interest due; and last, to principal due.

**4. Charges; Fees.** Borrower shall pay all taxes, assessments, charges, fees and impositions attributable to the Property which may attach to the Property over this Security Instrument, and leasehold payments or ground rents, 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 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 by, or obtains judgment of the court in its favor; 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 attach to the Property 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 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 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.

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 19 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. Preservation and Maintenance of Property; Leaseholds.** Borrower shall not destroy, damage or substantially change the Property, allow the Property to deteriorate or commit waste. If this Security Instrument is on a leasehold, Borrower shall comply with the provisions of the lease, and if Borrower acquires fee title to the Property, the leasehold and fee title shall not merge unless Lender agrees to the merger in writing.

**7. Protection of Lender's Rights in the Property; Mortgage Insurance.** If Borrower fails to perform the 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, probate, or condemnation or to enforce laws or regulations), then Lender may (a) 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, paying reasonable attorney's 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.

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