

# UNOFFICIAL COPY

## ADJUSTABLE RATE RIDER (Cost of Funds Index—Rate Caps)

THIS ADJUSTABLE RATE RIDER is made this 15th day of FEBRUARY, 1989, 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 Adjustable Rate Note (the "Note") to INVESTOR SAVINGS BANK, F.S.B., A UNITED STATES OF AMERICA CORPORATION, ITS SUCCESSORS AND/OR ASSIGNS (the "Lender") of the same date and covering the property described in the Security Instrument and located at:

2705 LINCOLN WOOD DRIVE, EVANSTON, ILLINOIS 60201  
(Property Address)

THE NOTE CONTAINS PROVISIONS ALLOWING FOR CHANGES IN THE INTEREST RATE AND THE MONTHLY PAYMENT. THE NOTE LIMITS THE AMOUNT THE BORROWER'S INTEREST RATE CAN CHANGE AT ANY ONE TIME AND THE MAXIMUM RATE THE BORROWER MUST PAY.

**ADDITIONAL COVENANTS.** In addition to the covenants 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 7.6250%. 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 first day of MARCH, 1989, and on that day every 12th month 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 monthly weighted average cost of savings, borrowings and advances of members of the Federal Home Loan Bank of San Francisco (the "Bank"), as made available by the Bank. The most recent index figure available as of the date 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 that is based upon comparable information. The Note Holder will give me notice of this choice.

#### (C) Calculation of Changes

Before each Change Date, the Note Holder will calculate my new interest rate by adding TWO AND THREE HUNDRED percentage points (2.750%) to the Current Index. The Note Holder will then round the result of this addition to the nearest one-eighth of one percentage point (0.125%). Subject to the limits stated in Section 4(D) below, this rounded amount will be my new interest rate until the next Change Date.

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

#### (D) Limits on Interest Rate Changes

The interest rate I am required to pay at the first Change Date will not be greater than 9.6250% or less than 5.6250%. Thereafter, my interest rate will never be increased or decreased on any single Change Date by more than two percentage point (2.0%) from the rate of interest I have been paying for the preceding 12 months. My interest rate will never be greater than 13.6250%.

#### (E) Effective Date of Changes

My new interest rate will become effective on each Change Date. I will pay the amount of my new monthly payment beginning on the first monthly payment date after the Change Date until the amount of my monthly payment changes again.

#### (F) Notice of Changes

The Note Holder will deliver or mail to me a notice of any changes in my interest rate and the amount of my monthly payment before the effective date of any change. The notice will include information required by law to be given me and also the title and telephone number of a person who will answer any question I may have regarding the notice.

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

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

**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 prohibited by federal law as of the date of this Security Instrument. Lender also shall not exercise this option if: (a) Borrower causes to be submitted to Lender information required by Lender to evaluate the intended transferee as if a new loan were being made to the transferee; and (b) Lender reasonably determines that Lender's security will not be impaired by the loan assumption and that the risk of a breach of any covenant or agreement in this Security Instrument is acceptable to Lender.

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SUSAN JONES SEMLA, HIS WIFE  
Borrower (Seal)

TODD P. SEMLA  
Borrower (Seal)

To the extent permitted by applicable law, Lender may charge a reasonable fee as a condition to Lender's consent to the loan assumption. Lender also may require the transferee to sign an assumption agreement that is acceptable to Lender and that obligates the transferee to keep all the promises and agreements made in the Note and in the Security Instrument. Borrower will continue to be obligated under the Note and the Security Instrument unless Lender releases Borrower in writing.

If Lender exercises the option to require immediate payment in full, 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.

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

Loan Number 1100239

OCCUPANCY RIDER TO SECURITY INSTRUMENT

FOR VALUE RECEIVED, the undersigned ("Borrower") agrees that the following provisions shall be incorporated into the Security Instrument (which may be a deed of trust, mortgage, security deed or other security instrument) as well as the Promissory Note of the same date which is secured by said Security Instrument. During such time that the provisions of said Security Instrument or Promissory Note, the provisions of this Rider shall prevail and shall supersede any such inconsistent provisions.

If the Federal Home Loan Mortgage Corporation ("FHLMC"), the Federal National Mortgage Association ("FNMA"), or any other third party buys all or some of Lender's rights under said Security Instrument and Promissory Note, this Rider will no longer have any force or effect. If, thereafter, FHLMC, FNMA, or any other third party should transfer said Security Instrument and Promissory Note to Lender or Lender's successor in interest or assigns, the provisions of this Rider shall thereupon be reinstated.

OWNER-OCCUPANCY REQUIREMENT

As an inducement for Lender to make the loan secured by the Security Instrument, Borrower has agreed to:

- (1) occupy as Borrower's primary residence, the real property commonly known as 2705 LINCOLNWOOD DRIVE, EVANSTON, ILLINOIS 60201 ("Real Property") within 30 days of the date the Security Instrument is recorded and
(2) continue to occupy said Real Property through the one-year anniversary date of the recordation of the Security Instrument. Lender may waive this one-year occupancy requirement if Lender, in its sole discretion, determines that Borrower failed to meet this requirement for reasons beyond his or her control.

Borrower acknowledges that Lender would not have agreed to make the loan if the Real Property were not to be owner-occupied and that the interest rate set forth on the face of the Promissory Note, as well as other terms of the loan, were determined as a result of Borrower's representation that the Real Property would be owner-occupied

Borrower further acknowledges that, among other things, purchasers of loans (including agencies, associations and corporations created by the federal and state governments, for the purchases of loans) typically require that properties securing loans acquired by such purchasers be owner occupied, and will reject loans for which the security properties are not owner-occupied; the risks involved and the costs of holding and administering a loan are often higher in the case of a loan where the security property is not owner-occupied, and, if and when Lender makes a loan on non-owner-occupied property, Lender typically makes such a loan on terms different from those of loans secured by owner-occupied properties.

Accordingly, in the event the Real Property is not occupied as Borrower's primary residence within 30 days of the recordation of the Security Instrument and through the one-year anniversary date of the recordation of the Security Instrument, the holder of the Promissory Note may, solely at the holder's option, either:

- (a) declare all sums owed under the Promissory Note and secured by the Security Instrument to be immediately due and payable, or
(b) if the loan's interest rate is fixed, increase the interest rate set forth in the Promissory Note by one percentage point (1.00%), effective the date the Security Instrument was recorded, with all subsequent monthly payments adjusted accordingly; or if the loan's interest rate is adjustable, increase the interest rate, the margin and the limits on adjustments to the interest rate by one-half of one percentage point (.50%), effective the date the Security Instrument was recorded, with all subsequent monthly payments adjusted accordingly.

Notwithstanding the above, in no event shall any of the provisions contained herein result in an interest rate in excess of the maximum permitted by law.

If any court of competent jurisdiction determines that any term, covenant, condition or provision herein, or the application thereof to any circumstance is invalid, void or unenforceable, the same shall be deemed severable from the remainder and shall in no way affect any other term, covenant or provision or the application thereof to circumstances other than those to which it is held invalid

The rights of the Lender hereunder shall be in addition to any other rights of Lender under the Security Instrument or as allowed by law.

Date 2/15/89 TODD P. SEMLA Borrower
Date 2/15/89 SUSAN JONES SEMLA, HJS WIFE Borrower
Date Borrower

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LOAN #1100239

MORTGAGE

THIS MORTGAGE ("Security Instrument") is given on FEBRUARY 15 19 89 The mortgagor is TODD P. SEMLA AND SUSAN JONES SEMLA, HUSBAND AND WIFE

("Borrower"). This Security Instrument is given to INVESTORS SAVINGS BANK, F.S.B., ITS SUCCESSORS AND/OR ASSIGNS which is organized and existing under the laws of THE UNITED STATES OF AMERICA and whose address is MINNETONKA FINANCIAL CENTER, 10801 WAYZATA BOULEVARD, SUITE 300, MINNETONKA, MINNESOTA 55343 ("Lender"). Borrower owes Lender the principal sum of \*ONE HUNDRED SIXTY ONE THOUSAND ONE HUNDRED AND NO/100--

NOTE IDENTIFIED

----- Dollar (U.S. \$ 161,100.00 ) 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 MARCH 1, 2019. This Security Instrument secures to Lender: (a) the repayment of the debt evidenced by the Note, with interest, and all renewals, extensions and modifications; (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 2 (EXCEPT THE NORTH 29 FEET THEREOF) AND THE NORTH 15 FEET OF LOT 3 IN WESTERLAWN, A SUBDIVISION OF LOTS 9, 10, 11, AND 12 IN THE COUNTY CLERK'S DIVISION IN THE SOUTH EAST FRACTIONAL 1/4 OF SECTION 33, TOWNSHIP 42 NORTH, RANGE 13, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS, ACCORDING TO PLAT THEREOF RECORDED DECEMBER 17, 1915, IN BOOK 140, OF PLATS, PAGE 37, AS DOCUMENT NUMBER 5772065.

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GENERAL TITLE INSURANCE

which has the address of 2705 LINCOLNWOOD DRIVE EVANSTON Illinois 60201 ("Property Address"). (Zip Code) (City)

TOGETHER WITH all the improvements now or hereafter erected on the property, and all easements, rights, appurtenances, rents, royalties, mineral, oil and gas rights and profits, water rights and stock and all 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.

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JACKIE PARKINSON  
NOTARY PUBLIC STATE OF ILLINOIS  
MY COMMISSION EXPIRES 8/25/92

CAROL M. LEVY  
NOTARY PUBLIC STATE OF ILLINOIS  
MY COMMISSION EXPIRES 8/25/92

STATE OF ILLINOIS  
COUNTY OF COOK  
NOTARY PUBLIC  
JACKIE PARKINSON  
MY COMMISSION EXPIRES 8/25/92

2/5/1607

Given under my hand and official seal, this 15th day of FEBRUARY 1992  
My Commission expires: \_\_\_\_\_

do hereby certify that TODD P. SEMIA AND SUSAN JONES SEMIA, HUSBAND AND WIFE, personally known to me to be the same person(s) whose name(s) \_\_\_\_\_ subscribed to the foregoing instrument, appeared before me this day in person, and acknowledged that \_\_\_\_\_ signed and delivered the said instrument as \_\_\_\_\_ THEIR free and voluntary act, for the uses and purposes therein set forth.

STATE OF ILLINOIS  
COOK  
County of: \_\_\_\_\_

Specify Below This Line For Acknowledgment

TODD P. SEMIA  
SUSAN JONES SEMIA, HIS WIFE  
(Seal) \_\_\_\_\_  
(Seal) \_\_\_\_\_  
(Seal) \_\_\_\_\_  
(Seal) \_\_\_\_\_

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.

- Other(s) [specify] OCCUPANCY RIDER
- Graded Payment Rider
- Planned Unit Development Rider
- Condominium Rider
- 2-4 Family Rider

19. Acceleration: Borrower and Lender further covenant and agree as follows:  
branch of any court or agreement in this Security Instrument that not prior to acceleration following Borrower's 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 loan secured by this Security Instrument, foreclosure by judicial proceeding, at 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-acceptance 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 the 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 attorney's fees and costs of title insurance.  
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 if the property including those past due. Any rents collected by Lender or 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 attorney's fees, and then to the sums secured by this Security Instrument.  
21. Balance: 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.  
22. Waiver of Homestead: Borrower waives all right of homestead exemption in the property.  
23. Merger: 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 box(es))

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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 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.

**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 award or claim for damages, direct or consequential, in connection with any condemnation or other taking of any part of the Property, or for conveyance in 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 then due, with any excess paid to Borrower. In the event of a partial taking of the Property, unless Borrower and Lender otherwise agree in writing, the sums secured by this Security Instrument shall be reduced by the amount of the proceeds multiplied 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 condemner offers to make an award or settle a claim for damages, Borrower fails to respond to Lender within 30 days after the date the notice is given, Lender is authorized to collect and apply the proceeds, at its option, either to restoration or repair of the Property or 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; Forbearance By Lender Not a Waiver.** Extension of the time for payment or modification of amortization of the sums secured by this Security Instrument granted by Lender to any successor in interest of Borrower shall not operate to release the liability of the original Borrower or Borrower's successors in interest. Lender shall not be required to commence proceedings against any successor in interest or refuse to extend time for payment or otherwise modify amortization of the sums secured by this Security Instrument by reason of any demand made by the original Borrower or Borrower's successors in interest. Any forbearance by Lender, in exercising any right or remedy shall not be a waiver of or preclude the exercise of any right or remedy.

**11. Successors and Assigns Bound; Joint and Several Liability; Co-signers.** The covenants and agreements of this Security Instrument shall bind and benefit the successors and assigns of Lender and Borrower, subject to the provisions of paragraph 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 mortgage, grant and convey that Borrower's interest in the Property under the terms of this Security Instrument; (b) is not personally obligated to pay the sums secured by this Security Instrument; and (c) agrees that Lender and any other Borrower may agree to extend, modify, forbear or make any accommodations with regard to the terms of this security instrument or the Note without that Borrower's consent.

**12. 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 sums 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.

**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 require immediate payment in full of all sums secured by this Security Instrument and may invoke any remedies permitted by paragraph 19. If Lender exercises this option, Lender shall take the steps specified in the second paragraph of paragraph 17.

**14. Notice.** Any notice to Borrower provided for in this Security Instrument shall be given by delivering it or by mailing it by first class mail unless applicable law requires use of another method. The notice shall be directed to the Property Address or any other address Borrower designates by notice to Lender. Any notice to Lender shall be given by first class mail to Lender's address stated herein or any 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 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) 3 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 had no acceleration 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 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, on the one-twelfth (1/12) of the day monthly payments are due under the Note, until the Note is paid in full, a sum ("Funds") equal to one-twelfth (1/12) of the yearly taxes and assessments which may accrue in priority over this Security Instrument; (b) yearly leasehold payments or ground rents on the Property, if any; (c) yearly hazard insurance premiums; and (d) yearly mortgage insurance premiums, 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, a. verifying 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. A charge assessed by Lender in connection with Borrower's entering into this Security Instrument to pay the cost of an independent tax reporting service shall not be a charge for purposes of the preceding sentence. Borrower and Lender may agree in writing that interest shall be paid on the Funds. 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. Lender shall give to Borrower, without charge, an annual accounting of the Funds showing credit and debit to the Funds, and the purpose for which each debit to the Funds was made. The Funds are pledged as additional security for the sums secured by this 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 necessary to make up the deficiency in one or more payments as required 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. Change of Law.** Borrower shall pay all taxes, assessments, charges, fines and impositions attributable to the Property which may accrue 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 defend against enforcement of the lien in a manner acceptable to Lender; (b) contests in good faith the lien by, or defends against enforcement of, the lien in legal proceedings which in the Lender's opinion operate to prevent the enforcement of the lien or forfeiture of the Property; 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 prior to the 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 improvement 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 Property requires insurance. This insurance shall be maintained in the amount 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 restoration or repair of the Property damaged, if the restoration or repair is economically feasible and Lender's security is not lessened. If the 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 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.

Lender shall not be liable for damage to the Property, 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, 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 additions; 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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