

UNOFFICIAL COPY

ADJUSTABLE RATE RIDER
ARM-G
PERIODIC CAP

Loan No. 0-612282-4

THIS ADJUSTABLE RATE RIDER dated JUNE 24, 1989 changes and adds to the Mortgage, Deed of Trust, or Security Deed (the "Security Instrument") I signed this day. The Security Instrument secures my Note (the "Note") to

GREAT WESTERN MORTGAGE CORPORATION, A DELAWARE CORPORATION

(the "Lender"),

also signed this day, and covers my property as described in the Security Instrument and located at:

33 FIRST STREET
WHEELING, ILLINOIS 60067

(Property Address)

ATTENTION: THE NOTE CONTAINS PROVISIONS ALLOWING FOR CHANGES IN MY INTEREST RATE AND MY MONTHLY PAYMENT. THE NOTE LIMITS THE MINIMUM AND MAXIMUM INTEREST I MUST PAY, AND HAS THE POTENTIAL FOR NEGATIVE AMORTIZATION.

The amount of my scheduled monthly payment could be less than the amount required to pay the interest due after a rate change for that payment period. If so, the Note Holder will subtract the amount of my scheduled monthly payment from the amount of interest I owe for that month and will add the difference to the outstanding principal balance of my loan. This occurrence is known as negative amortization. This unpaid interest is called "deferred interest". Under the Note I must pay interest on the amount added to the principal balance at the same rate of interest I am required to pay on the outstanding loan balance each month.

INTEREST RATE AND MONTHLY PAYMENT CHANGES

The Note provides for changes in my interest rate and my monthly payments as follows:

Initial Interest Rate	9.750%	First Interest Rate Change Date	10/01/89
Initial Monthly Payment	\$481.13	Periodic Rate Change Limit	2.000 Percentage Points
First Payment Due Date	08/01/89	Payment Due Date	1ST
Maturity Date	07/01/19	First Payment Change Date	08/01/90
Minimum Rate*	7.000%	Maximum Rate*	25.250%
Rate Differential	2.700		

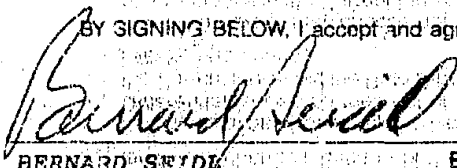
* The Minimum Rate and Maximum Rate are subject to change as provided in Section 1(d).

ALL TERMS AND CONDITIONS CONTINUED ON THE BACK OF THIS RIDER ARE PART OF THIS RIDER

SIGNATURES OF BORROWERS:

(Please sign your name exactly as it appears below.)

BY SIGNING BELOW, I accept and agree to the terms and covenants in this Adjustable Rate Rider.


BERNARD STEIDL

(Seal)

Borrower

(Seal)

Borrower

(Seal)

Borrower

(Seal)

Borrower

(Space Below This Line for Acknowledgement)

3805109

6043001

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Uniform Government 13 of the Security Instrument is deleted.

C. LEGISLATION AFFECTING LENDERS' RIGHTS
Lender may not charge for holding and applying the Funds, analyzing the account or verifying the account items, unless Lender pays Borrower interest on the Funds and applicable law permits Lender to make such a charge. However, Lender may impose upon Borrower at closing a fee to compensate a third party who shall be responsible for the monitoring and payment of real estate taxes without thereby becoming obligated to pay Borrower interest on the Funds.

B. FUNDS FOR TAXES AND INSURANCE
The third sentence in the second paragraph of Uniform Government 2 of the Security Instrument is changed to read as follows:

17. LENDER'S CONSENT REQUIRED. Lender may declare all sums secured hereby immediately due and payable within 30 days after such declaration except as expressly limited by law. If Borrower, without Lender's prior written consent, (a) sells, conveys, conveys, conveys or further encumbers all or any part of the property; or (b) leases all or any part of the property for a term, together with all excusable options, of 5 years or more; or (c) leases all or any part of the property and, in connection with such lease, (i) enters the lease an option to purchase all or any part of the property; or (d) suffers the title or any interest in the property to be divided, whether voluntarily or involuntarily; or (e) changes or permits to be changed in the character or use of the property; or (f) is a partnership and any of the general partners' interests in the partnership are transferred or assigned whether voluntarily or involuntarily; or (g) is a corporation with fewer than 100 stockholders at the date of execution of this Security Instrument and more than 10% of its capital stock is sold, transferred or assigned during a 12-month period.

A. TRANSFER OF THE PROPERTY OR OF A BENEFICIAL INTEREST IN THE PROPERTY
Paragraph 17 of the Security Instrument is changed to read as follows:

(The Note Holder is called the "Lender"; I am called the "Borrower.")

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

If the calculation of payment change described in Section 2(b) would result in a greater change in the calculation of payment change than the increase or decrease to the monthly payment may exceed 7% of the previous payment amount during the remaining term of the loan. On the tenth (10th) anniversary, and on each fifth (5th) anniversary, except on the tenth (10th) anniversary of the first Payment Due Date, and on each fifth (5th) anniversary, monthly payment on the Payment Change Date will not exceed 7% of the previous monthly payment.

(c) Limitation on Changes in the Monthly Payment. The increases and decreases which occur to the remaining term of the loan at the new interest rate, or substantially equal payments will be an amount which would be sufficient to pay the loan balance used in the calculation over the month range Date by using the interest rate which is then in effect and the loan balance which would be owing on the Payment Change Date. If all regularly scheduled payments are made, the new payment remaining term of the loan at the new interest rate, or substantially equal payments.

(b) Calculation of Changes. The new payment will be calculated approximately 60 days prior to the Payment Change Date by using the interest rate which is then in effect and the loan balance which would be owing on the Payment Change Date. If all regularly scheduled payments are made, the new payment remaining term of the loan at the new interest rate, or substantially equal payments.

(a) Change Dates. My monthly payment will change on the first Payment Change Date (shown on the front of this Rider) and annually thereafter. The date the payment will change is called the "Payment Change Date".

2. METHOD OF COMPUTING CHANGES IN THE MONTHLY PAYMENT

and assumption.

to change the Maximum or Minimum Rates will be made at the time the Note Holder consents to the rate. Minimum Rate each time the property is sold and the loan is assumed. The Note Holder's choice whether Minimum Rate may not be changed. The Note Holder, however, may choose not to change the Maximum Rate or Minimum Rate each time the property is sold and the loan is assumed, however, the Periodic Rate Change on the date of the assumption. The Note Holder may increase or decrease the Maximum Rate and the Minimum Rate up to five percentage points (5.0%) below the interest rate in effect.

If the property is sold and my loan is assumed, the Note Holder may change the Maximum Rate up to five percentage points (5.0%) above the interest rate in effect on the date of the assumption. The Note Holder may also reduce the Minimum Rate up to five percentage points (5.0%) below the interest rate in effect on the date of the assumption. The Note Holder may increase or decrease the Maximum Rate and the Minimum Rate up to five percentage points (5.0%) below the interest rate in effect.

the Note Holder's consent.

Periodic Rate Change Limit may not be changed. Sale of the property and assumption of my loan require the Note Holder's consent.

Rate Change Limit (shown on the front of this Rider). My interest rate in each of the twelve month periods (year years) following the first loan year may not change from my interest rate in the last month of the previous loan year by more than the Periodic Rate Change Limit. (ii) My interest rate during the term of the loan will not be greater than the Maximum Rate nor less than the Minimum Rate (shown on the front of this Rider) unless the property securing this loan is sold and the loan is assumed; however, the Periodic Rate Change Limit may not be changed from the beginning of this loan to the twelfth (12th) Payment Due Date. (iii) My interest rate in the first loan year (the period from the beginning of this loan to the twelfth (12th) Payment Due Date) may not be changed from the initial interest rate by more than the Periodic Rate Change Limit (shown on the front of this Rider).

(d) Limits on Interest Rate Changes. Changes to the interest rate I am required to pay are limited as follows:

(i) My interest rate in the first loan year (the period from the beginning of this loan to the twelfth (12th) Payment Due Date) may not be changed from the initial interest rate by more than the Periodic Rate Change Limit (shown on the front of this Rider).

(ii) My interest rate in each of the twelve month periods (year years) following the first loan year may not change from my interest rate in the last month of the previous loan year by more than the Periodic Rate Change Limit. (iii) My interest rate during the term of the loan will not be greater than the Maximum Rate nor less than the Minimum Rate (shown on the front of this Rider) unless the property securing this loan is sold and the loan is assumed; however, the Periodic Rate Change Limit may not be changed from the beginning of this loan to the twelfth (12th) Payment Due Date. (iv) My interest rate in the first loan year (the period from the beginning of this loan to the twelfth (12th) Payment Due Date) may not be changed from the initial interest rate by more than the Periodic Rate Change Limit (shown on the front of this Rider).

(c) Calculation of Changes. The Note Holder will determine each changed interest rate by adding the rate differential (shown on the front of this Rider) to the most recently published Current Index. The sum of the Current Index and the Rate Differential is the interest rate that will apply to my loan until the next month's interest rate change.

The Note Holder may choose not to increase my interest rate even if an increase is permitted, because of an increase in the Current Index. The Note Holder is not required to give me advance notice of interest rate changes.

(b) The index, beginning with the first Interest Rate 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 the Federal Home Loan Bank of San Francisco (called the "Bank") to Eleven (11) Members of the Bank, based on statistics published and published by the Bank during the term of this Note. If the index becomes unavailable, the Note Holder may select another comparable index to determine my interest rate changes. Each published update of the index is called the "Current Index".

(a) Change Dates. The interest rate I will pay will change on the first Interest Rate Change Date (shown on the front of this Rider) and on every Payment Due Date thereafter.

1. METHOD OF COMPUTING INTEREST RATE CHANGES.

5/10/2004

5/10/2004

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PREPARED BY AND
AFTER RECORDING MAIL TO:

GREAT WESTERN MORTGAGE CORPORATION
111 SOUTH SCHELTER ROAD
SUITE B-200
LINCOLNSHIRE, ILLINOIS 60069

3806109

SPACE ABOVE THIS LINE FOR RECORDER'S USE

MORTGAGE

ADJUSTABLE INTEREST RATE MORTGAGE

Loan No. 9-812287-6
OFFICE NUMBER: 194

THIS MORTGAGE ("Security Instrument") is given on JUNE 24, 1989

The mortgagor is
BERNARD SEIDL, A BACHELOR

("Borrower"). This Security Instrument is given to

GREAT WESTERN MORTGAGE CORPORATION, A DELAWARE CORPORATION, which is organized and existing under the laws of DELAWARE, and whose address is 9451 CORBIN AVENUE, NORTH RIDGE, CA 91328 ("Lender")

Borrower owes Lender the principal sum of FIFTY SIX THOUSAND AND 00/100 Dollars (U.S. \$56,000.00). 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 JULY 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:

AS PER LEGAL DESCRIPTION ATTACHED HERETO AND MADE A PART HEREOF KNOWN AS SCHEDULE "A".

SCHEDULE A

THE SOUTH 23.0 FEET OF THE NORTH 99.5 FEET OF LOT 1 IN WOODVALE LAKE-ESTATES UNIT 1, BEING A SUBDIVISION OF PART OF LOT 15 IN UTPADEL'S SUNNYSIDE ADDITION TO WHEELING IN THE SOUTHEAST 1/4 OF SECTION 2, TOWNSHIP 42 NORTH, RANGE 11, EAST OF THE THIRD PRINCIPAL MERIDIAN, ACCORDING TO PLAT OF SAID WOODVALE LAKE ESTATES UNIT 1, REGISTERED IN THE OFFICE OF THE REGISTRAR OF TITLES OF COOK COUNTY, ILLINOIS, ON DECEMBER 15, 1960, AS DOCUMENT NUMBER 19 56 518.

3806109

PIN# 03-02-410-065
which has the address of:

33 FIRST STREET, WHEELING

(Street)

(City)

Illinois

60067

("Property Address")

(Zip Code)

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.

3806109

NOTE IDENTIFIED

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101 SOUTH SCHLESER ROAD, SUITE B-200, LINCOLNSHIRE, ILLINOIS 60069

(Address)

(Name)

DIANE DIRNHOFER

This instrument was prepared by:

My Commission expires: 1-12-91

Notary Public
Joseph A. Dirnhoffer

Given under my hand and official seal, this 24th day of June, 1989

set forth.

signed and delivered the said instrument as if

subjected to the foregoing instrument, appeared before me this day in person, and acknowledged that

, (personally known to me to be the same person(s) whose name is 8019088

do hereby certify that

a Notary Public for the State of Illinois

County of Cook

Submitted by: 380610
Address: 380610
Delivered: 380610
Address: 380610
Notified: 380610

3806109

STATE OF ILLINOIS
AND ANNEKA WILK
653 W. ...
350204

BY SIGNING BELOW, Borrower accepts and agrees to the terms and covenants contained in this Security Instrument and in any riders (executed in Borrower's presence and recorded with it).

- 1-4 Family Rider
- Condominium Rider
- Adjusted Rate Rider
- Completed Payment Rider
- Planned Unit Development Rider
- Other(s) (specify)

19. **NON-JUDICIAL REMEDIES:** Lender shall give notice to Borrower prior to recording following Borrower's breach of any covenant or agreement in this Security Instrument that sets forth the remedies provided in paragraphs 15 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 same. The notice shall further inform Borrower of the right to reinstate after acceleration and the right to assert in the foreclosure proceeding the non-extension of a default on any other debt of Borrower to acceleration and foreclosure. If the default is not cured on or before the date specified in the notice, Lender as 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 attorney's fees and costs of the estate.

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 foreclosure as follows: (a) Lender shall be entitled to enter upon possession of and manage the Property and to collect the rent if the Property including those past due. Any rent collected by Lender or the receiver shall be applied first to payment of the case 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. **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.

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

23. **Release of 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 rider(s)).

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. Inspections. 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 condemnor 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 the 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 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 12. 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. 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 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 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 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.** Borrower shall promptly pay when due the principal of and interest on the debt evidenced by the Note and any 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. Borrower shall promptly pay when due the principal of and interest on the debt evidenced by the Note and any prepayment and late charges.

2. **Payment of Taxes and Assessments.** Subject to applicable law or to a written waiver by Lender, Borrower shall pay on the first day of the month payments due under the Note, until the Note is paid in full, a sum ("Funds") equal to one-twelfth (1/12) of the monthly payments due under the Note, plus any taxes and assessments which may attach to the Property, including property taxes, ground rent, and assessments for maintenance, repair, and replacement of the Property, including assessments for the cost of water, sewer, gas, electricity, and other utilities. Borrower shall pay the amount of the Funds to Lender when due, the excess shall be applied to the principal of the debt. If the amount of the Funds paid by Lender, together with the future monthly payments of Funds payable prior to the due date of the escrow items, shall exceed the amount required to pay the escrow items when due, the excess shall be applied to the principal of the debt. 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 paragraph 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.** Borrower shall pay all taxes, assessments, charges, fees and impositions attributable to the Property which may attach in priority 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 defaults 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 any part 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 in priority over this Security Instrument, Lender may give Borrower a notice identifying the lien. Borrower shall satisfy the lien or take one or more of the actions set forth above within 10 days of the giving of notice.

5. **Hazard 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 Lender requires insurance. The 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 consent is not required. If the restoration or repair is not economically feasible or Lender's consent is not required, 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; Leasehold.** Borrower shall not destroy, damage or substantially change the Property, allow the Property to deteriorate or commit waste. If the Security Instrument is on a leasehold, Borrower shall comply with the provisions of the lease, and if Borrower acquires the fee 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 agree to the 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 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, appointing in court, 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 advanced 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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