

coverage on the premises is hereby authorized to make payment for such loss directly to the Mortgagee instead of the Mortgagor and Mortgagee jointly. The insurance proceeds, or any part thereof, may be applied by the Mortgagee at its option, either to the reduction of the indebtedness secured hereby or to the restoration or repair of the premises damaged. If the Mortgagor shall fail to pay any fire or other insurance premiums, or shall fail to pay for any necessary repairs the Mortgagee shall have the right to pay the same, and every payment so made by the Mortgagee shall be promptly refunded to the Mortgagee by the Mortgagor and secured hereby and shall bear interest from the date thereof at ten per cent (10%) per annum until paid. Failure of the Mortgagor to effect said insurance or to pay any fire or other insurance premiums, and/or the failure of the Mortgagor to repay the Mortgagee for said advances shall constitute a default hereunder.

5. Escrow of Funds. Together with and in addition to the monthly payment of principal and interest, and on the same date on which the principal and interest are payable under the terms of the Note secured hereby, Mortgagor if required by Mortgagee, shall deposit with the Mortgagee, in a non-interest bearing account, a sum equal to one-twelfth (1/12th) of the yearly taxes and assessments which may be levied against the premises and which may attain priority over this Mortgage, and ground rents, if any, plus one-twelfth (1/12) of the yearly premiums for insurance that will become due and payable to renew the insurance on the premises for coverage against loss by fire or such other hazard as may reasonably be required by the Mortgagee. The amount of such taxes, assessments, ground rents, and premiums, when unknown, shall be estimated by the Mortgagee. If the amount of funds held shall exceed at any time the amount deemed necessary by the Mortgagee to provide for the payment of taxes, assessments, ground rents and insurance premiums as they fall due, such excess shall be repaid to Mortgagor or credited to Mortgagor as Mortgagee may determine. If the amount of the funds held shall not be sufficient at any time to pay taxes, assessments, ground rents and insurance premiums as they fall due, Mortgagor shall pay to Mortgagee any amount necessary to make up the deficiency upon notice from Mortgagee to Mortgagor requesting payment thereof. Upon payment in full of all sums secured by this Mortgage, Mortgagee shall promptly refund to Mortgagor all funds held.

6. Application of Payments. All payments received by the Mortgagee under the Note shall be applied by the Mortgagee in the following manner:

- (a) taxes, special assessments, ground rents, fire and other hazard insurance premiums;
- (b) interest on the Note secured hereby; and
- (c) amortization of the principal amount outlined in the Note.

7. Deficiency of Payment. Any deficiency in the amount of such aggregate monthly payment shall, unless made good by the Mortgagor prior to the due date of the next such payment, constitute an event of default under this Mortgage. The Mortgagee may collect a "late charge" not to exceed four cents (4¢) for each One Dollar (\$1.00) of each payment more than Ten (10) days in arrears to cover the extra expenses involved in handling delinquent payments.

8. Preservation and Maintenance of Premises, Leaseholds and Leases. Mortgagor will keep the said premises in as good order and condition as they are now and will not commit or permit any waste thereof, reasonable wear and tear excepted. No part of the premises, including, but not limited to, any building, structure, parking lot, driveway, landscape scheme, timber or other ground improvements, equipment or other property, now or hereafter conveyed as security by or pursuant to this Mortgage, shall be removed, demolished or materially altered nor shall any additional improvements be erected without