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2. Funds for Taxes and Insurance. Subject to Lender's option under paragraphs 4 and 5 hereof, Borrower shall pay to Lender on the day monthly installments of principal and interest are payable under the Note, and the Note is paid in full a sum therein ("Funds") equal to one-twelfth of the yearly taxes and assessments which may attach priority over this Mortgage, and ground rents on the Property, if any, plus one-twelfth of yearly premium installments for hazard insurance, plus one-twelfth of yearly premium installments for mortgage insurance, if any, all as reasonably estimated initially and from time to time by Lender on the basis of assessments and bills and reasonable estimates thereof. The Funds shall be held in an institution the deposits 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 said taxes, assessments, insurance premiums and ground rents. Lender shall make no charge for so holding and applying the Funds or verifying and compiling said assessments and bills. Borrower and Lender may agree in writing at the time of execution of this Mortgage that interest on the Funds shall be paid to Borrower, and unless such agreement is made, Lender shall not be required to pay Borrower any interest 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 debit to the Funds was made. The Funds are pledged as additional security for the sums secured by this Mortgage.

If the amount of the Funds held by Lender together with the future monthly installments of Funds payable prior to the due dates of taxes, assessments, insurance premiums and ground rents shall exceed the amount required to pay said taxes, assessments, insurance premiums and ground rents as they fall due, such excess shall be, at Borrower's option, either promptly repaid to Borrower or credited to Borrower on monthly installments of Funds. If the amount of the Funds held by Lender shall not be sufficient to pay taxes, assessments, insurance premiums and ground rents as they fall due, Borrower shall pay to Lender any amount necessary to make up the deficiency within thirty days after notice from Lender to Borrower requesting payment thereof.

Upon payment in full of all sums secured by this Mortgage, Lender shall promptly refund to Borrower any Funds held by Lender.

If under paragraph 18 hereof the Property is sold or the Property is otherwise 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 Mortgage.

3. Application of Payments. Unless applicable law provides otherwise, all payments received by Lender under the Note and paragraphs 1 and 2 hereof shall be applied by Lender first in payment of amounts payable to Lender by Borrower under paragraph 2 hereof, then to interest payable on the Note, and on Future Advances, if any, and then to the principal of the Note, and to the principal of Future Advances, if any.

4. Charges; Liens. Borrower shall pay all taxes, assessments and other charges, rates and impositions attributable to the Property which may attach priority over this Mortgage, and ground rents, if any, at Lender's option in the manner provided under paragraph 2 hereof or by Borrower, making payment when due, directly to the payer thereof. Borrower shall promptly furnish to Lender all notices of charges due under this Mortgage, and in the event Borrower shall make payment directly, Borrower shall promptly furnish to Lender receipts evidencing such payments. Borrower shall promptly discharge any lien which has priority over this Mortgage, provided that Borrower shall not be required to discharge any such lien so long as Borrower shall agree in writing to the satisfaction of Lender, as required by such lien, to indemnify Lender or shall in good faith contract with the lienholder to the satisfaction of Lender, to prevent the enforcement of the lien or forfeiture of the Property or any part thereof.

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 all other hazards as Lender may require and in such amounts and for such periods as Lender may require, provided that Lender shall not require that the amount of such coverage exceed that amount of coverage required to pay the sums secured by this Mortgage.

The insurance carrier providing the insurance shall be chosen by Borrower, subject to approval by Lender, provided that such approval shall not be unreasonably withheld. All premiums on such insurance shall be paid at Lender's option in the manner provided under paragraph 2 hereof or by Borrower, making payment when due, directly to the insurance carrier.

All insurance policies and certificates of insurance shall be assigned to Lender, and shall include a standard mortgage clause in favor of and at Lender's option to Lender. Lender shall have the right to void the policies and renewals thereof, and Borrower shall promptly furnish to Lender all periodic notices and payments of such premiums. In the event of loss, Borrower shall give prompt notice to the insurance carrier, and Lender, and Lender may make a loan of loss if not made promptly by Borrower.

Unless Lender and Borrower otherwise agree, a mortgagee's right of loss shall be applied to restoration or repair of the Property damaged through fire or destruction of other causes as completely as possible, and the security of this Mortgage is not thereby impaired. If such restoration or repair is not completed within the term of the security of this Mortgage, the insurance proceeds shall be applied to the sums secured by this Mortgage, with the excess, if any, paid to Borrower. If the Property is abandoned by Borrower or if Borrower fails to respond to Lender's written notices, premiums by Lender to Borrower that the insurance carrier offers to settle claims for insurance benefits, Lender is authorized to collect and apply the insurance proceeds at Lender's option either to restoration or repair of the Property or to the sums secured by this Mortgage.

Unless Lender and Borrower otherwise agree, a mortgagee's right of loss shall be applied to principal shall not extend or postpone the due date of the monthly installments payable under paragraphs 1 and 2 hereof or change the amount of such installments.

If under paragraph 18 hereof the Property is sold or the Property is otherwise acquired by Lender, Lender shall apply, no later than immediately prior to such sale or acquisition resulting from a 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 Mortgage.

6. Preservation and Maintenance of Property; Leaseholds; Condominiums. Borrower shall keep the Property in good repair and shall not permit the Property to be damaged or deteriorated. Borrower shall comply with the provisions of any lease of this Mortgage as a leasehold. If this Mortgage is part of a condominium project, Borrower shall perform all of Borrower's obligations under the declaration, covenants, conditions, restrictions, bylaws and regulations of the condominium project, and constituent documents.

7. Protection of Lender's Security. If Borrower fails to comply with any of the covenants contained in this Mortgage, or if any action or proceeding is commenced or threatened against the Property, including, but not limited to, eminent domain proceedings, or if any other event occurs which may materially and adversely affect the security of this Mortgage, then Lender at Lender's option, upon notice to Borrower, may in its sole discretion, and without assignment of such sums and take such action as is necessary to protect Lender's interest, including but not limited to the right to enter upon the Property to make repairs. Any amounts advanced by Lender pursuant to this paragraph 7, with interest thereon, shall become additional indebtedness of Borrower secured by this Mortgage. Unless Borrower and Lender agree to other terms of payment, such amounts shall be payable upon notice from Lender to Borrower, with interest thereon, and Lender's interest from the date of disbursement at the rate stated in the Note, unless a payment of interest shall be made to Lender in accordance with applicable law, in which event such amounts shall bear interest at the highest rate permissible by applicable law. Nothing contained in this paragraph 7 shall require Lender to incur any expense or liability for Lender.

8. Inspection. Lender may make or cause to be made reasonable and proper inspections of the Property, provided that Lender shall give Borrower notice prior to any such inspection specifying a reasonable cause therefor related to Lender's interest in the Property.

9. Condemnation. The proceeds of any award or compensation for damages or other compensation in connection with any condemnation or other taking of the Property, or part thereof, or for conveyance, partition or 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 Mortgage, with the excess, if any, paid to Borrower. In the event of a partial taking of the Property, unless Borrower and Lender otherwise agree in writing, there shall be applied to the sums secured by this Mortgage, with the excess, if any, paid to Borrower, as is usual to that proportion.

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