

2. Funds for Taxes and Insurance. Subject to the provisions of paragraph 1 hereof, the Borrower shall, on or before the first day of each month, deposit into a separate fund or funds (the "Funds") the sum of the monthly payments of principal and interest on the Note and the monthly payments of the Funds equal to the sum of the monthly taxes and assessments which are levied or assessed on the Property, plus one-twelfth of the yearly taxes and assessments which are levied or assessed on the Property, plus one-twelfth of the yearly mortgage insurance, if any, plus one-twelfth of the yearly premiums for fire and theft insurance, plus one-twelfth of the yearly assessments and bills and reasonable estimates thereof. The Funds shall be held by Lender in trust for the purpose of applying the Funds to pay said taxes, assessments, insurance premiums and ground rents, and to apply the Funds to paying and controlling said assessments and taxes. Borrower and Lender agree that during the term of execution of this Mortgage the interest on the Funds shall be paid to Borrower, and Borrower shall not be required to pay Borrower any interest on the Funds. Lender shall, at the time of closing of the Funds, showing credits and debits to the Funds, and the balance of the Funds as of the date of closing, be pledged as additional security for the sums secured by this Mortgage.

If the amount of the Funds held by Lender together with the principal and interest on the Funds available to the due dates of taxes, assessments, insurance premiums and ground rents, or any part thereof, is not sufficient to pay said taxes, assessments, insurance premiums and ground rents as they become due, Borrower shall, at Borrower's option, either promptly pay 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 of such payment thereof.

Upon payment in full of all sums secured by this Mortgage, Lender shall promptly return 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 requires otherwise, payments received by Lender under the Note and paragraphs 1 and 2 hereof shall be applied by Lender, first to the payment of interest payable to Lender by Borrower under paragraph 2 hereof, then to interest payable on the Note and said 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, fees and impositions attributable to the Property which may attain a priority over this Mortgage, and ground rents, if any, as Lender's option in the manner provided under paragraph 2 hereof or by Borrower making payment, which, as to priority to the taxes, assessments, Borrower shall promptly furnish to Lender all notices of amounts due under this paragraph, and in the event Borrower shall make payment directly, Borrower shall promptly furnish to Lender receipts concerning such payments. Borrower shall promptly discharge any lien which has priority over this Mortgage, provided that Borrower shall not be bound to discharge any such lien so long as Borrower shall agree in writing to the payment of the obligation secured by such lien, or to the payment of the principal of the loan or to the enforcement of the lien or forfeiture of the Property or any part thereof.

5. Hazard Insurance. Borrower shall keep the improvements and structures located on the Property insured against loss by fire, hazards included within the term "extended coverage" and such 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 the above policies shall be paid at Lender's option in the manner provided under paragraph 2 hereof or by Borrower making payment, when due, to the insurance carrier.

All insurance policies and renewals thereof shall be and are assignable to Lender and shall include a standard mortgage clause in favor of and in form acceptable to Lender. Lender shall have the right to hold the policies and renewals thereof, and Borrower shall promptly furnish to Lender all renewal notices and all receipts of paid premiums. In the event of loss, Borrower shall give prompt notice to the insurance carrier and Lender, and 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, provided such restoration or repair is economically feasible and the security of this Mortgage is not thereby impaired. If such restoration or repair is not economically feasible or if the security of this Mortgage would be impaired, 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 within 30 days after notice by Lender to Borrower that the insurance carrier offers to settle a claim 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 in writing, any such application of proceeds to principal shall not extend or postpone the due date of the monthly installments referred to in paragraphs 1 and 2 hereof or change the amount of such installments.

If under paragraph 18 hereof the Property is required by Lender, all right, title and interest of Borrower in and to any insurance policies and in and to the proceeds thereof (to the extent of the sums secured by this Mortgage immediately prior to such sale or acquisition) resulting from damage to the Property prior to the sale or acquisition, shall pass to Lender.

6. Preservation and Maintenance of Property; Leaseholds; Condominiums. Borrower shall keep the Property in good repair and shall not permit or consent waste, impairment, or deterioration of the Property and shall comply with the provisions of any lease, if this Mortgage is on a leasehold. If this Mortgage is on a condominium unit, Borrower shall perform all of Borrower's obligations under the declaration of condominium or master deed, the by-laws and regulations of the condominium project and constituent documents.

7. Protection of Lender's Security. If Borrower fails to perform the covenants and agreements contained in this Mortgage, or if any action or proceeding is commenced which materially affects Lender's interest in the Property, including, but not limited to, eminent domain, insolvency, code enforcement, or arrangements or proceedings involving a bankrupt or decedent, then Lender at Lender's option, upon notice to Borrower, may make such appearances, disburse such sums and take such action as is necessary to protect Lender's interest, including, but not limited to, disbursement of reasonable attorney's fees and entry upon the Property to make repairs. Any amounts disbursed 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 requesting payment thereof, and shall bear interest from the date of disbursement at the rate stated in the Note unless payment of interest at such rate would be contrary to 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 do any act hereunder.

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

9. Condemnation. The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of the Property, or part thereof, 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 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 such proportion of the proceeds as is equal to that proportion.