

2. Funds for Taxes and Insurance. Subject to the provisions hereof, the Funds shall be paid to Lender on the day each month on or before the 1st day of the month following the month in which the Note and the Mortgage are recorded. Funds shall be used first for the payment of property taxes and assessments levied or assessed on the Property and second for the payment of premiums on fire and theft insurance policies covering the Property and third for the payment of premiums on hazard insurance policies covering the Property. The Funds shall be held by Lender on the basis of assignments of the Mortgage and shall be applied to the payment of such taxes, assessments and insurance premiums in the order of priority herein stated. Lender shall apply the Funds to pay such taxes, assessments and insurance premiums and shall be deemed to have done so when Lender has made a check or other instrument payable to the proper authority and applied the Funds to such check or other instrument. At the time of application of the Mortgage proceeds to the payment of such taxes, assessments and insurance premiums, Lender shall not be required to pay Borrower any interest on the Funds held by Lender for such taxes, assessments and insurance premiums. An annual accounting of the Funds held by Lender for such taxes, assessments and insurance premiums shall be furnished to Borrower at the time the Funds are pledged as additional security for the mortgage under this Mortgage.

If the amount of the Funds held by Lender together with the amount of Funds payable prior to the due dates of taxes, assessments and insurance premiums shall be insufficient to pay such taxes, assessments and insurance premiums and amounts as they fall due, Borrower shall either promptly report to Borrower or report to Borrower in writing the amount of the Funds held by Lender which shall be sufficient to pay taxes, assessments and insurance premiums and amounts 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 to make 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 disposed of by Lender, Lender shall apply, no later than immediately prior to the sale of the Property or to the disposition of the Property 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 and until a court of competent jurisdiction orders otherwise, all payments received by Lender under the Note and paragraphs 1 and 2 hereof shall be applied by Lender to the 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 or become due on the Property and amounts due on the Note and on Future Advances, if any, at Lender's option in the manner provided under paragraph 2 hereof or by Borrower making payment directly to the proper authority. Borrower shall promptly furnish to Lender all notices of amounts due on the Note and on Future Advances, if any, and Borrower shall make payment directly. Borrower shall promptly furnish to Lender receipts and other evidence of such payments. Borrower shall promptly discharge any lien which has priority over this Mortgage, provided that Borrower shall not be liable for making any such lien so long as Borrower shall agree in writing to the payment of the obligation secured by such lien in full or to the extent payable to Lender, or shall in good faith contest such lien by a defend-in-courtment of such lien in a court of competent jurisdiction 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 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 covering the improvements shall be placed by Borrower and not to approval by Lender, provided that such approval shall not be unreasonably withheld. All insurance coverages required shall be paid at Lender's option in the manner provided under paragraph 2 hereof or by Borrower making payment directly to the insurance carrier.

All insurance policies and renewals provided for herein shall be payable to Lender and shall include a standard mortgage clause in favor of and in form acceptable to Lender. Lender shall have the right to void the policies and renewals thereof, and Borrower shall promptly furnish to Lender all renewal notices and all receipts of premium. 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, the usual 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 and 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 and Borrower fails to complete the same within the time specified by Lender to Borrower that the insurance carrier offers to file a claim for insurance benefits, Lender is authorized to file 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 acquired by Lender through sale 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 acquisition, the same shall inure 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 of 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 bylaws and regulations of the condominium project, and constituent documents.

7. Protection of Lender's Security. If Borrower fails to perform the obligations and covenants contained in this Mortgage, or if any action or proceeding is commenced which adversely affects Lender's interest in the Property, including, but not limited to, eminent domain, foreclosure, sale, enforcement or assignment of the mortgage, including, but not limited to, deed-in-lieu, then Lender at Lender's option upon notice to Borrower may make such appointments, disburse, such sums and take such actions as is necessary to protect Lender's interest, including, but not limited to, disbursement of funds for repairs, taxes and entry upon the Property to make repairs. Any amounts disbursed by Lender pursuant to paragraph 7 hereof shall constitute an 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 toasting 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 liability hereunder.

8. Inspection. Lender may make or cause to be made reasonable entries, inspections and investigations 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, benefits or compensation in connection with any condemnation or other taking of the Property, or part thereof, or for compensation 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 all proceeds of the proceeds to be applied to the restoration

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