

9/23

**2. Funds for Taxes and Insurance.** Subject to Lender's right to require paragraph 3 and 4 below, Borrower may deposit Funds in the day count account of the Bank of America, N.A., or the National City Bank of New York, or in other bank or trust company holding funds for the payment of taxes and assessments which have accrued prior to the date of this Mortgage, including amounts due in the City of New York plus interest of weekly prorated installments for taxes and assessments which have accrued prior to the date of this Mortgage, if such amount is less than the estimated amount of taxes and assessments due. The Funds shall be held in trust by the depository bank or banks of which are situated or guaranteed by a Federal or state agency, including Federal Home Loan Banks, and shall apply the Funds to pay such taxes, assessments, insurance premiums and other amounts due, including but not limited to the following and paying the Funds or certifying and suspending such assessments and/or Bills of Lading, and for any amount outstanding at the time of execution of this Mortgage, the interest on the Funds shall accrue to Borrower until such payment is made. Lender shall not be required to pay Borrower any interest on the Funds, but if Lender does so, the interest on the principal amount of the Funds shall be paid to Lender to the extent that the Funds used to pay such amounts due to the Lender was made. The Funds are pledged as additional security for the sums secured by this Mortgage.

If the amounts of the Funds held by Lender together with the return of unpaid taxes, amounts of Funds payable prior to the due dates of taxes, assessments, insurance premiums and ground rents, shall exceed the amounts required to pay such 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 deposited in trust 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 the amount necessary to make up the deficiency within thirty days after notice from Lender to Borrower of such payment required.

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 below the Property is sold, the Property is not, or was, owned by Lender, Lender shall apply no later than immediately prior to the sale of the Property to the holder of record of the Funds held by Lender at the time of application as a credit against the sums secured by this Mortgage.

**3. Application of Payments.** Unless paragraph 18 below applies, the last payment received by Lender for the Note and principal of the Note, or by Lender prior to payment of the Note and principal of the Note, shall be applied to Borrower's claim in paragraph 2 hereof, then to interest paid on the Note and on Future Advances of any amount due to the principal of the Note and to the principal of Future Advances of any.

**4. Charges; Liens.** Borrower shall pay all taxes, assessments and other charges, dues and impositions attributable to the Property which may then be levied under this Mortgage, and provided notice of same to Lender, at the manner provided in the paragraph 2 hereof, or by Borrower in writing, and Lender, at the time of the same, shall, Borrower shall promptly furnish to Lender all notices of such taxes, assessments and other charges, dues and impositions, Borrower shall make payment directly to Borrower and promptly remit to Lender any amount remaining due. Borrower shall execute and deliver to Lender a discharge and non-lien which specifically recites this Mortgage, provided that Borrower shall not be liable for any deficiency, so long as Borrower shall have no notice of the existence of the deficiency, except to the extent that it is reasonably susceptible to Lender or shall in good faith suspect such notice or defendant to a suit for garnishment or attachment, or otherwise to prevent the enforcement of the lien or forfeiture of the Property or any part thereof.

**5. Hazard Insurance.** Borrower shall keep the Property insured against risks specified in the Policies issued against the Property, located within the term hereinafter set forth, and Lender may require and in such event and for such purposes as Lender may direct, to increase the amount of such coverage, so long as the amount of such coverage exceeds that amount of coverage required to cover the sums secured by this Mortgage.

The insurance company underwriting the policies required by Lender, shall be acceptable to Lender, provided that such company shall not be associated with Lender, and at the time of issuance, the premium shall be paid at Lender's option in the manner provided under paragraph 3, 2 hereof, or by Borrower in writing, and Lender shall be entitled to the premium.

All insurance policies and certificates of insurance required by Lender, shall include a standard endorsement clause in favor of such firm, company or Lender, Lender shall have the right to hold the policies and renewals thereof and Borrower shall be entitled to furnish to Lender, Lender's name and place of residence. In the event of loss, Borrower shall give prompt notice to the insurance company and Lender and Lender may make a claim of loss of that made receivable by Borrower.

Unless Lender and Borrower otherwise agree in writing, the amount of the proceeds of all insurance or restoration or repair of the Property damaged or destroyed shall be retained by Lender, and the security of this Mortgage is not thereby impaired. If such restoration or repair is not made within a reasonable time, the security of this Mortgage would be impaired, the trustee proceedings may be initiated to cause the same to be paid by the Mortgagor, and the same may be paid to Borrower. If the Property is abandoned by Borrower and Borrower fails to make arrangements with Lender, then notify Lender to Borrower that the property is to be sold, and to the highest bidder. Lender may bid and apply the amount received at Lender's option either to extend the term of the Property or to the sums secured by this Mortgage.

Unless Lender and Borrower otherwise agree in writing, the amount of the proceeds of insurance shall not extend or postpone the due date of the monthly payments referred to in paragraphs 1 and 2 hereof, or change the amount of such installments.

If under paragraph 18 below the Property is owned by Lender, all rights, title and interest of Borrower in and to any insurance premiums and to the proceeds thereof, to the extent of the sums secured by the Mortgage immediately prior to such sale or acquisition, resulting from damage to the Property due to the cause or causes named and pass to Lender.

**6. Preservation and Maintenance of Property; Leaseholds; Condominiums.** Borrower shall keep the Property in good repair and shall not permit or permit waste, impairment or deterioration of the Property and shall comply with the provisions of any lease of this Mortgage, if any, in effect. 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 covenants and agreements contained in this Mortgage, or fails to timely pay taxes, assessments and other charges, dues and impositions to the Property, including but not limited to student loans, insurance, legal expenses, or attorney's fees, assessed against the Property, or if Lender, at Lender's option, upon notice to Borrower, may make such appearance, defense and claim and take such action as is necessary to protect Lender's interest, including but not limited to disbursement of reasonable attorney's fees and costs, even though the Property is not repaired. Any amounts disbursed by Lender pursuant to this paragraph 7, with respect thereto, 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 requiring payment thereof and such notice given within the date of disbursement at the rate stated in the Note, unless payment of interest or such amounts 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 for Lender.

**8. Inspection.** Lender may make or cause to be made reasonable entries, examinations 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 of damages for taking of the Property, including but not limited to condemnation or other taking of the Property, or partial or total, or conveyance in lieu of condemnation, as Lender assigned and shall be paid to Lender.

In the event of a total taking of the Property, the proceeds shall be applied to the sum 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, then paragraph 7 shall apply to the sum secured by this Mortgage, and in case of the removal of the property, the