

1. **Payment of Principal and Interest.** The principal and interest payable under the Note shall be paid to Lender on the dates specified in the Note, plus any applicable taxes and assessments on the Note, and any other charges or costs as provided in the Future Advances provided by this Mortgage.

2. **Funds for Taxes and Insurance.** Subject to paragraph 2 hereof, the Borrower shall pay to Lender on the day that the principal and interest are payable under the Note, the sum thereon of the Funds for taxes and assessments, which as a condition of the Mortgage, are 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 may not charge for so holding and applying the Funds, analyzing said account, or verifying and compiling said assessments and bills, unless Lender pays Borrower interest on the Funds and applicable law permits Lender to make such a charge. 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 or applicable law requires such interest to be paid, Lender shall not be required to pay Borrower any interest or earnings 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 balance of any 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 30 days from the date notice is mailed by 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, then to the principal of the Note, and then to interest and principal on any Future Advances.

4. **Charges; Liens.** Borrower shall pay all taxes, assessments and other charges, fines and impositions attributable to the Property which may attain a priority over this Mortgage, and leasehold payments or ground rents, if any, in the manner provided under paragraph 2 hereof or, if not paid in such manner, by Borrower making payment, when due, directly to the payee thereof. 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 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 payment of the obligation secured by such lien in a manner acceptable to Lender, or shall in good faith contest such lien or defend enforcement of such lien in legal proceedings which operate 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 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 insurance policies shall be paid in the manner provided under paragraph 2 hereof or, if not paid in such manner, by Borrower making payment, when due, directly to the insurance carrier.

All insurance policies and renewals thereof shall be in form acceptable 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. 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 not 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, or if Borrower fails to report to Lender within 30 days from the date notice is mailed by Lender to Borrower that the insurance carrier offers to pay the insurance benefits, Lender is authorized to collect and apply the insurance proceeds at Lender's option either to the principal 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 payments 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, all principal, title and interest of Borrower in and to any insurance policies and in and to the proceeds thereof to be applied to the Property prior to the sale or acquisition shall pass to Lender to the extent of the sums secured by this Mortgage immediately prior to such sale or acquisition.

6. **Preservation and Maintenance of Property; Leaseholds; Condominiums, Planned Unit Developments.** Borrower shall keep the Property in good repair and shall not allow any waste, or permit impairment or deterioration of the Property and shall comply with the provisions of any leasehold, Mortgage, or leasehold. If this Mortgage is on a unit in a condominium or a planned unit development, Borrower shall comply with all applicable laws, rules, regulations, covenants, conditions and restrictions creating or governing the condominium or planned unit development, including all laws, rules, regulations, covenants, conditions and restrictions, and constituent documents. If the condominium or planned unit development is created by Borrower and recorded together with this Mortgage, the covenants and restrictions creating or governing the condominium or planned unit development shall amend and supplement the covenants and agreements of this Mortgage as if they were a part thereof.

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 proceedings, condemnation proceedings, or proceedings for the sale of the Property, then Lender at Lender's option, upon notice to Borrower, may make such appropriate repairs, improvements and other actions as are necessary to protect Lender's interest, including, but not limited to, such placement of reasonable amounts of fees and entry upon the Property to make repairs. If Lender required mortgage insurance as a condition of making the loan secured by this Mortgage, Borrower shall pay the premiums required to maintain such insurance in effect until such time as the requirement for such insurance terminates in accordance with Borrower's and Lender's agreement, or applicable law. Borrower shall pay the amount of all mortgage insurance premiums in the manner provided in paragraph 2 hereof.

Any amounts disbursed by Lender pursuant to paragraph 7 hereof shall be applied to the sums secured by this Mortgage. Unless Borrower and Lender agree to other terms of payment, such amounts shall be payable upon notice to Lender to Borrower, or upon payment of the debt, and all fees and interest to the date of last payment at the rate payable from time to time on the Note, plus applicable law. Lender shall not be liable for any such amounts if such amounts would be contrary to applicable law, in which event Lender shall not be liable for such amounts. Lender shall not be liable for any such amounts if such amounts would be contrary to applicable law. Nothing contained in this paragraph shall require Lender to make any such repairs or improvements.

8. **Inspection.** Lender may make or cause to be made reasonable inspections of the Property, provided that Lender shall give Borrower notice prior to any such inspection, and that such inspections shall be made in a reasonable and prudent manner.

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