

2. Funds for Taxes and Insurance. Subject to paragraph 1, all taxes and insurance premiums due on the day of the first payment of principal and interest shall be paid by Borrower to Lender. Funds to be used for payment of the yearly tax and insurance bill, as well as the monthly payments on the Property, at any time during the life of this Note, shall be deposited by Borrower in trust accounts held in the name of the Lender, and shall be used for the payment of assessments and taxes and insurance premiums. The funds so held in trust may be used for any purpose of which are imposed or guaranteed by a Federal or state agency, including but not limited to, amounts due under the Funds to pay such taxes, assessments, insurance premiums and insurance held by Lender shall be charged to the Lender and applied by the Lender in verifying and applying such assessments and taxes. If the amount of the funds held by Lender is not sufficient to pay the taxes, assessments, insurance premiums and insurance held by Lender, the Lender shall not be required to pay the same, and Borrower shall be liable for the amount of the taxes, assessments, insurance premiums and insurance held by Lender, plus interest thereon, starting from the date the funds are deposited. The Funds are pledged as additional security for the sums secured by this Mortgage.

If the amount of the Funds held by Lender is sufficient to pay the taxes, assessments, insurance premiums and insurance held by Lender, the Lender shall apply the due dates of taxes, assessments, insurance premiums and insurance held by Lender to pay such taxes, assessments, insurance premiums and insurance held by Lender, and excess amounts held by Lender will be 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 insurance held by Lender, the Lender may demand necessary to make up the deficiency within thirty days after the sum due to Lender. Borrower shall pay to Lender such amounts as may be necessary to make up the deficiency.

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, the Property is otherwise disposed of by Lender, Lender shall apply, no later than immediately prior to the sale of the Property, the funds held by Lender, the Funds held by Lender at the time of application as a credit against the sum secured by this Mortgage.

3. Application of Payments. Unless otherwise agreed in writing, all monthly payments received by Lender under the Note and paragraphs 1 and 2 hereof shall be applied to the principal of the Note and to the principal of the Note under paragraph 2 hereof, then to interest payable on the Note and finally to 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 indebtedness attributable to the Property which may attach or priority over the Mortgage, and ground rents, if any, of Lender's interest in the manner provided under paragraph 2 hereof or in this Note, and the payment when due, to the parties named. Borrower shall promptly furnish to Lender all notices of encumbrances to which the Property is subject. In the event Borrower shall make payment directly to Lender all amounts due to Lender except premium and discounts, Borrower shall promptly discharge any lien which has priority over the 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 amount so due to Lender, and to furnish a certificate to Lender or shall in good faith contest such lien by an action of injunction or injunction, which amounts to prevent the enforcement of the lien or foreclosure of the Property or any part thereof.

5. Hazard Insurance. Borrower shall keep the property covered by existing insurance carried on the Property insured against fire, theft, insurance coverage against extended coverage, and liability. 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 be carried by Borrower to the sum 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 premium and insurance proceeds shall be paid to Lender upon the transfer provided under paragraph 2 hereof or in this Note, unless otherwise directed when the amount of such insurance is known.

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 renewals of such premiums. In the event of loss, Borrower shall give prompt notice to the insurance carrier and Lender, and Lender may make payment of loss of and made payable 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 reasonably feasible and the security of the Mortgage is not thereby impaired. If such restoration or repair is reasonably feasible and the security of the Mortgage would be impaired, the insurance proceeds shall be applied to the unpaid balance of the Mortgage, with the excess of any paid to Borrower. If the Property is abandoned by Borrower and Borrower fails to furnish to Lender within 30 days after notice to Lender to Borrower that the insurance carrier offers to settle a claim for the same benefit, Lender is entitled to collect and apply the insurance proceeds at Lender's option either to restoration or repair of the Property or to the sum 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 sold 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 commit 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 bankruptcy or receivership, then Lender at Lender's option, upon notice to Borrower, may take such appropriate, diligent, such actions and take such action as is necessary to protect Lender's interest, including, but not limited to, disbursement of reasonable attorney's fees and carry 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 to begin 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 a 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