

**2. Funds for Taxes and Insurance.** Subject to Lender's option under paragraphs 1 and 5 hereof, Borrower shall pay to Lender on the day monthly installments of principal and interest on the Note and the Note as part of the "Funds" herein. "Funds" is equal to one-twelfth of the yearly taxes and assessments which may attach priority over this Mortgage, and ground rents on the Property, if any, plus one-twelfth of yearly premium installments for fire and insurance, plus one-twelfth of yearly premium installments for mortgage insurance, if any, all as reasonably estimated monthly and from time to time by Lender on the basis of assessments and bills and reasonable estimates thereof. The Funds shall be held in escrow in the depository 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 shall make no charge for so holding and applying the Funds or verifying and compiling said assessments and bills. 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, Lender shall not be required to pay Borrower any interest 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 future monthly 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, at Borrower's option, either promptly be 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 thirty days after notice from Lender to Borrower requesting 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 on the Property as otherwise required 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, payments received by Lender under the Note and paragraphs 1 and 2 hereof shall be applied by Lender first to 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, fees and impositions attributable to the Property which may attach priority over this Mortgage, and ground rents, if any, at Lender's option in the manner provided under paragraph 2 hereof or by Borrower making payment thereof directly to the payee thereof. Borrower shall promptly furnish to Lender all notices of amounts due under this Mortgage, and in the event Borrower shall make payment directly, Borrower shall promptly furnish to Lender receipts or other proof of payment. 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 this Mortgage, and to Lender or shall in good faith contest such lien or defend and maintain the same, and to execute all necessary documents 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 and 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 such insurance shall be paid at Lender's option in the manner provided under paragraph 2 hereof or by Borrower making payment thereof directly to the insurance carrier.

All insurance policies and renewals thereof shall be made 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 hold the policies and renewals thereof, and Borrower shall promptly furnish to Lender all renewal notices and 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 that 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's written demands and notices 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 provided 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 rights in and to any insurance proceeds and in and to the proceeds of any such application of the sums secured by this Mortgage immediately prior to such sale or acquisition resulting from damage to the Property and to the improvements thereon 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 suffer any 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 a condominium project, including 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 if any action or proceeding is commenced which may result in Lender's loss of the Property, including but not limited to eminent domain, escheat, foreclosure, bankruptcy, receivership, liquidation, or insolvency, or if any proceedings involving a bankruptcy or insolvency, then Lender at Lender's option upon notice to Borrower may make such expenditures, advances, such sums, and take such actions as is necessary to protect Lender's interest, including but not limited to institution of a suit to obtain a writ and entry upon the Property to make repairs. Any amounts advanced 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 and as payment of interest thereon shall be contrary to applicable law in which event such amounts shall bear interest at the highest rate permitted by applicable law. Nothing contained in this paragraph 7 shall require Lender to incur any expense or delay, or be bound.

**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 in detail the cause thereof related to Lender's interest in the Property.

**9. Condemnation.** The proceeds of any award or claim for damages, including consequential damages, 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, then shall be applied to the sums secured by this Mortgage, with the excess, if any, paid to Borrower in proportion

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