

**2. Funds for Taxes and Insurance.** Subject to Lender's option in paragraphs 4 and 5 hereof, Borrower shall pay to Lender on the day monthly installments of principal and interest are payable under the Note, and the Note as paid in full, a sum (herein "Funds") 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 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 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 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 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 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 ninety days after the sale of the Property or the 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 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 directly to the proper authority, or the owner thereof. Borrower shall promptly furnish to Lender all notices of charges due under this Mortgage, and if the owner thereof, 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, by or defend such lien, or defend any 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, winds and other perils within the limits, extended coverages and special coverages 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 directly or indirectly 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 favor of 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 amounts of said premiums. In the event of loss, Borrower shall give prompt notice to the insurance carrier and Lender, and Lender may make a proof of loss if not made promptly by Borrower.

Unless Lender and Borrower shall otherwise agree in writing, the proceeds shall be applied to restoration or repair of the Property damaged by fire or other perils, and the security of this Mortgage is not thereby impaired. If such restoration or repair is not effected, the security of this Mortgage would be impaired, the insurance proceeds shall be applied to the sums secured by this Mortgage, to the extent of any such proceeds, if any, paid to Borrower. If the Property is damaged by fire or other perils, or if Borrower fails to respond to Lender's demands for such proceeds, Lender may give notice to Borrower that the insurance carrier has been notified and may request Lender to authorize Lender 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 and all application of proceeds to principal shall not extend or postpone the due date of the monthly payments required under paragraph 2 hereof or change the amount of such installments.

If under paragraph 18 hereof the Property is acquired by Lender, the principal and interest of Borrower in and to any insurance policies and in and to the proceeds thereof, in the event of the sale of the Property secured by this Mortgage, immediately prior to such sale or acquisition resulting from the sale of the Property, shall be paid to Lender.

**6. Preservation and Maintenance of Property; Leaseholds; Condominiums.** Borrower shall keep the Property in good repair and shall not permit the same to become a nuisance or a public hazard. Borrower shall comply with the provisions of any lease, if this Mortgage is so secured. If this Mortgage is so secured, Borrower shall perform all of Borrower's obligations under the master deed, subdivision map, declaration, rules and regulations of the condominium project, and constituent documents.

**7. Protection of Lender's Security.** If Borrower fails to perform the covenants and obligations contained in this Mortgage, or if any action or proceeding is commenced or threatened against Borrower in respect to the Property, including but not limited to, eminent domain, insolvency, foreclosure, or other legal proceedings, or if the mortgagee is bankrupt or decedent, then Lender at Lender's option, hereafter to Borrower, may make such application to the court, and take such action as is necessary to protect Lender's interests, including but not limited to, instituting proceedings to obtain a writ of entry 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, requesting payment thereof, and shall be an interest from the date of disbursement at the rate stated in the Note, unless payment of interest or principal would be contrary to applicable law, in which event, such amounts shall be an interest at the highest rate permissible by applicable law. Nothing contained in this paragraph 7 shall require Lender to incur any expense on the part of Lender.

**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 entry, of the nature and purpose of the inspection, and shall be limited to Lender's interest in the Property.

**9. Condemnation.** In the event of any condemnation or other proceedings which result in the taking of all or any part of the Property or other real estate owned by Borrower, the proceeds therefrom shall be paid to Lender.

In the event of the taking of the Property or any part thereof by eminent domain, or by any other proceedings, with the exception of any such taking by the government, the proceeds therefrom shall be paid to Borrower, and Lender shall give notice to Borrower of the taking of the Property or any part thereof by the Mortgagee, and the proceeds therefrom shall be paid to the Mortgagee.

9484

4328 RV-2