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2. Funds for Taxes and Insurance. Subject to Lender's option under paragraphs 4 and 5 hereof, Borrower shall pay to Lender on the day monthly installments of principal and interest are payable under the Note until the Note is paid in full, a sum (herein "Funds") equal to one-twelfth of the yearly taxes and assessments which may attach prior to or after 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 annually and from time to time by Lender on the basis of assessments and bills and reasonable estimates thereon. The Funds shall be held in an institution, the deposits or accounts of which are insured or guaranteed by a Federal or state agency, and Lender, or if Lender is such an institution, Lender shall apply the Funds to pay said taxes, assessments, insurance premiums and ground rents. Lender shall make reasonable cause for applying the Funds or verifying and computing said assessments and taxes, ground rents and Lender shall do so in writing at the time of execution of this Mortgage that interest shall be paid on the rate of interest due to Borrower, and until such agreement is made, Lender shall not be required to pay Borrower any amount on the rate of interest due to Borrower, and shall charge an annual accounting of the Funds showing credits and debits to the Funds, and shall pay with each debit the amount of such debit. The Funds are pledged as additional security for the performance of 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 in 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 title to 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 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, fines and impositions attributable to the Property which may attach a 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, when due, directly to the payee thereof. Borrower shall promptly furnish to Lender all notices of assessments, charges, fines and impositions, and in the event Borrower shall make payment directly, Borrower shall promptly furnish to Lender receipts covering 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 and payment of such lien, or 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 Property insured against loss or damage by fire, lightning or other causes after created on the Property insured against loss by fire, hazards included within the terms of the policy, and shall hold such insurance in Lender's name and in such amounts and for such periods as Lender may require. Lender shall not be required to pay the amount of such coverage which exceeds that amount of coverage required to pay the sums secured by this Mortgage.

The insurance carrier providing the insurance shall be selected by Borrower subject to approval by Lender; provided, that such approval shall not be unreasonably withheld. All amounts of insurance proceeds shall be paid at Lender's option in the manner provided under paragraph 2 hereof or by Borrower, as the case may be, when the due date of 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 notices of assessment of premiums. In the event of loss, Borrower shall give prompt notice to the insurance carrier and Lender shall make proof of loss if not made promptly by Borrower.

Unless Lender and Borrower otherwise agree in writing, the insurance proceeds shall be applied to restoration or repair of the Property damaged, provided such restoration or repair is reasonable and feasible and the security of this Mortgage is not thereby impaired. If such restoration or repair is not reasonable and 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 is unable to be located for a period of 30 days after notice by Lender to Borrower that the insurance carrier offers to settle the claim, the insurance proceeds shall be applied to the sums secured by this Mortgage.

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

If under paragraph 18 hereof the title to 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.

6. Preservation and Maintenance of Property; Leaseholds; Condominiums. Borrower shall keep the Property in good repair and shall not permit or suffer any deterioration of the Property and shall comply with the provisions of any lease, if this Mortgage is subject to a lease, and if the Property is a condominium unit, Borrower shall perform all of Borrower's obligations under the condominium declaration, 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, judgment, litigation or other proceedings, or any event, affects Lender's interest in the Property, including, but not limited to, eminent domain, insolvency, liquidation, receivership, foreclosure, or proceedings involving a bankrupt or decedent, then Lender at Lender's option upon notice to Borrower, may take such action as is necessary to protect Lender's interest in the Property, including, but not limited to, the entry upon the Property to make repairs. Any amounts paid or expended by Lender under this paragraph 7, with interest thereon, shall become additional indebtedness of Borrower secured by this Mortgage, and Lender agrees to other terms of payment, such amounts shall be payable upon notice from Lender to Borrower, and shall bear interest from the date of disbursement at the rate stated in the Note or as payment of such amounts would be contrary to applicable law, in which event such amounts shall bear interest at the legal rate provided by applicable law. Nothing contained in this paragraph 7 shall require Lender to incur any expense in carrying out this paragraph 7.

8. Inspection. Lender may make such reasonable entries upon and inspections of the Property, provided that Lender shall give Borrower notice in writing of such inspection, specifying reasonable cause therefor related to Lender's interest in the Property.

9. Condemnation. If all or part of the Property is taken by eminent domain, or if the Property is condemned, or if the Property is otherwise taken by eminent domain, or if the Property is otherwise taken by eminent domain, are hereby assigned and shall be paid to Lender.

In the event of the taking of the Property by eminent domain, or if the Property is condemned, or if the Property is otherwise taken by eminent domain, the proceeds of the taking of the Property, unless Borrower and Lender otherwise agree in writing, shall be applied to the sums secured by this Mortgage, and the proportion of the proceeds as is equal to that proportion

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