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**2. Funds for Taxes and Insurance.** Subject to the requirements of paragraph 1 hereof, Borrower shall pay to Lender on the day monthly installments of principal and interest are due and payable, monthly installments ("Funds") equal to one-twelfth of the yearly taxes and assessments on the Property, if any, plus one-twelfth of yearly insurance premiums, all such amounts to be paid in monthly installments for mortgage insurance. All such taxes and assessments and insurance premiums are incurred or guaranteed by a federal or state agency or authority. Lender may require Funds to pay said taxes, assessments, and insurance premiums prior to the date of execution of the Mortgage, at which time the Funds will be held by Lender until the date of execution of the Mortgage. After the date of execution of the Mortgage, Lender will not be required to pay Borrower any amount on the Funds, but the Funds shall be retained and held by Lender until the date of payment of the principal of the Note and the interest thereon.

If the amount of the Funds is less than the amount of the monthly dues of taxes, assessments, insurance premiums and ground rents, Lender may require Borrower to pay the difference, or credit the same to the account of the Note, or hold the same in trust for the benefit of Lender to pay taxes, assessments, insurance premiums and ground rents, or make up the deficiency within ten days after notice of the deficiency is given to Borrower.

Upon payment in full of the sum set aside for taxes, insurance premiums and ground rents, Lender may apply the same to the principal of the Note and Funds held by Lender.

If paragraph 18 hereof applies, the provisions of paragraph 2 hereof shall apply, no later than immediately preceding the date of application of the funds to the principal of the Note.

**3. Application of Payments.** The payments made by Borrower under the Note and paragraphs 1 and 2 hereof shall first be applied to the principal of the Note, as provided in paragraph 2 hereof, then to interest paid on the Note, and finally to the principal of Future Advances, if any.

**4. Charged Liens.** Borrower shall pay to Lender all taxes, assessments, insurance premiums and ground rents, and other charges which may be levied against the Property which may affect the property covered by the Mortgage, and which are payable under paragraph 2 hereof, or which are payable by Borrower under paragraph 18 hereof, and which are not otherwise paid by Borrower. If all property taxes, assessments, insurance premiums and ground rents, and other charges which have accrued over the Mortgage period have been paid by Borrower, and if Borrower has agreed to waive to the payment of the same, or if Borrower has given notice in writing to Lender that he does not intend to pay such taxes, assessments, insurance premiums and ground rents, and other charges, Lender may, in his discretion, foreclose on the property covered by the Mortgage or take any other action which he deems necessary to protect his interest in the property.

**5. Hazard Insurance.** Borrower shall keep the Property insured against fire, hazards included within the term of the insurance policy, and for such perils as Lender may require, and shall pay the insurance premium, and shall cause that amount of coverage equivalent to the amount of the principal of the Note.

The insurance coverage existing at the time of the signing of the Note and Agreement shall not be increased by Borrower without the written consent of Lender, as provided under paragraph 2 hereof, or by Borrower.

All insurance premiums and expenses shall be paid by Borrower to Lender in favor of and in their respective companies. Lender shall promptly furnish to Lender all information concerning the insurance coverage, except notice to the insurance company and Lender.

Unless Lender and Borrower otherwise agree, all insurance premiums and expenses for the Property damaged, provided upon notice to Lender, shall be paid by Borrower, and Lender shall not be liable for any damage to the Property. If such insurance premiums and expenses are not paid by Borrower, the insurance proceeds shall be applied to the principal of the Note, and the balance of the principal of the Note shall be abandoned by Borrower, and Lender shall not be liable for any damage to the Property, except to the extent of the insurance coverage, if any, provided by Lender's insurance company.

Unless Lender and Borrower otherwise agree, Lender may postpone the due date of the monthly installments of principal.

If under paragraph 18 hereof the Property is sold, Lender may require the sale of the policies and in and out of the property, and the amount of the insurance premiums resulting from the change in the property.

**6. Preservation and Maintenance of Property; Leaseholder Condemnation.** Borrower shall keep the Property in good repair and shall not commit or permit waste, impairment, or damage to the Property, contrary to the provisions of any lease of this Mortgage to any lessee. If this Mortgage is so assigned, Borrower shall perform all of Borrower's obligations under the lease, and conform to the terms and conditions of the condominium project and constituent documents.

**7. Protection of Lender's Security.** If Borrower fails to perform any of the covenants contained in this Mortgage, or if any action is taken against Borrower, or if Borrower fails to pay any debts, including, but not limited to, eminent domain, insurable and uninsured, or otherwise, Lender may take such action as is necessary to protect Lender's interest in the property, including, but not limited to, removing and carrying from the Property to another location, any structures, fixtures, equipment, or other property, and causing additional indebtedness of Borrower, if the Mortgage is so assigned, to the amount of payment such amounts shall be payable upon notice from Lender to Borrower, and the amount of interest from the date of disbursement at the rate stated in the Note, or less, provided that such amounts do not exceed the applicable law, in which event such amounts shall be interest at the highest rate permitted by law. Nothing contained in this paragraph 7 shall require Lender to incur any expense.

**8. Inspection.** Lender may inspect the Property at any time, and may enter upon the Property, provided that Lender gives to Borrower prior notice of such inspection, and that such inspection relate to Lender's interest in the Property.

**9. Condemnation.** The proceeds of any condemnation of the Property, or any part thereof, or any other action in connection with any condemnation or other taking of the Property, or any part thereof, shall be paid to Lender, and Lender hereby agrees and shall be paid to Lender.

In the event of the taking of the Property, or any part thereof, or any other action in connection with this Mortgage, with the excess of any, if any, left to Borrower, by the court or government, or by any other authority, Lender and Borrower otherwise agree in writing, there shall be applied to the sum secured by this Mortgage, the amount of such proceeds as is equal to that proportion

of the principal of the Note, and the interest thereon, and the amount of the monthly installments of principal and interest, and the amount of the monthly insurance premiums.

Lender may require Borrower to pay to Lender the taxes of the Property, and the amounts of which

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