

amount which, when divided by the number of Instalments due from the date of any calculation hereunder until the expiration of the Policies, would be sufficient to pay the premiums due for the renewal of the coverage afforded by the Policies upon the expiration thereof. Mortgagee will apply the Escrow Fund to payments required to be made by Mortgagor pursuant to paragraphs 3 and 4 hereof. If the amount of the Escrow Fund shall exceed the amounts due pursuant to paragraphs 3 and 4 hereof, Mortgagee shall, in its discretion, (1) return any excess to Mortgagor, (2) credit such excess against the Debt in such priority and proportions as Mortgagee in its discretion shall deem proper, or (3) credit such excess against future payments to be made to the Escrow Fund. In allocating such excess, Mortgagee may deal with the person shown on the records of Mortgagee to be the owner of the Mortgaged Property. If the Escrow Fund is not sufficient to pay the items set forth in (a) and (b) above, Mortgagor shall pay to Mortgagee, upon request, an amount which Mortgagee shall estimate as sufficient to make up the deficiency. Until expended or applied as above provided, any amounts in the Escrow Fund may be commingled with the general funds of Mortgagee and shall constitute additional security for the Debt and shall not bear interest. Mortgagee will not exercise its rights under this paragraph unless Mortgagor shall have defaulted in the observance and performance of its obligations under paragraph 3 or paragraph 4 hereof.