

And the mortgagor does hereby covenant that he is lawfully seized of an indefeasible estate in fee; that said premises are free of any encumbrances; that he hereby warrants the usual covenants to the same extent as a statutory warranty deed under the laws of the State of Washington and all covenants herein made, and that he will defend against any breach of any or all of the same.

The mortgagor further covenants and agrees as follows:

1. That he will pay the indebtedness, as hereinbefore provided. Privilege is reserved to pay the debt in whole, or in an amount equal to one or more monthly payments on the principal that are next due on the note, on the first day of any month prior to maturity; provided, however, that written notice of an intention to exercise such privilege is given at least thirty (30) days prior to prepayment; and provided further that in the event the debt is paid in full prior to maturity and at that time it is insured under the provisions of the National Housing Act, he will pay to the mortgagee an adjusted premium charge of one per centum (1%) of the original principal amount thereof, except that in no event shall the adjusted premium exceed the aggregate amount of premium charges which would have been payable if the mortgage had continued to be insured until maturity; such payment to be applied by the mortgagee upon its obligation to the Federal Housing Commissioner on account of mortgage insurance.

2. That, in order more fully to protect the security of this mortgage, the mortgagor, together with, and in addition to, the monthly installments of principal and interest payable under the terms of the note secured hereby, on the first day of each month until the said note is fully paid, will pay to the mortgagee the following sums:

(a) If this mortgage and the said note secured hereby are insured under the provisions of the National Housing Act and so long as they continue to be so insured, one-twelfth ( $\frac{1}{12}$ ) of the annual mortgage insurance premium for the purpose of putting the mortgagee in funds with which to discharge the said mortgagee's obligation to the Federal Housing Commissioner for mortgage insurance premiums pursuant to the applicable provisions of the National Housing Act, as amended, and Regulations thereunder. The mortgagee shall, on the termination of its obligation to pay mortgage insurance premiums, credit to the account of the mortgagor all payments made under the provisions of this subsection which the mortgagee has not become obligated to pay to the Federal Housing Commissioner.

(b) A sum equal to the ground rents, if any, next due, plus the premiums that will next become due and payable on policies of fire and other hazard insurance covering the mortgaged property, plus taxes and assessments next due on the mortgaged property (all as estimated by the mortgagee) less all sums already paid therefor divided by the number of months to elapse before one month prior to the date when such ground rents, premiums, taxes and assessments will become delinquent, such sums to be held by mortgagee in trust to pay said ground rents, premiums, taxes and special assessments.

(c) A sum equal to one-twelfth of one-half of one per centum of the amount of the principal then remaining unpaid under said note as a service charge, to cover the expense of handling the monthly payments on account of taxes, assessments, and fire and other hazard insurance as provided for herein, and the other servicing costs in connection with this mortgage and the note secured hereby.

(d) All payments mentioned in the preceding subsections of this paragraph and all payments to be made under the note secured hereby shall be added together and the aggregate amount thereof shall be paid each month in a single payment to be applied by the mortgagee to the following items in the order set forth:

- (I) premium charges under contract of insurance with the Federal Housing Commissioner;
- (II) ground rents, taxes, special assessments, fire and other hazard insurance premiums;
- (III) service charge as set forth above;
- (IV) interest on the note secured hereby; and
- (V) amortization of the principal of said note.

Any deficiency in the amount of any such aggregate monthly payments shall, unless made good by the mortgagor prior to the due date of the next such payment, constitute an event of default under this mortgage. The mortgagee may collect a "late charge" not to exceed two cents (2¢) for each dollar (\$1) of each payment more than fifteen (15) days in arrears to cover the extra expense involved in handling delinquent payments.

3. If the total of the payments made by the mortgagor under (b) of paragraph 2 preceding shall exceed the amount of payments actually made by the mortgagee for ground rent, taxes or assessments or insurance premiums, as the case may be, such excess shall be credited by the mortgagee on subsequent payments to be made by the mortgagor. If, however, the monthly payments made by the mortgagor under (b) of paragraph 2 preceding shall not be sufficient to pay ground rent, taxes or assessments or insurance premiums, as the case may be, when the same shall become due and payable, then the mortgagor shall pay to the mortgagee any amount necessary to make up the deficiency on or before the date when payment of such ground rent, taxes, assessments or insurance premiums shall be due. If at any time the mortgagor shall tender to the mortgagee, in accordance with the provisions of the note secured hereby, full payment of the entire indebtedness represented thereby, the mortgagee shall, in computing the amount of such indebtedness, credit to the account of the mortgagor all payments made under the provisions of (a) of paragraph 2 hereof which the mortgagee has not become obligated to pay to the Federal Housing Commissioner, and any balance remaining in the funds accumulated under the provisions of (b) of paragraph 2 hereof. If there shall be a default under any of the provisions of this mortgage resulting in a public sale of the premises covered hereby, or if the mortgagee acquires the property otherwise after default, the mortgagee shall apply, at the time of the commencement of such proceedings, or at the time the property is otherwise acquired, the balance then remaining in the funds accumulated under (b) of paragraph 2 preceding as a credit against the amount of the principal then remaining unpaid under said note, and shall properly adjust any payments which shall have been made under (a) of said paragraph.