Del. Co. 88

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Prepared by: Joyce M. Pence Hearthstone Mortgage Company Inc 375 Collins Rd NE, Suite 103 Cedar Rapids, IA 52402 (319) 378-9444

VA Form 26-6313 (Home Loan) June 1983. Use Optional. Section 1810, Title 38, U.S.C. Acceptable to Federal National Mortgage Association

THIS LOAN MAY NOT BE ASSUMED WITHOUT THE PRIOR APPROVAL OF THE DEPARTMENT OF VETERANS AFFAIRS OR ITS AUTHORIZED AGENT, SUCCESSORS OR ASSIGNS.

IOWA

MORTGAGE

THIS MORTGAGE, made this 1st day of May, A.D. 1997, between **Lowell J. Michels Jr. and Donna K. Michels , Husband and Wife**

of the County of **Delaware**, and State of Iowa, hereinafter called the Mortgagor, and **Hearthstone Mortgage Company Inc**, a corporation organized and existing under the laws of **Iowa**, and having its principal place of business and post-office address at **375 Collins Rd NE, Suite 103 Cedar Rapids, IA 52402**, hereinafter called the Mortgagee:

WITNESSETH: That the Mortgagor, in consideration of **Seventy Five Thousand Four Hundred Fifty and 00/100** Dollars ($ **75,450.00**), the receipt whereof is hereby acknowledged, does, by these presents, SELL, ASSIGN and CONVEY unto the Mortgagee, forever, the following-described property, situated in the County of **Delaware**, State of Iowa, to wit:

THIS IS PURCHASE MONEY MORTGAGE See Attached Exhibit "A"

SEND TAX STATEMENTS TO: Commercial Federal Mortgage Corporation
Correspondent Lending
4470 farnam st., 1st Floor
Omaha, Nebraska 68131

In the event this loan is determined to be ineligible for Loan Guaranty by the Department of Veterans Affairs, the entire loan may be declared due and payable at the option of the Mortgagee.

Including all buildings and improvements now or hereafter thereon, and the hereditaments and appurtenances and all other rights thereunto belonging, or in anywise now or hereafter appertaining, and the reversion and reversions, remainder or remainders, rents, issues, and profits thereof (provided, however, that the Mortgagor shall be entitled to collect and retain the said rents, issues, and profits until default hereunder), and all fixtures now or hereafter attached to or used in connection with the premises herein described; and in addition thereto the following described household appliances which are, and shall be deemed to be, fixtures and a part of the realty, and are a portion of the security for the indebtedness herein mentioned:

For Assignment to Commercial Mtg. Corp
See Book 134 Page 180
Date 5/15/97

DM

013054553

5-15-97 BOOK 134 PAGE 179

MORTGAGOR HEREBY COVENANTS that he/she is seized of said premises in fee simple (or such other estate as is stated hereinbefore), he/she has good right to sell and convey the same, the premises are free from all encumbrances except as herein otherwise recited, and he/she will warrant and defend the title aforesaid unto the Mortgagee against the lawful claims of all persons whomsoever.

CONDITIONED, HOWEVER, that if the Mortgagor shall pay or cause to be paid to the Mortgagee, as is provided in a certain promissory note of even date herewith, the terms of which are incorporated herein by reference, the principal sum of **Seventy Five Thousand Four Hundred Fifty and 00/100** Dollars ($**75,450.00**), with interest from date at the rate of **Eight and 500/1000** per centum (**8.500** %) per annum on the balance remaining from time to time unpaid, principal and interest being payable at the office of **Hearthstone Mortgage Company Inc** in **375 Collins Rd NE, Suite 103 Cedar Rapids, IA 52402**, or at such other place as the holder of the note may designate in writing delivered or mailed to the Mortgagor, in monthly installments of **Five Hundred Eighty and 15/100** Dollars ($**580.15**), commencing on the first day of **June**, **1997**, and continuing on the first day of each month thereafter until the principal and interest are fully paid, except that the final payment of principal and interest, if not sooner paid, shall be due and payable on the first day of **May**, **2027**, and shall also fully perform all the covenants, conditions and terms of this mortgage, then these presents shall be void, otherwise to remain in full force and effect.

The Mortgagor covenants and agrees that:

1. He/she will pay the principal of and the interest on the indebtedness evidenced by the note secured hereby, at the times and in the manner therein provided. Privilege is reserved to prepay at any time, without premium or fee, the entire indebtedness or any part thereof not less than the amount of one installment or one hundred dollars ($100.00), whichever is less. Prepayment in full shall be credited on the date received. Partial prepayment, other than on an installment due date, need not be credited until the next following installment due date, or thirty days after such prepayment, whichever is earlier.

2. In order more fully to protect the security of this mortgage, together with, and in addition to, the monthly payments of principal and interest under the terms of the note secured hereby, he/she will pay to the Mortgagee, as trustee, (under the terms of this trust as hereinafter stated) on the first day of each month until the note is fully paid:

   (a) A sum equal to the ground rents, if any, and the taxes and special assessments next due on the premises covered by this mortgage, plus the premiums that will next become due and payable on policies of fire and other hazard insurance on the premises covered hereby (all as estimated by the Mortgagee, and of which the Mortgagor is notified) 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, before the same become delinquent.

   (b) The aggregate of the amounts payable pursuant to subparagraph (a) and those payable on the note secured hereby, shall be paid in a single payment each month, to be applied to the following items in the order stated:

      (I) ground rents, taxes, special assessments, fire and other hazard insurance premiums;
      (II) interest on the note secured hereby; and (III) amortization of the principal of said note.

   Any deficiency in the amount of any such aggregate monthly payment 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. At Mortgagee's option, Mortgagor will pay a "late charge" not exceeding four per centum (4%) of any installment when paid more than fifteen (15) days after the due date thereof to cover the extra expense involved in handling delinquent payments, but such "late charge" shall not be payable out of the proceeds of any sale made to satisfy the indebtedness secured hereby, unless such proceeds are sufficient to discharge the entire indebtedness and all proper costs and expenses secured thereby.

3. If the total of the payments made by the Mortgagor as hereinabove in subsection (a) of paragraph 2 provided, shall exceed the amount of the payments actually made by the Mortgagee, as trustee, for ground rents, taxes and assessments or insurance premiums, as the case may be, such excess shall be credited on subsequent payments to be made by the Mortgagor for such items or, at Mortgagee's option, as trustee, shall be refunded to Mortgagor. If, however, such monthly payments shall not be sufficient to pay such items, when the same shall become due and payable, then the Mortgagor shall pay to the Mortgagee, as trustee, any amount necessary to make up the deficiency within thirty (30) days after written notice from the Mortgagee stating the amount of the deficiency, which notice may be given by mail. 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, and said Mortgagee, as trustee, shall, in computing the amount of such indebtedness, credit to the account of the Mortgagor any credit balance remaining under the provisions of subsection (a) 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, as trustee, shall apply at the time of the commencement of such proceedings, or at the time the property is otherwise acquired, the amount then remaining to credit of Mortgagor under subsection (a) of paragraph 2 as a credit on the interest accrued and unpaid and the balance to the principal then remaining unpaid on the note.

4. He/she will pay all ground rents, taxes, assessments, water rates, and other governmental or municipal charges, fines or impositions, except when payment for all such items has theretofore been made under (a) of paragraph 2 hereof, and he/she will promptly deliver the official receipts therefor to said Mortgagee. Upon failure to pay same the Mortgagee may do so.

5. He/she will continuously maintain hazard insurance, of such type or types and amounts as Mortgagee may from time to time require, on the improvements now or hereafter on said premises, and except when payment for all such premiums has theretofore been made under (a) of paragraph 2 hereof, he/she will pay promptly when due any premiums therefor. All insurance shall be carried in companies approved by the Mortgagee and the policies and renewals thereof shall be held by it and have attached thereto loss payable clauses in favor of and in form acceptable to the Mortgagee. In event of loss he will give immediate notice by mail to the Mortgagee, who may make proof of loss if not made promptly by the Mortgagor, and each insurance company concerned is hereby authorized and directed to make payment for such loss directly to the Mortgagee instead of to the Mortgagor and Mortgagee jointly, and the insurance proceeds, or any part

thereof, may be applied by the Mortgagee at its option, either to the reduction of the indebtedness hereby secured or to the restoration or repair of the property damaged. In event of foreclosure of this mortgage, or other transfer of title to the mortgaged property in extinguishment of the debt secured hereby, all right, title, and interest of the Mortgagor in and to any insurance policies then in force shall pass to the purchaser or grantee.

6. Upon the request of the Mortgagee, the Mortgagor shall execute and deliver a supplemental note or notes for the sum or sums advanced by the Mortgagee for the alteration, modernization, improvement, maintenance, or repair of said premises, for taxes or assessments against the same and for any other purpose authorized hereunder. Said note or notes shall be secured hereby on a parity with and as fully as if the advance evidenced thereby were included in the note first described above. Said supplemental note or notes shall bear interest at the rate provided for in the principal indebtedness and shall be payable in approximately equal monthly payments for such period as may be agreed upon by the creditor and debtor. Failing to agree on the maturity, the whole of the sum or sums so advanced shall be due and payable thirty (30) days after demand by the creditor. In no event shall the maturity extend beyond the ultimate maturity of the note first described above.

7. He/she will keep the property in as good order and condition as it now is, reasonable wear and tear excepted, and will not commit or permit any waste thereof.

8. He/she will pay to the Mortgagee within thirty (30) days after demand all sums, including costs, expenses and reasonable agents' and attorneys' fees which it may expend or become obligated for in any proceedings, legal or otherwise, to establish or sustain the lien of this mortgage or its priority; or in defending against liens, claims, rights, estates, easements or restrictions of any person or persons asserting priority thereto. He/she will pay a reasonable attorneys' fee in connection with any suit to enforce or to foreclose this mortgage, or to recover any sums secured hereby, and all costs and expenses thereof, including abstracts of title for foreclosure purposes, with interest on all such sums at the rate provided for in the principal indebtedness from date of payment; and said sums and interest shall be secured by this mortgage.

9. Upon maturity of said debt or other sums secured hereby, whether in course or otherwise as hereinbefore provided, the Mortgagee shall have the right to enter into and upon the premises hereinbefore conveyed and take possession thereof or to appoint an agent or trustee for collection of the rents, issues and profits thereof; and the net income, after allowing a reasonable fee for the collection thereof, and management of the property, may be applied to the payment of taxes, insurance premiums and other charges against the property, or in reduction of the debt or other sums secured hereby; and the rents, issues and profits are hereby specifically pledged to the payment of the debt hereby secured and of all other obligations which may accrue under the terms of this mortgage.

10. If default shall be made in the payment of the note secured hereby or interest thereon or if there shall be a failure to comply with any and every condition of this mortgage, then the whole of the indebtedness secured by this mortgage, shall, at the option of the Mortgagee, become due and collectible at once by foreclosure or otherwise, and without notice of broken conditions. At any time after the proper commencement of an action in foreclosure, or during the period of redemption, the court having jurisdiction of the case shall, at the request of the Mortgagee, appoint a receiver to take immediate possession of said property and of the rents and profits accruing therefrom, to rent the same as he may deem best for the interest of all parties concerned, and shall be liable to account to the Mortgagor only for the net profits, after application of rents, issues and profits upon the cost of the expense of receivership and foreclosure and the indebtedness, charges and expenses hereby secured and herein mentioned. It is further agreed that in the event of the foreclosure of this mortgage and sale of the property by sheriff's sale on special execution in said foreclosure proceedings, the time of one year for redemption from said sale provided by the statutes of the State of Iowa, shall be reduced to six months, provided the mortgagee waives in said foreclosure proceedings any rights to a deficiency judgment against the mortgagor(s) which may arise out of the foreclosure proceedings.

11. It is further agreed, under Chapter 628, Code 1981, as amended, that in the event of such foreclosure, and in the event of the finding by court decree in such foreclosure that the real estate hereinabove set out has been abandoned by the owners and persons personally liable under the mortgage at the time of foreclosure, the period of redemption from foreclosure sale will be reduced to sixty (60) days, provided the mortgagee waives in said foreclosure proceedings any rights to a deficiency judgment against the mortgagor(s) successors in interest which may arise out of the foreclosure proceedings, subject to the other provisions of the above referenced law as amended.

12. The lien of this instrument shall remain in full force and effect during any postponement or extension of the time of payment of the indebtedness or any part thereof secured hereby. Failure of the Mortgagee to exercise any option granted herein shall not be deemed a waiver of his right to exercise such option in the event of any subsequent default.

13. If the premises, or any part thereof, be condemned under any power of eminent domain, or acquired for a public use, the damages, proceeds and consideration from such acquisition, to the extent of the full amount of the indebtedness upon this mortgage and the note secured hereby remaining unpaid, are hereby assigned by the Mortgagor to the Mortgagee and shall be paid forthwith to the Mortgagee, to be applied by it on account of the last installment of such indebtedness.

14. If the indebtedness secured hereby be guaranteed or insured under Title 38, United States Code, such Title and Regulations issued thereunder and in effect on the date hereof shall govern the rights, duties and liabilities of the parties hereto, and any provisions of this or other instruments executed in connection with said indebtedness which are inconsistent with said Title or Regulations are hereby amended to conform thereto.

The covenants herein contained shall bind, and the benefits and advantages shall inure to, the respective heirs, executors, administrators, successors and assigns of the parties hereto. Whenever appropriate, the singular number shall include the plural, the plural the singular, and the use of any gender shall be applicable to all genders, and the term "Mortgagee" shall include any payee of the indebtedness hereby secured or any transferee thereof whether by operation of law or otherwise.

IN WITNESS WHEREOF, the Mortgagor(s) have hereunto set their hand(s) the day and year first above written.

The undersigned borrower(s) acknowledge(s) receipt of a copy of this instrument.

Lowell J. Michels Jr. [SEAL]

Donna K. Michels [SEAL]

[SEAL]

[SEAL]

STATE OF IOWA

COUNTY OF Linn } ss:

On this 1st day of May, A.D. 1997,

before me, a Notary Public in and for Linn County, State of Iowa, personally

appeared Lowell J. Michels Jr. and Donna K. Michels , Husband and Wife,

to me known to be the person(s) named in and who executed the foregoing instrument and acknowledged that they

executed the same as their voluntary act and deed.

MARY BETH DUENOW
MY COMMISSION EXPIRES
8-26-99

Notary Public in and for said County.
Mary Beth Duenow

013054553

EXHIBIT A

That part of the Southeast Quarter (SE¼) of the Southeast Quarter (SE¼) of Section Sixteen (16), Township Eighty Seven (87) North, Range Five (5), West of the Fifth Principal Meridian described as commencing at a point fifty eight and one-half (58½) rods North of the Southeast corner of said Section Sixteen (16) and running thence South two hundred thirty eight (238) feet and six (6) inches to the point of beginning, thence West one hundred forty two (142.0) feet, thence South eighty (80.0) feet, thence East one hundred forty two (142.0) feet to the East line of said Section Sixteen (16), thence North eighty (80.0) feet to the point of beginning.