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[TOP 3 INCHES ABOVE THIS LINE RESERVED FOR RECORDING DATA]

### FIRST MORTGAGE

THIS FIRST MORTGAGE (the “**Mortgage**”), dated as of [INSERT CLOSING DATE], is given by [INSERT FIRST BORROWER] and [INSERT SECOND BORROWER], [INSERT MARITAL STATUS] (“**Borrower**,” whether one or more), whose address is [INSERT HOMEOWNER PROPERTY ADDRESS], [INSERT CITY, STATE AND ZIP], to: [INSERT AFFILIATE NAME], a Minnesota nonprofit corporation (“**Lender**”), whose address is [INSERT AFFILIATE ADDRESS].

### RECITALS

Borrower is justly indebted to Lender in the principal amount of [INSERT LOAN AMOUNT WRITTEN OUT] Dollars (\$[INSERT LOAN AMOUNT]), together with interest thereon as evidenced by that certain First Promissory Note (the “**Note**”) of even date herewith, from Borrower payable to the order of Lender, which Note is fully incorporated herein by reference and is secured hereby. The Note shall mature on or before [INSERT MATURITY DATE], (the “**Maturity Date**”) which is [INSERT TERM IN YEARS WRITTEN OUT] ([# OF YEARS]) years after the first day of the [INSERT FIRST OR SECOND] calendar month after the date of this Mortgage.

THEREFORE, in consideration of the loan made by Lender to Borrower, Borrower hereby covenants to Lender as follows:

1. Mortgage. To secure the repayment of the Note and all renewals, extensions and modifications of the Note, and to secure Borrower’s performance of the covenants and agreements contained in the Note and herein, Borrower hereby mortgages, grants and conveys to Lender and Lender’s successors and assigns, with power of sale, the real property located in [INSERT COUNTY] County, State of Minnesota, legally described on Exhibit A that is attached hereto and incorporated herein by reference, together with all tenements, appurtenances, easements, hereditaments, privileges, minerals and mineral

rights, water and water rights, buildings, fixtures, and improvements now or hereafter erected or located on the above-described real property (the “**Mortgaged Premises**”).

2. Statutory Covenants. Borrower makes and includes in this Mortgage the statutory covenants and other provisions set forth in Minnesota Statutes, Section 507.15, and the Borrower, as mortgagor, covenants with the Lender, as mortgagee, the following statutory covenants:
  - a. To warrant title to the Mortgaged Premises, subject to the Permitted Encumbrances, if any, as set forth on Exhibit B;
  - b. To pay the indebtedness as herein provided;
  - c. To pay all taxes and assessments now due or that may hereafter become liens against the Mortgaged Premises before penalty attaches thereto;
  - d. To keep all buildings insured against fire and against other hazards specified by Lender for an amount not less than the full replacement cost for the protection of Lender, including, but not limited to, lightning, hazards under the usual “extended coverage” endorsement, and all other hazards and risks of direct physical loss occasioned by any cause whatsoever, subject only to any exceptions and exclusions agreed to in writing by Lender. Such policy of insurance shall be delivered to Lender, name Lender as loss payee under the so-called standard mortgagee clause, contain no pro rata reduction provision, provide for not less than thirty (30) days’ notice to Lender of cancellation of said policy, and shall be written by insurance carriers approved by Lender, which approval shall not be unreasonably withheld;
  - e. To keep the Mortgaged Premises in good repair and commit no waste; and
  - f. That the whole of the indebtedness secured hereby shall become due after default in the payment of any installment of principal or interest, or of any tax, or in the performance of any other covenant contained herein, at the option of Lender.
  
3. Additional Covenants and Agreements of Borrower. Borrower makes the following additional covenants and agreements with Lender:
  - a. Any award of damages under condemnation or payment in lieu thereof for injury to or the taking of all or any part of the Mortgaged Premises are hereby assigned to Lender and shall be paid first, for amounts due and payable to Lender with authority to apply the award or payment to the indebtedness outstanding on the Note.
  - b. Any proceeds of any insurance payable by reason of loss or damage to the Mortgaged Premises are hereby assigned to Lender and shall be paid first, for amounts due and payable to Lender with authority to apply the proceeds to the indebtedness outstanding on the Note.

- c. Borrower shall hold Lender harmless from all costs and expenses in connection with establishing the priority of this Mortgage, and, if Lender becomes a party to any mechanic's lien suit or other proceeding relating to the Mortgaged Premises or to this Mortgage, Borrower shall reimburse Lender for Lender's reasonable attorneys' fees, costs, and expenses in connection with said suit or proceeding.
- d. Borrower shall not sell, convey, mortgage, pledge, grant a security interest in, or otherwise transfer or encumber all or any part of the Mortgaged Premises or any interest therein without the prior written consent of Lender.
- e. Borrower shall promptly pay when due all charges for utilities or other services to the Mortgaged Premises including, but not limited to, water, sanitary sewer, electricity, gas, telephone, and trash and garbage removal and, upon request of Lender, shall provide evidence of such payment.
- f. Borrower shall use and occupy the Mortgaged Premises as Borrower's principal residence as long as this Mortgage is in effect, unless Lender otherwise agrees in writing.
- g. Borrower shall not lease or rent provided however that this covenant shall prohibit not the Borrower from receiving payments from members of Borrower's family in compensation for room and board.
- h. If the Mortgaged Premises is subject to declaration or restrictive covenants (the "**Declaration**") for the benefit of a property owner's association, Borrower shall: (i) timely pay, or cause the payment of, all assessments (if any), levied by the property owner's association against the Mortgaged Premises pursuant to the terms and conditions of the Declaration or any amendments thereto; and (ii) comply with all of the terms and conditions of the Declaration.
- i. If the Mortgaged Premises is on a unit in a condominium or a planned unit development, Borrower shall perform all of Borrower's obligations under the Declaration or covenants creating or governing the condominium or planned unit development, the by-laws and regulations of the condominium or planned unit development, and constituent documents.
- j. Borrower shall comply or cause compliance with all laws and regulations of any governmental authority which affects the Mortgaged Premises or the manner of using or operating the same.
- k. If any of the Mortgaged Premises is located in a federally designated flood prone area, and if flood insurance is available for that area, Borrower shall procure and maintain flood insurance in amounts reasonably satisfactory to Lender. Borrower shall also procure and maintain liability insurance against claims for bodily injury, death, and property damage occurring on or about the Mortgaged Premises in amounts reasonably satisfactory to Lender and naming Lender as an additional insured, all for the protection of Lender.

4. Further Covenants and Agreements of Borrower. Borrower makes the following additional covenants and agreements with Lender:
- a. Borrower will maintain the Mortgaged Premises in good condition and repair. Borrower shall do no act, nor any work, that will impair the structural soundness or integrity of the dwelling or Garage, nor do any act, nor allow any condition to exist, which will adversely affect the value of the Mortgaged Premises.
  - b. No residential or other building, and no fence, wall, patio, Garage, outbuilding or other structure, nor any wire, pipe, cesspool, septic tank, well, path, walkway, tree, hedge, driveway, aerial, antenna, or exterior ornament of any kind, nor any addition, removal, alteration, raising, lowering, or remodeling thereof, including change of color, repainting or redecorating of the exterior, shall be made, erected, altered, placed or permitted to remain on any portion of the Mortgaged Premises unless the structure and improvements (i) are constructed in a good and workman like manner, (ii) comply with all city/state code requirements, and (iii) are in harmony with respect to the external design and location in relation to surrounding buildings and as to general appearance and quality. Lender reserves the right to review any exterior addition or improvement and to require the repair or removal of any exterior addition or improvement that does not, at Lender's sole discretion, meet the forgoing standards
  - c. Lender shall have the right to order Borrower to remove or alter any structure on the Mortgaged Premises erected in violation of the terms of this Mortgage, and to employ appropriate judicial proceedings to compel the alteration or demolition of any nonconforming construction or other violation; or take whatever other steps are deemed necessary to cure such violation. Any cost incurred by Lender shall automatically become a part of the principal secured hereby and immediately become due and payable.
  - d. Nothing shall be done or kept on the Mortgaged Premises or any part thereof which would be in violation of any statute, rule, ordinance, regulation, permit or other validly imposed requirement of any governmental body. No damage to, or waste of, the Mortgaged Premises and buildings thereon shall be committed by Borrower or any guest or invitee of Borrower, and Borrower shall be responsible for the repair or replacement of any such damage or waste caused by Borrower or Borrower's guests or invitees. No noxious, destructive or offensive activity shall be allowed on the Mortgaged Premises or any part thereof, nor shall anything be done thereon which may be or may become a nuisance to neighboring property owners or the public.
5. Assignment of Leases and Rents. As additional security for the payment of the debts represented by the Note and any amounts that Borrower is obligated to pay pursuant to this Mortgage, Borrower hereby assigns to Lender (the "**Assignment**") all leases now or hereafter affecting the Mortgaged Premises (the "**Leases**") and all rents and profits due or to become due with respect thereto (the "**Rents**"), whether before or after foreclosure or during any redemption period after foreclosure sale, and Borrower hereby further agrees

that Lender shall have the power pursuant to this Assignment irrevocably to manage, control, and lease the Mortgaged Premises. Upon the occurrence of an Event of Default hereunder and without regard to waste, adequacy of the security, or solvency of the Borrower, Lender may, at its option, either:

- a. Apply to the Minnesota District Court for the county in which the Mortgaged Premises is located for the appointment of a receiver under Minn. Stat. Section 559.17. Lender shall be entitled to such appointment upon showing that an Event of Default has occurred. The receiver shall apply all rents and profits collected from the date of appointment through the redemption period, first as provided in Minn. Stat. Section 576.01, Subd. 2, and thereafter apply the same to the payment of the following items in the order indicated: first, to the payment of any amounts incurred by Lender pursuant to Section 6 herein; second, to the payment of principal and interest on any prior mortgages; third, to the payment of any other prior liens or encumbrances; and fourth, to the payment of principal and interest on the Note; or
  - b. Collect all rents and profits from the occupiers of the Mortgaged Premises upon the filing by the Lender, in the appropriate office of the county in which the property is located, of a notice of the occurrence of an Event of Default in the terms and conditions of this Mortgage and the service of said notice of default upon the occupiers of the Mortgaged Premises. From such date of filing and service through the redemption period, Lender shall first apply all rents and profits so collected in the same manner provided in Section 5(a) above. If Lender exercises its rights under this provision, it shall not, solely by reason thereof, be deemed to be a “Lender-in-possession” of the Mortgaged Premises.
6. Payment by Lender. If Borrower fails to pay taxes and assessments, prior liens or encumbrances, expenses and attorneys’ fees as above specified, to insure said buildings, improvements and fixtures, or deliver the insurance policies as aforesaid, Lender may pay such taxes, assessments, prior liens, expenses, and attorneys’ fees and interest thereon, or obtain such insurance coverage. Any sum so paid by Lender shall be additional indebtedness of Borrower, bear interest from the date of such payment at the lesser of the rate set forth in the Note or the maximum rate permitted by applicable Minnesota law, be an additional lien upon the Mortgaged Premises, and be immediately payable to Lender upon written demand. This Mortgage secures the repayment of such advances.
7. Events of Default/Acceleration of Maturity. At the option of Lender and in addition to Lender’s rights to accelerate the maturity of the indebtedness secured hereby as set forth in the statutory covenants, the entire remaining indebtedness secured by this Mortgage, with interest thereon at the rate set forth in the Note, shall become immediately due and payable in full upon the occurrence of any of the following, each of which is herein referred to as an “**Event of Default:**”
- a. A default by Borrower under the terms of the Note;

- b. A default by Borrower in the performance of any other covenants or agreements contained herein;
  - c. If Borrower shall: (1) apply for or consent to the appointment of a receiver, trustee, or liquidator of itself or of its property; (2) be unable to admit in writing its ability to pay its debts as they mature; (3) make a general assignment for the benefit of creditors; (4) be adjudicated a bankrupt or insolvent; or (5) file a voluntary petition in bankruptcy or a petition or answer seeking reorganization or an arrangement with creditors or take advantage of any insolvency law or file any answer admitting the material allegations of a petition filed against it in any bankruptcy, reorganization, or insolvency proceeding; or
  - d. The use of the Mortgaged Premises, or any part thereof, by Borrower, or others acting under Borrower's control, for any unlawful activity which is a violation of any local, state or federal law, including without limitation the manufacturing, selling, giving away, bartering, delivering, exchanging, distributing or possession with intent to manufacture, sell, give away, barter, deliver, exchange, or distribute a controlled substance.
8. Statutory Power of Sale. At maturity, whether at the stated time or prior thereto by the acceleration of maturity pursuant hereto, Lender (in addition to any other remedies provided for herein or which it may have at law or equity) shall have the statutory power of sale, and on foreclosure may retain statutory costs and attorneys' fees.
9. WAIVER OF NOTICE AND HEARING. BORROWER HEREBY EXPRESSLY:
- a. CONSENTS TO THE FORECLOSURE AND SALE OF THE MORTGAGED PREMISES, AT THE OPTION OF LENDER, BY ADVERTISEMENT PURSUANT TO MINNESOTA STATUTES, CHAPTER 580, WHICH PROVIDES FOR SALE AFTER SERVICE OF NOTICE THEREOF UPON THE OCCUPANT OF THE MORTGAGED PREMISES AND PUBLICATION OF SAID NOTICE FOR SIX WEEKS IN THE COUNTY IN MINNESOTA WHERE THE MORTGAGED PREMISES IS SITUATED;
  - b. ACKNOWLEDGES THAT SERVICE OF SUCH NOTICE MUST BE MADE UPON BORROWER PERSONALLY ONLY IF BORROWER IS AN OCCUPANT OF THE MORTGAGED PREMISES, AND THAT NO HEARING OF ANY TYPE IS REQUIRED IN CONNECTION WITH THE SALE; AND
  - c. EXCEPT AS MAY BE PROVIDED IN SAID STATUTES, WAIVES ANY AND ALL RIGHT TO PRIOR NOTICE OF SALE OF THE MORTGAGED PREMISES AND ANY AND ALL RIGHT TO A PRIOR HEARING OF ANY TYPE IN CONNECTION WITH THE FORECLOSURE SALE OF THE MORTGAGED PREMISES.
10. Tax and Insurance Escrow: Borrower shall make monthly deposits with Lender, in a noninterest-bearing account, together with, and in addition to, payments of principal and interest on the Note and all other payments due hereunder, of a sum equal to one-twelfth

(1/12) of the annual real estate taxes and installments of special assessments which may be levied or assessed against the Mortgaged Premises, together with one-twelfth (1/12) of the annual insurance premiums necessary to insure the Mortgaged Premises. The amount of such taxes and special assessments, when unknown, shall be estimated by Lender. Such deposits, when made, shall be used by Lender to pay such real estate taxes, insurance premiums, and installments of special assessments when due. In the event of any deficiency of any such account to pay the real estate taxes, insurance premiums, and installments of special assessments when due, Borrower shall pay such deficiency to Lender upon written demand. If, by reason of any default by Borrower hereunder, Lender declares all sums secured hereby to be due and payable immediately, Lender may then apply any funds in said account against the entire indebtedness secured hereby. Lender may from time to time, at its option, waive, and after any such waiver, reinstate, any or all provisions hereof requiring such monthly deposits by Borrower.

11. Notices. All notices given by Borrower or Lender in connection with this Mortgage must be in writing. Any notice to Borrower in connection with this Mortgage shall be deemed to have been given to Borrower when mailed by first class mail, postage prepaid, or when actually delivered to Borrower's notice address if sent by other means. Notice to any one Borrower shall constitute notice to all Borrowers unless applicable law expressly requires otherwise. The notice address shall be the Mortgaged Premises' address unless Borrower has designated a substitute notice address by notice to Lender. Borrower shall promptly notify Lender of Borrower's change of address. If Lender specifies a procedure for reporting Borrower's change of address, then Borrower shall only report a change of address through that specified procedure. There may be only one designated notice address for Borrower at any one time. Any notice to Lender shall be given by delivering to it or by mailing it by first class mail, postage prepaid, to Lender's address stated herein unless Lender has designated another address by notice to Borrower. Any notice in connection with this Mortgage shall not be deemed to have been given to Lender until actually received by Lender. If any notice required by this Mortgage is also required under applicable law, the applicable law requirements will satisfy the corresponding requirement under this Mortgage.
12. Borrower's Copy. Borrower shall be given one conformed copy of the Note and of this Mortgage at the time such documents are executed or within a reasonable time thereafter.
13. Release. Upon payment of all sums secured by this Mortgage, Lender shall discharge this Mortgage. Borrower shall pay any recordation costs. Lender may charge Borrower a fee for releasing this Mortgage, but only if the fee is paid to a third party for services actually rendered and the charging of the fee is permitted by applicable law.
14. Successors and Assigns. This Mortgage shall be binding upon and inure to the benefit of the Borrower, the Lender and their respective successors and assigns; provided, however, that the Borrower may not assign this Lender in whole or in part without the Lender's prior written consent and the Lender at any time may assign this Mortgage in whole or in part.

15. Miscellaneous. This Mortgage shall be governed by and construed in accordance with the laws of the State of Minnesota and shall inure to the benefit of Lender and its successors and assigns. Any forbearance by Lender in exercising any right or remedy hereunder, or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of any such right or remedy. The procurement of insurance or the payment of taxes or other liens or charges by Lender shall not be a waiver of Lender's right to accelerate the maturity of the indebtedness secured by this Mortgage. If any provision hereof is determined to be unenforceable or invalid, such provision or such part thereof as may be unenforceable or invalid shall be deemed severed from this Mortgage, and the remaining provisions shall be carried out with the same force and effect as if the severed provision or part had not been made a part hereof.

**[SIGNATURE PAGE FOLLOWS]**



BY SIGNING BELOW, Borrower accepts and agrees to the terms and covenants contained in this Mortgage and in any rider executed by Borrower and recorded with it.

**BORROWER:**

\_\_\_\_\_  
[INSERT FIRST BORROWER]

\_\_\_\_\_  
[INSERT SECOND BORROWER]

STATE OF MINNESOTA    )  
  ) ss.  
COUNTY OF \_\_\_\_\_)

The foregoing instrument was acknowledged before me this [INSERT CLOSING DAY] day of [INSERT CLOSING MONTH], [INSERT YEAR], by [INSERT FIRST BORROWER] and [INSERT SECOND BORROWER], [INSERT MARITAL STATUS].

\_\_\_\_\_  
Notary Public

THIS INSTRUMENT WAS DRAFTED BY:

[Affiliate law firm]

**EXHIBIT A**

(Legal Description of Mortgaged Premises)

**EXHIBIT B**

(Permitted Encumbrances)