



## **Request for Action**

**TO:** Faribault Housing and Redevelopment Authority

**FROM:** Kim Clausen, Community Development Coordinator

**MEETING DATE:** September 10, 2018

**SUBJECT:** Monthly Loan Status Report

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### **PURPOSE:**

The purpose of this memorandum is to provide the Faribault HRA with an update on the status of loans.

### **DISCUSSION:**

The Delinquent Loan Reports for the following funds are attached.

- Fund 245 – 1999 SCDP Revolving Loan
- Fund 246 – 2004 SCDP Revolving Loan
- Fund 247 – 2009 SCDP Revolving Loan

The HRA has received notification that one of our delinquent borrowers is facing foreclosure, with the Sheriff sale scheduled for October 2, 2018. This same borrower faced foreclosure in October 2017, but was able to redeem the property. Attached is the guidance the HRA received on this matter last year, which is to wait out the foreclosure process.

### **REQUESTED ACTION:**

Receive and file program report.

### **ATTACHMENTS:**

Loan Status Report  
Notification from Wilford, Geske & Cook  
Memo from City Attorney

PAYMENTS DUE  
Delinquent Loans

Report Order: Client Name

| Loan ID                  | Client Name          | Pmt<br>/Yr | Loan<br>Group | Due<br>Day | 9/2018   | 8/2018   | 7/2018   | 6/2018   | 5/2018+    | Unpaid/<br>Accrued Fees | Payments<br>Due |
|--------------------------|----------------------|------------|---------------|------------|----------|----------|----------|----------|------------|-------------------------|-----------------|
| <b>Loan Status: OPN</b>  |                      |            |               |            |          |          |          |          |            |                         |                 |
| 09-05F11                 | ANDERSON, SHANNON L. | 12         | H             | 1          | 46.01    | 46.01    | 46.01    | 46.01    | 651.90     | 0.00                    | 835.94          |
| 09-10F11                 | * BATEMAN, DAVID     | 12         | H             | 1          | 0.00     | 0.00     | 0.00     | 0.00     | 19.47      | 0.00                    | 19.47           |
| 201102I1                 | BAUERNFEIND, RAYMOND | 12         | H             | 1          | 198.20   | 198.20   | 198.20   | 198.20   | 7,369.00   | 0.00                    | 8,161.80        |
| 0904MOI1                 | KRENIK, JOHN P.      | 12         | H             | 1          | 45.56    | 45.56    | 45.56    | 45.56    | 2,414.68   | 0.00                    | 2,596.92        |
| 201171I1                 |                      | 12         | I             | 1          | 791.67   | 791.67   | 791.67   | 791.67   | 2,375.01   | 0.00                    | 5,541.69        |
| 99S27I2                  | * WINSOR, TIMOTHY S. | 12         | H             | 1          | 0.00     | 0.00     | 0.00     | 0.00     | 52.46      | 0.00                    | 52.46           |
| Total ->                 |                      |            |               |            | 1,081.44 | 1,081.44 | 1,081.44 | 1,081.44 | 12,882.52  | 0.00                    | 17,208.28       |
| % of Total Delinquent -> |                      |            |               |            |          | 6.71%    | 6.71%    | 6.71%    | 79.88%     |                         |                 |
|                          |                      |            |               |            | 5,879.36 | 5,879.36 | 5,879.36 | 5,879.36 | 674,051.48 | 12,150.00               | 697,568.92      |



Sarah J. Sonsalla  
470 U.S. Bank Plaza  
200 South Sixth Street  
Minneapolis MN 55402

&



(612) 337-9284 telephone  
(612) 337-9310 fax  
[ssonsalla@kennedy-graven.com](mailto:ssonsalla@kennedy-graven.com)

CHARTERED

**MEMORANDUM**

**TO:** Kim Clausen, Community Development Coordinator  
**FROM:** Scott J. Riggs, City Attorney  
Andrew M. Biggerstaff, Assistant City Attorney  
**DATE:** September 27, 2017  
**RE:** City Options with Respect to Krenik Property

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**Background**

On or around September 25, 2009, the city of Faribault (the "City") provided a Rehabilitation Deferred Loan (the "Deferred Loan") to John P. Krenik and Danielle C. Krenik, husband and wife (collectively, the "Borrower") in the amount of \$19,804.80. The City also provided the Borrower with an installment loan (the "Installment Loan") in an amount of \$4,951.20. Pursuant to the terms of a Loan Agreement, dated September 25, 2009, between the Borrower and the City (the "Deferred Loan Agreement"), the Borrower used the proceeds of the Deferred Loan to finance the improvement of a building located 202 Division Street North, Morristown, Minnesota (the "Property"). Pursuant to the Deferred Loan Agreement, the Borrower agreed that it would repay the full amount of the Loan if the Owner's interest in the Property ceases to exist within 10 years of the date of the Loan.

In addition to the City Loan, the Borrower had previously obtained a loan from U.S. Bank, N.A. (the "Bank") in the amount of \$60,000.00 (the "Bank Loan"). The Bank Loan was also secured by a mortgage on the Property (the "Bank Mortgage"). The Bank Mortgage is in first position and superior to the lien of the City Mortgage. The Bank has notified the City that it is foreclosing on the Bank Mortgage and the sheriff's sale is scheduled to occur on October 3, 2017.

The City has requested a summary of its options to address the default on the City Loan. The City's options are outlined below.

**1. Option to Redeem the Property.**

Because the redemption period in the foreclosure has not yet run, the City has the option to obtain ownership of the Property by paying the amount paid by a purchaser at the foreclosure sale plus interest and costs. In order to pursue this option, the City would need to file for record with the county recorder/registrar of titles a notice of intention to redeem along with all documents necessary to evidence the City Mortgage. The City must also deliver to the sheriff who conducts the foreclosure sale a copy of these documents with the office, date, and time of filing for record stated on the first page of each document. The City must file the notice of intention to redeem at least one week before the redemption period expires and must redeem (purchase) the Property within seven days of the expiration of the redemption period.

The amount required to redeem the Property from a future buyer is: (1) the amount paid to redeem as shown on the certificate of redemption ; plus (2) interest on that amount to the date of redemption; plus (3) the buyer's costs in acquiring/holding the Property (which would include any taxes that were paid, any cost that the buyer paid for a hazard insurance policy for the period that they held the Property, any fees paid by the buyer to the County Recorder/Registrar of Titles to record documents related to the Property, any fees paid by the buyer to a real estate brokers or appraisers for price opinions or appraisals related to the Property, any deed tax paid by the buyer, their reasonable attorney fees incurred after the purchase of the Property, and their costs to secure/protect the Property). The City would also incur its own legal costs and recording costs.

Once the City redeems the Property, it will receive a certificate of redemption and will become the fee owner of the Property: (i) free and clear of the Borrower's rights in the Property; (ii) free and clear of the Bank's rights; but (iii) subject to the redemption rights of any junior lienholders, if any; and (iv) subject to any liens which were superior to the Bank Mortgage, if any. The City's claim against the Borrower would be satisfied to the extent that the value of the Property exceeds the cost of redemption. If the value of the Property does not exceed the cost of redemption, the City may pursue a delinquency action against the Borrower to recover the amount of the City Loan that remains unpaid (see below).

If the City chooses not to redeem the Property, it will no longer have any interest in the Property once the redemption period expires, however, it may still pursue a delinquency action against the Borrower to recover the unpaid amount of the City Loan (see below).

## **2. File a Delinquency Action Against the Borrower to Recover the Unpaid Amount of the City Loan.**

As discussed above, in the event that the City redeems the Property and the value of the Property does not exceed the cost of redemption or if the City decides not to redeem the Property, it may pursue a deficiency action against the Borrower for the unpaid amount of the City Loan. This would require that the City bring an action in district court.

In order to bring a deficiency action, the City would need to follow the following steps:

- a. Draft and send the Borrower a notice of default regarding the City Loan;
- b. Draft and serve a summons and complaint on the Borrower;
- c. File the summons and complaint with the court;
- d. Draft and serve a motion for default judgment on the Borrower;

- e. File the motion for default judgment with the court;
- f. Attend court hearing on motion for default judgment; and
- g. Draft court order granting default judgment.

Assuming that the City is successful in obtaining a default judgment against the Borrower for the amount of the deficiency, it would have the following options with respect to collecting on the judgment against the Borrower. There would be additional legal costs (attorney's fees/filing fees) associated with these options, although they would be minimal (i.e. less than \$500) with respect to all of the options with the exceptions of the real property levy option. A writ of execution is required for all but the last option.

Option 1. Levy Wages. The sheriff can conduct a wage levy on the Borrower's wages. The City must provide a writ of execution directed to the sheriff along with a deposit which will be applied to the cost of executing the writ. The City also must provide the sheriff with a check for \$15.00 made payable to the Borrower's employer. This check will be given to the employer when the wage levy is served. In computing the amount to be collected from the employer, the sheriff will include the amount of the judgment, the interest accruing at the rate indicated on the writ and any additional costs that have been added by the court administrator. The sheriff's office will also add the commission on the above total, plus sheriff's office service fees. If the judgment is totally satisfied, the City will receive the judgment amount, interest, additional costs, the \$15.00 employer's fee and the deposit. If the judgment is only partially satisfied, the sheriff's commission on the amount collected and the service fees will be deducted from the amount collected. If for some reason no money is collected, the sheriff's service fees will be deducted from the deposit. The City also must send an exemption notice to the Borrower prior to commencing the levy. The sheriff's deputy receiving the writ of execution from the City will ask the City to indicate on the levy service sheet the date the notice was given to the Borrower. Wage levies are conducted for a 70 day period, after which the employer will send a check to the sheriff's office. If the check is insufficient to satisfy the judgment, the sheriff's office will conduct a second 70 day levy. Following the second levy, all money collected will be processed and a check issued to the City. If it is not enough to satisfy the judgment, the City must obtain a new writ of execution and request the sheriff to conduct the levy again.

Option 2. Levy on Personal Property. The City may levy on other items of personal property belonging to the Borrower, including vehicles. The City must provide a writ of execution directed to the sheriff along with a deposit which will be applied to the cost of executing the writ. Deposit amounts required by the sheriff to cover seizure and storage costs vary depending upon the action requested. Certain property items qualify for exemption under statute and cannot be levied upon (i.e. household furniture and appliances, clothing, food, motor vehicle (up to a certain value), etc.).

Option 3. Financial Institution Levy. The City can have the sheriff conduct a levy at a financial institution where the Borrower holds accounts. The City must provide a writ of execution directed to the sheriff along with a deposit which will be applied to the cost of executing the writ. The City also must provide the sheriff with a \$15.00 check made

payable to the financial institution. The name on the account must be the same as the name on the writ of execution or the financial institution will not honor it.

Option 4. Real Property Levy. If sufficient property listed above cannot be found to satisfy the judgment, the City may levy upon real property owned by the Borrower. The sheriff upon locating real property owned by the Borrower will file a sheriff's levy and certificate with the county recorder, indicating that a levy against the particular real property was made. This process applies to real property regardless whether a pre-existing mortgage or security interest is attached to the property. After the certificate is properly filed, the sheriff will post and publish notices of the sale of the real property in a legal newspaper for six consecutive weeks. In addition, the sheriff must serve the Borrower with actual notice of the sale prior to its occurrence. The sheriff then holds a public auction and auctions the property to the highest bidder. If the real property consists of more than one property, the property must be sold separately; no more property can be sold than is needed to satisfy the judgment. Once a sale of real property has been completed, the sheriff will prepare and deliver to the purchaser a sheriff's certificate of execution of sale of real property. This certificate has the effect of transferring legal title to the purchaser. Any judgment liens against the property sold senior to that held by the executing creditor will continue in effect. *In other words, a purchaser of real property at an execution sale buys the property subject to senior liens and encumbrances.* In contrast, all junior liens will be extinguished. For a period of one year after the day of the execution sale, the Borrower may reclaim her real property from the City through the process known as redemption. The amount needed to redeem the property is the amount for which the property was sold and must be paid to the person holding the right acquired under such sale, or to the sheriff or district court administrator on behalf of the purchaser. The Borrower is also required to pay interest beginning from the date of purchase at the execution sale. Under these circumstances, the Borrower is required to produce to such person the same documentation required to redeem property from a sale under foreclosure of a mortgage by advertisement. The Borrower is also required to file the documents with the county recorder. In turn, the county recorder is required to issue a certificate of redemption for the Borrower.

Option 5. Place a Lien on Real Property. Once the judgment has been docketed, it creates a lien on real property owned by the Borrower to the extent of the unpaid amount on all of her real property located in county in which the judgment was docketed at the time of docketing and on all property in that county that she may acquire in the future. This lien is good for 10 years after the judgment is entered and may be extended for additional 10 year periods. Once a judgment lien has been docketed, the City has priority over other judgment creditors that obtain judgments against the Borrower. This lien also prevents the Borrower from selling the property because any potential purchaser of the property will not buy the property unless the judgment has been satisfied. The judgment lien does not grant the City a priority over any prior mortgages, liens, or judgments on the properties. The City may also docket the judgment in other counties in which it knows that the Borrower owns property.

Please contact me if you have any questions or if you need any other information. Thank you.

# Wilford, Geske & Cook

*A Professional Association*

ATTORNEYS AT LAW  
7616 Currell Blvd; Ste 200  
Woodbury, Minnesota 55125-2296

Telephone (651) 209-3300

Toll Free (855) 273-0479

Fax (651) 209-3339

RECEIVED AUG 21 2018

August 20, 2018

City of Faribault  
208 1st Ave NW  
Faribault, MN 55021-5105

Re: U.S. BANK NATIONAL ASSOCIATION v. Danielle C. Krenik, et al  
202 Division St N, Morristown, MN 55052-6600  
Our File Number: 038139F02

Dear Sir or Madam:

Enclosed please find a Notice of Mortgage Foreclosure Sale and a copy of the lien/entry obtained directly off the title work with regard to the above-referenced mortgage foreclosure. Records indicate that you may have a lien against or an interest in the property being foreclosed.

This letter and the enclosed notice have been prepared for your information so that you may take action deemed appropriate to protect your interests, if any, in the property being foreclosed. Please note that the attached copy of the lien/entry is the only information we can provide to you regarding any of your office account or loan numbers.

If you have any questions, please write or call our office. Thank you.

Very truly yours,  
Wilford, Geske & Cook P.A.



Sonja Rivera  
Legal Assistant

Enclosures:

RECEIVED  
AUG 22 2018  
City of Faribault  
Community Development

**NOTICE OF MORTGAGE FORECLOSURE SALE**

NOTICE IS HEREBY GIVEN that default has occurred in the conditions of the following described mortgage:

DATE OF MORTGAGE: February 04, 2004

ORIGINAL PRINCIPAL AMOUNT OF MORTGAGE: \$60,000.00

MORTGAGOR(S): Danielle C Krenik FKA Danielle C Borth and John P Krenik, Wife and Husband

MORTGAGEE: U.S. Bank N.A.

DATE AND PLACE OF RECORDING:  
Recorded: February 12, 2004 Rice County Recorder  
Document Number: 534028

Transaction Agent: Not Applicable  
Transaction Agent Mortgage Identification Number: Not Applicable  
Lender or Broker: U.S. Bank N.A.  
Residential Mortgage Servicer: U.S. Bank National Association  
Mortgage Originator: Not Applicable

COUNTY IN WHICH PROPERTY IS LOCATED: Rice  
Property Address: 202 Division St N, Morristown, MN 55052-6600  
Tax Parcel ID Number: 20.23.3.51.025

LEGAL DESCRIPTION OF PROPERTY: The North One-Half (N 1/2) of Lot 9, Block 7, in the Original Town, now City, of Morristown, according to the recorded plat thereof and situate in Rice County, Minnesota

AMOUNT DUE AND CLAIMED TO BE DUE AS OF DATE OF NOTICE: \$50,981.42

THAT all pre-foreclosure requirements have been complied with; that no action or proceeding has been instituted at law or otherwise to recover the debt secured by said mortgage, or any part thereof;

PURSUANT to the power of sale contained in said mortgage, the above-described property will be sold by the Sheriff of said county as follows:

DATE AND TIME OF SALE: October 02, 2018 at 10:00 AM

PLACE OF SALE: Sheriff's Main Office, Law Enforcement Center, 118 NW 3rd Street.  
Faribault, Minnesota

to pay the debt secured by said mortgage and taxes, if any, on said premises and the costs and disbursements, including attorney fees allowed by law, subject to redemption within **six (6) months** from the date of said sale by the mortgagor(s), their personal representatives or assigns.

If the Mortgage is not reinstated under Minn. Stat. §580.30 or the property is not redeemed under Minn. Stat. §580.23, the Mortgagor must vacate the property on or before 11:59 p.m. on April 02, 2019, or the next business day if April 02, 2019 falls on a Saturday, Sunday or legal holiday.

Mortgagor(s) released from financial obligation: NONE

**THIS COMMUNICATION IS FROM A DEBT COLLECTOR ATTEMPTING TO COLLECT A DEBT. ANY INFORMATION OBTAINED WILL BE USED FOR THAT PURPOSE.**

THE RIGHT TO VERIFICATION OF THE DEBT AND IDENTITY OF THE ORIGINAL CREDITOR WITHIN THE TIME PROVIDED BY LAW IS NOT AFFECTED BY THIS ACTION.

THE TIME ALLOWED BY LAW FOR REDEMPTION BY THE MORTGAGOR, THE MORTGAGOR'S PERSONAL REPRESENTATIVES OR ASSIGNS, MAY BE REDUCED TO FIVE WEEKS IF A JUDICIAL ORDER IS ENTERED UNDER MINNESOTA STATUTES, SECTION 582.032, DETERMINING, AMONG OTHER THINGS, THAT THE MORTGAGED PREMISES ARE IMPROVED WITH A RESIDENTIAL DWELLING OF LESS THAN FIVE UNITS, ARE NOT PROPERTY USED IN AGRICULTURAL PRODUCTION, AND ARE ABANDONED.

DATED: August 16, 2018  
MORTGAGEE: U.S. BANK NATIONAL ASSOCIATION

Wilford, Geske & Cook P.A.  
Attorneys for Mortgagee  
7616 Currell Blvd; Ste 200  
Woodbury, MN 55125-2296  
(651) 209-3300

File Number: 038139F02

619304

Document No.

619304

OFFICE OF COUNTY RECORDER

RICE COUNTY, MINN

No. of Pages 2



I hereby certify that the within instrument was filed in this office for record on 12-02-2009 at 10:05  AM  PM

12022009



Marsha DeGroot

Rice County Recorder

(Reserved for recording information)

**CITY OF FARIBAULT  
HOUSING REHABILITATION PROGRAM  
REPAYMENT AGREEMENT**

THIS AGREEMENT, made and entered into this 25<sup>th</sup> day of September, 2009, by and between John P. Krenik and Danielle C. Krenik, husband and wife (hereinafter referred to as "Owner"), and the City of Faribault, having its principal office at 208 Northwest First Avenue, Faribault, Minnesota (hereinafter referred to as "City").

WHEREAS, on September 25, 2009, the City agreed to grant to Owner a Rehabilitation Deferred Loan (hereinafter referred to as "Deferred Loan"), relating to the real estate hereinafter described, in the amount of **nineteen thousand eight hundred four and 80/100 dollars (\$19,804.80)**, but only on the condition that Owner executed this Agreement.

NOW THEREFORE, in consideration of the said Deferred Loan, the parties do hereby agree as follows.

1. Owner covenants and agrees with the City that if the real estate hereinafter described is sold, transferred or otherwise conveyed, voluntarily or involuntarily, either while the Owner is living or by reason of the death of the Owner or if the real estate hereinafter described ceases for any reason to be the Owner's principal place of residence within a period of ten (10) years after the date of the Deferred Loan, Owner shall repay to the City a sum equal to the full amount of the Deferred Loan as set forth above.

Any such repayment shall be made to the City no later than the 30th day following such sale, transfer or other conveyance, or on such later date or dates as City, in its sole discretion, may designate.

2. As security for Owner's obligation of repayment, and subject to the terms and conditions of this Agreement, Owner hereby grants and City shall and hereby does have, a lien on the real estate hereinafter described in the full amount necessary to satisfy said repayment obligation and the cost including reasonable attorney's fees, of collecting the same. The real estate subject to said lien is situated in Rice County, Minnesota, and is legally described as: *The North One-half (N 1/2) of Lot 9, Block 7, in the Original Town, now City, of Morristown, Rice County, Minnesota (parcel # 20.23.3.51.025).*
3. Promptly after the date of any sale, transfer or other conveyance of the above-described real estate (or, in the event of a sale by contract for deed at least ten (10) days prior to such date of sale), Owner or his/her heirs, executors, or representatives, shall give the City notice thereof.

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City of Fbo  
Comm Dev  
Y #46

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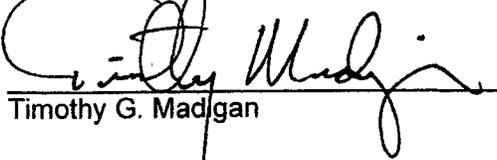
4. In the event Owner or his/her heirs, executors or representatives shall fail or refuse to make a required repayment within said limited period, the City may, with or without notice to Owner, foreclose said lien in the same manner as an action for the foreclosure of mortgages upon said real estate, as by statute provided.
5. Said lien shall terminate and shall be of no further force or effect in the event the City has not, on or before September 25, 2019, commenced an action in the aforesaid manner to foreclose the same.
6. This Agreement shall run with the aforesaid real estate and shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, representatives, successors, and assigns.

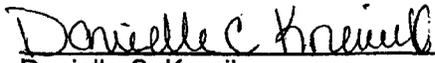
IN TESTIMONY WHEREOF, the parties have executed this Agreement as of the day and year first written above.

OWNER(S)

CITY OF FARIBAULT

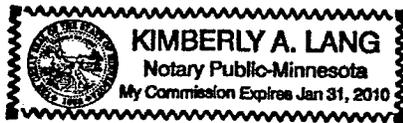
  
 \_\_\_\_\_  
 John P. Krenik

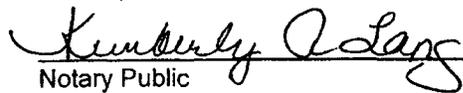
  
 \_\_\_\_\_  
 Timothy G. Madigan

  
 \_\_\_\_\_  
 Danielle C. Krenik

STATE OF MINNESOTA)  
 )ss  
 COUNTY OF RICE)

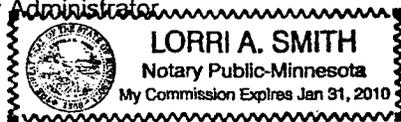
On this 25<sup>th</sup> day of September, 2009, before me, a Notary Public within and for said County, John P. Krenik and Danielle C. Krenik, husband and wife, personally appeared to me known to be the persons described in and who executed the foregoing instrument and acknowledging that they executed the same as their free act and deed.



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

STATE OF MINNESOTA)  
 ) ss  
 COUNTY OF RICE)

The foregoing instrument was acknowledged before me this 25<sup>th</sup> day of September, 2009, by Timothy G. Madigan, City Administrator



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

This document was drafted by:  
 The Faribault Housing and Redevelopment Authority  
 208 First Avenue NW; Faribault, MN 55021

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City of Fbo  
Comm Dev  
4-46

619305

Document No.

619305



OFFICE OF COUNTY RECORDER

RICE COUNTY, MINN

No. of Pages 4

I hereby certify that the within instrument was filed in this office for record on 12-02-2009 at 10:06  AM  PM

Marsha DeGroot  
Rice County Recorder

Date December 2, 2009  
 This instrument is exempt from Registration Tax  
 Fran Windschitl, Rice County Auditor/Treasurer  
Laurie Braun  
 Deputy



(For recording information)

**City of Faribault  
Housing Rehabilitation Loan Program  
Mortgage**

THIS INDENTURE, made this 25<sup>th</sup> day of September, 2009, between John P. Krenik and Danielle C. Krenik, husband and wife (hereinafter referred to as Mortgagor), and the City of Faribault, Mortgagee.

WITNESSETH, that the Mortgagor, in consideration of the sum of **four thousand nine hundred fifty-one and 20/100 DOLLARS (\$4,951.20)**, the Mortgagor in hand paid by the Mortgagee, the receipt whereof is hereby acknowledged, does hereby convey unto the Mortgagee, Forever, all of the land located in the County of Rice, and State of Minnesota, described as follows: *The North One-half (N 1/2) of Lot 9, Block 7, in the Original Town, now City, of Morristown, Rice County, Minnesota (R.20.23.3.51.025)*, together with all hereditaments and appurtenances belonging thereto (the property).

TO HAVE AND TO HOLD THE SAME, to the Mortgagee forever. The Mortgagor covenants with Mortgagee as follows: That Mortgagor is lawfully seized of the Property and has good right to convey the same; that the Property is free from all encumbrances except as follows: mortgage with US Bank.

PROVIDED, NEVERTHELESS, That if the Mortgagor shall pay to the Mortgagee the sum of four thousand nine hundred fifty-one and 20/100 (\$4,951.20) DOLLARS, according to the terms of the promissory note of even date herewith (the Note), with final payment being due and payable December 1, 2019, with interest at the rate of two (2%) percent per annum, and shall repay to the Mortgagee at the time and with interest as specified, all sums advanced in protecting the lien of this Mortgage, in payment of taxes of the Property, insurance premiums covering buildings thereon, principal or interest on any prior liens, expenses and attorney's fees herein provided for and sums advanced for any other purpose authorized herein, and shall keep and perform all the covenants and agreements herein contained, then this Mortgage shall be null and void, and shall be released at the Mortgagor's expense.

AND THE MORTGAGOR covenants with the Mortgagee as follows:

1. To pay the principal sum of money and interest as specified in the Note;

2. To pay all taxes and assessments now due or that may hereinafter become liens against the Property before penalty attaches thereto;
3. To keep all buildings, improvements and fixtures now or later located on or a part of the Property insured against loss by fire, extended coverage perils, vandalism, malicious mischief and, if applicable, steam boiler explosion, for at least the amount of full and insurable value at all times while any amount remains unpaid under this Mortgage. If any of the buildings, improvements or fixtures are located in a federally designated flood zone, and if flood insurance is available for that area, Mortgagor shall procure and maintain flood insurance in amounts reasonably satisfactory to the Mortgagee. Each insurance policy shall contain a loss payable clause in favor of the Mortgagee affording all rights and privileges customarily provided under the so-called standard mortgage clause. In the event of damage to the Property by fire or other casualty, the Mortgagor shall promptly give notice of such damage to the Mortgagee and the insurance company. The insurance shall be issued by an insurance company or companies licensed to do business in the State of Minnesota and acceptable to the Mortgagee. The insurance policies shall provide for not less than ten days written notice to the Mortgagee before cancellation, non-renewal, termination, or change in coverage, and the Mortgagor shall deliver to the Mortgagee a duplicate original or certificate of such insurance policies;
4. To pay, when due, both principal and interest of all prior liens or encumbrances;
5. To commit or permit no waste on the property and to keep it in good repair;
6. To complete forthwith any improvements which may hereafter be under course of construction on the Property;
7. To pay any other expenses and attorney's fees incurred by the Mortgagee by reason of litigation with any third party for the protection of the lien of this Mortgage; and

In case of failure to pay said taxes and assessments, prior liens or encumbrances, expenses and attorney's fees as above specified, or to insure said buildings, improvements, and fixtures and deliver the policies as aforesaid, the Mortgagee may pay such taxes, assessments, prior liens, expenses and attorney's fees and interest thereon, or obtain such insurance, and the sums so paid shall bear interest from the date of such payment at the same rate set forth in the Note, and shall be impressed as an additional lien upon the Property and be immediately due and payable from the Mortgagor to the Mortgagee and this Mortgage shall from date thereof secure the repayment of such advances with interest.

In case of default in any of the foregoing covenants, the Mortgagor confers upon the Mortgagee the option of declaring the unpaid balance of the Note and the interest accrued thereon, together with all sums advanced hereunder, immediately due and payable without notice, and hereby authorizes and empowers the Mortgagee to foreclose this Mortgage by judicial proceedings or to sell the Property at public auction and convey the same to the purchaser in fee simple in accordance with the statute, and out of the moneys arising from such sale to retain all sums secured hereby, with interest and all legal costs and charges of such