

**INSURANCE POLICY**

**DECLARATIONS**

**Policy Number:** [REDACTED]

**Policy Period:** That period of time between the Effective Date and the Expiry Date, as set forth immediately below.

**EFFECTIVE DATE:** June 30, 2015

**EXPIRY DATE:** Termination Date (as defined herein).

in each case, at 12:01 A.M. Standard Time at the Address of the Insured.

**Item 1. Insured:** Federal Home Loan Mortgage Corporation, also known as Freddie Mac, a government-sponsored enterprise chartered by the U.S. Congress

**Mailing Address:** 8200 Jones Branch Drive  
McLean, Virginia 22102

**Item 2. Insurer:** [REDACTED]

**Item 3. Reference Transaction:** A certain pool (Reference Pool) of residential mortgage loans (Reference Obligations) with an initial aggregate unpaid principal balance as of December 15, 2014 (Cut-off Date) of \$27,643,543,181 (Cut-off Date Balance). The Reference Obligations were acquired by Freddie Mac between April 1, 2014 and July 31, 2014. The Reference Obligations meet the Eligibility Criteria, all as more specifically described below, and in the STACR 2015-DN1 Agreement.

**Item 4. Insurance Type:** Credit insurance.

**Item 5. Policy Limit of Liability:** Regardless of the number of Credit Events, at any point in the Policy Period, the Insurer's maximum liability for all Covered Amounts hereunder shall not exceed \$107,936,424.09 minus any Covered Amounts previously paid up to that point; provided, however, that the Insurer's maximum liability for the payment of Covered Amounts at any such time shall not exceed: (a) for the Class M-1H Reference Tranche, the lesser of (i) the product of the Class M-1H Reference Tranche Insured Percentage and the Class Notional Amount of the Class M-1H Reference Tranche at such time, or (ii) \$11,926,871.44 minus any Covered Amounts previously paid to that point, and (b) for the Class M-2H Reference Tranche, the lesser of (i) the product of the Class M-2H Reference Tranche Insured Percentage and the Class Notional Amount of the Class M-2H Reference Tranche at

such time, or (ii) \$13,686,127.08 minus any Covered Amounts previously paid to that point, and (c) for the Class M-3H Reference Tranche, the lesser of (i) the product of the Class M-3H Reference Tranche Insured Percentage and the Class Notional Amount of the Class M-3H Reference Tranche at such time, or (ii) \$31,771,366.82 minus any Covered Amounts previously paid to that point, and (d) for the Class B-H Reference Tranche, the lesser of (i) the product of the Class B-H Reference Tranche Insured Percentage and the Class Notional Amount of the Class B-H Reference Tranche at such time, or (ii) \$50,552,058.75 minus any Covered Amounts previously paid to that point. For the avoidance of doubt, the amounts of the Insurer's maximum liability, and of each of the sub-limits set forth in (a) and (b) and (c) and (d) above will decrease based on the application of allocated Scheduled Principal, Unscheduled Principal, and Covered Amounts paid with respect to each of the Class M-1H Reference Tranche, Class M-2H Reference Tranche, Class M-3H Reference Tranche, and Class B-H Reference Tranche, as applicable.

**Item 6: Insured Percentage:**

Class M-1H Reference Tranche – 29.473457%  
Class M-2H Reference Tranche – 29.473457%  
Class M-3H Reference Tranche – 45.613684%  
Class B-H Reference Tranche – 25.095912%

**Item 7: Payment Currency:**

United States of America Dollars

**Item 8: Premium:**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

**Item 9: Taxes:**

Pursuant to Section 303(e) of the Federal Home Loan Mortgage Corporation Act, 12 U.S.C. § 1452(e), the Insured is exempt from liability for the payment of state and local taxes, except certain real property taxes. Furthermore; as an instrumentality of the United States, the Insured is exempt from liability for federal excise taxes under the U.S. Internal Revenue Code. Accordingly, (a) the Insurer shall not pay on Insured's behalf or invoice the Insured for any federal excise or state or local taxes on Premiums (including, for the avoidance of doubt, any Catch-Up Payment), and (b) the Insured shall not be liable for the payment of any such taxes.

Additional tax withholding and reporting obligations are set forth in Article VII(K) of this Policy.

**Item 10: Policy All-Inclusive:**

This Policy is comprised of this Declarations Page, the various terms and provisions attached to this Policy, and all Exhibits relating hereto, all of which are incorporated herein and made a part of this Policy as of the Effective Date. Collectively, the Insurer and the Insured may be referred to as the "parties" and individually, each may be referred to as the "party."

*(signature page follows)*

IN WITNESS HEREOF, each party hereto has caused this Policy to be executed on its behalf by its duly authorized representative.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

## **INSURANCE POLICY**

Various provisions in this Policy restrict coverage. Read the entire Policy carefully to determine rights, duties and what is and is not covered.

In consideration of the Insured paying the Premium stated in the Declarations to the Insurer and in reliance upon the statements in the Declarations made a part hereof and subject to all of the terms of this Policy, the Insurer hereby agrees, subject to the Policy Limit of Liability stated in the Declarations, to pay the Covered Amounts to the Insured to the extent and in the manner set forth herein.

### **I. INSURING AGREEMENT; REINSURANCE & SECURITY**

- A. In accordance with the provisions of this Policy, and in the event that, as of any Premium Payment Date during the Policy Period, the then-applicable Class Notional Amount associated with an Insured Tranche has been reduced since the prior Premium Payment Date by a Calculated Tranche Write-down Amount (in each instance, a "Loss") the Insurer will pay or cause to be paid to the Insured an amount equal to the product of (i) such Loss, and (ii) the corresponding Insured Percentage (the "Covered Amount"). In no event shall the Insurer's maximum liability under this Policy exceed the Policy Limit of Liability.
- B. The Insurer shall enter into the Quota Share Contract contemporaneously with the issuance of this Policy. To secure claims payment obligations under this Policy and the Quota Share Contract, the Quota Share Contract shall require the Reinsurer to, among other things, deposit Eligible Assets in the Trust Account within thirty (30) days after the Effective Date and maintain such Eligible Assets in an amount as determined under and pursuant to the Quota Share Contract and the Trust Agreement.
- C. The Quota Share Contract shall be reviewed and approved by the Insured, as an express intended third-party beneficiary thereunder. The Trust Agreement shall be in the form mutually agreed between the parties and the Reinsurer as of the Effective Date, and shall be subject only to changes that may be requested by the trustee. The parties agree to act reasonably and in good faith with respect to such requests in order to ensure that the Reinsurer is able to satisfy its obligations under the Quota Share Contract and the Trust Agreement to deposit Eligible Assets in the Trust Account.

### **II. WARRANTIES AND CERTAIN AGREEMENTS OF THE INSURED**

In accepting this Policy, the Insured hereby agrees, represents and warrants the following to the Insurer as of the date hereof:

- A. Information in the statements and information provided to the Insurer in the Insurance Application are true and correct in all Material respects as of the Effective Date.
- B. The Insured has not withheld any information from the Insurer that would reasonably affect the decision of an insurer of risks similar to the risk under this Policy, and as of the Effective Date of this Policy, the Insured has no Knowledge of any circumstance which could give rise to or increase the likelihood of Covered Amount at any time during the Policy Period.
- C. Exhibits A through C inclusive are true and complete copies of the STACR 2015-DN1 Documentation.
- D. The Insured is duly organized, validly existing and in good standing under the laws of the United States.
- E. The Insured has taken all corporate action required to authorize the execution, delivery and performance of the Policy.

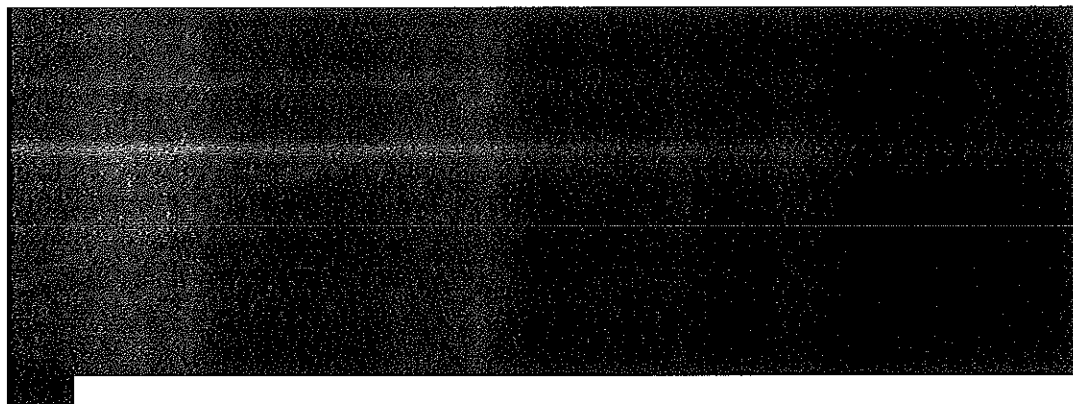
- F. [REDACTED]
- G. The Policy, when executed and delivered will constitute a legal, valid and binding obligation of the Insured, enforceable except to the extent that enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect affecting creditors' rights generally and subject to the application of equitable principles and the availability of equitable remedies.
- H. The execution and delivery by the Insured of this Policy, and the performance by the Insured under the Policy, do not and will not require the Insured to possess, obtain, make, provide or deliver any consent, waiver, approval, license, permit, order, designation or authorization of, notice to, or registration, filing, qualification or declaration with, any Governmental Entity or other Person (including under any STACR 2015-DN1 Documentation), other than (i) any of which have been unconditionally obtained or effected (as appropriate) and are in full force and effect or (ii) any of which the failure to possess, obtain, make, provide or deliver do not or will not, individually or together with any one or more such other failures, result in the Insurer incurring any liability, or have a material adverse effect on (a) the ability of the Insured to perform and comply with its respective obligations under this Policy, or (b) the consummation of the transactions contemplated under the Policy.
- I. At all times during the Policy Period, it shall retain no less than 5% of the credit loss exposure to the Insured Tranches, except with respect to the Class B-H Reference Tranche for which it shall retain no less than 50% of the credit loss exposure.
- J. In the event that, as of any Premium Payment Date during the Policy Period, an Insured Tranche has been increased since the prior Premium Payment Date by a Calculated Tranche Write-up Amount, then the Insured shall refund to the Insurer an amount equal to the product of (i) such Calculated Tranche Write-up Amount, and (ii) the corresponding Insured Percentage (in each instance, a "Claim Refund"), pursuant to and in accordance with the terms of, and conditions set forth in this Policy, but only up to the sum of all Covered Amounts previously paid by the Insurer hereunder. Such Claim Refund shall be paid within ten (10) Business Days of such Premium Payment Date by immediately available funds transmitted by means of the U.S. Fedwire funds service to the Insurer from the Insured in accordance with wiring instructions provided by the Insurer to the Insured. In no event shall the sum of all Claim Refunds exceed the payment of all Covered Amounts paid by the Insurer under this Policy.
- K. With regard to any Covered Amount owed to the Insured by the Insurer, in the event that the Insured is paid directly by the Reinsurer, or if the Insured were to draw down any Eligible Assets in the Trust Account, then, only and solely to extent of any such Covered Amount so received by the Insured, the Insurer is relieved of all corresponding responsibilities and liability to the Insured under this Policy for the payment of such Covered Amount.

### III. WARRANTIES AND CERTAIN AGREEMENTS OF THE INSURER

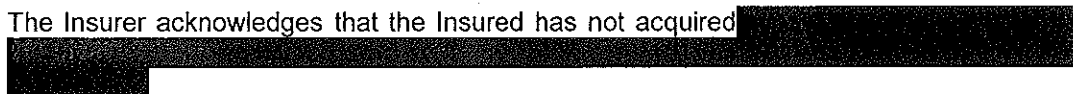
The Insurer hereby agrees, represents and warrants the following to the Insured as of the date hereof:

- A. The Insurer is [REDACTED]  
[REDACTED] duly organized, validly existing and in good standing [REDACTED]  
[REDACTED] and have all requisite company power and authority to own and lease their properties and to carry on business as conducted by them.

B.



C. The Insurer acknowledges that the Insured has not acquired



D. The Insurer has taken all corporate action required to authorize the execution and delivery of the Policy, and the performance of its obligations hereunder.

E. The Insurer has the corporate power and authority to execute and deliver, and perform its obligations under the Policy.

F. The Policy, when executed and delivered will constitute a legal, valid and binding obligation of the Insurer, enforceable except to the extent that enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect affecting creditors' rights generally and subject to the application of equitable principles and the availability of equitable remedies.

G. The execution and delivery by the Insurer of this Policy, and the performance by the Insurer under the Policy, do not and will not require the Insurer to possess, obtain, make, provide or deliver any consent, waiver, approval, license, permit, order, designation or authorization of, notice to, or registration, filing, qualification or declaration with, any Governmental Entity or other Person, other than (i) any of which have been unconditionally obtained or effected (as appropriate) and are in full force and effect or (ii) any of which the failure to possess, obtain, make, provide or deliver do not or will not, individually or together with any one or more such other failures, result in the Insured incurring any liability, or have a material adverse effect on (a) the ability of the Insurer to perform and comply with its respective obligations under this Policy, or (b) the consummation of the transactions contemplated under the Policy.

H. The Insurer is, and will use its best efforts to remain, in compliance at all times and in all material respects with all Applicable Law, including, to the extent applicable, the conditions attached to its license or with any directions to the Insurer issued by the [REDACTED]. The Insurer has not made any reductions of capital or paid any dividends or distributions in the past two years that have not complied with the laws of the Insurer's domicile.

I. The Insurer is currently in compliance with the requirement applicable to the Insurer to provide to the [REDACTED] statutory financial statements and audited financial statements in respect of its insurance business and is currently in compliance in all material respects with the [REDACTED] Insurance Code. The Insurer shall provide to the Insured copies of any such financial statements and any declarations required to be filed with the [REDACTED] in connection with

the [REDACTED] Insurance Code within five (5) Business Days of any request by the Insured therefor.

- J. The Insurer is, and will use its best efforts to remain, operating in accordance with the solvency, liquidity and capital requirements applicable to [REDACTED]. Insurer is, and after issuance of the Policy will be, solvent, including by all applicable standards of solvency under [REDACTED] law.
- K. There are no pending or, to Insurer's Knowledge, threatened actions, suits, investigations or proceedings ("Proceedings") by or against the Insurer which are material to its business, at law or in equity or otherwise before any court, tribunal, agency, official, arbitrator or other Governmental Entity and the Insurer has not been the subject of any such Proceedings in the last two years, other than to the extent that such Proceedings that are considered part of the normal operations of an insurance or a reinsurance company.
- L. Without derogating from the generality of Article III(H), none of the Insurer, any of its direct or indirect subsidiaries, any shareholder that holds ten percent (10%) or more of the outstanding capital of the Insurer (directly or, to the knowledge of the Insurer, indirectly) ("Principal Shareholder"), any director or officer of the Insurer or any of its Principal Shareholders or any of their direct or indirect subsidiaries, or, to the knowledge of the Insurer, any employee, agent, or affiliate of the Insurer or any of its Principal Shareholders or its direct or indirect subsidiaries is an individual or entity ("Covered Person") that is, or is owned or controlled by a Covered Person that is, (i) the target of any sanctions administered or enforced by the U.S. Department of the Treasury's Office of Foreign Assets Control or the U.S. Department of State (collectively, "Sanctions"), or (ii) located, organized, or resident in any country or territory that is, or whose government is, the target of Sanctions (currently, Cuba, Iran, North Korea, Sudan and Syria).
- M. The Insurer has such Knowledge and experience in financial, business and insurance matters that it is capable of evaluating the merits and risks of this transaction. The Insurer has conducted its own independent review and analysis of the underwriting risk and acknowledges and agrees that the Insured has provided the Insurer with sufficient information for this purpose. In entering into this Policy, the Insurer has relied solely upon its own investigation and analysis, and the Insurer acknowledges and agrees that except for representations or warranties of the Insured expressly contained herein (a) the Insured makes no, and has made no, representation or warranty, either express or implied, with respect to the Policy or as to the accuracy or completeness of any of the information (including projections, estimates or any other forward looking forecasts) provided or otherwise made available to the Insurer, and (b) to the fullest extent permitted by Applicable Law, the Insured shall have no liability whatsoever to Insurer on any basis based upon such information provided or made available, or statements made or omissions therefrom in the underwriting process.
- N. Without derogating from the generality of Article III(H), the Insurer is compliant with the U.S. Foreign Account Tax Compliance Act.
- O. The Insurer will at all times, in good faith and fair dealing, pursue and facilitate Claim payments as they are due from the Reinsurer(s) to the Insured.
- P. The Quota Share Contract shall include written representations and warranties substantially similar to those set forth in this Article III(D) through (N).

#### IV. LIMITATIONS OF LIABILITY

The Insurer's total liability for all Covered Amounts under this Policy shall not exceed the Policy Limit of Liability as specified in the Declarations. Each payment made by or through the Insurer in



discharge of its obligations under this Policy shall reduce by the same amount the Policy Limit of Liability.

## V. CLAIMS AND REPORTING

- A. The Insurer shall have the right to receive copies of all reports to be provided by the Global Agent under Section 6(c) of the Global Agency Agreement, and may do so by accessing the Global Agent's internet site at "https://tss.sfs.db.com/investpublic " or any other website that may be established by the Global Agent. In the event that the Global Agent ceases to make such reports publicly available, including by means of any such website, the Insured shall designate the Insurer as a designee within the meaning of the Global Agency Agreement for the purpose of receiving such reports.
- B. The Insured shall submit to the Insurer a Proof of Loss within thirty (30) calendar days of the publication of the Payment Date Statement. In connection therewith, the Insured shall provide a copy of the Payment Date Statement and such other information required under the Proof of Loss form attached as Exhibit D. The Insured's failure to provide the Payment Date Statement or Proof of Loss within the foregoing period shall not relieve the (i) Insurer of its obligations under this Policy, or (ii) the Reinsurer of any of its obligations under the Quota Share Contract. Within five (5) Business Days of the date of such filing, the Insurer shall verify that the Class Notional Amount, the Calculated Tranche Write-down Amount and the Loss set forth therein are in accordance with the Payment Date Statement and the corresponding Insured Percentage calculation set forth in the Proof of Loss.
- C. The determination by the Global Agent of the Class Notional Amount, the Calculated Tranche Write-down Amount or the Calculated Tranche Write-up Amount shall, absent manifest error, be binding on the Insurer and the Insured. The Insurer shall accept the Proof of Loss unless it has formed a reasonable good faith belief that the Insured has made material misrepresentations or committed other wrongful and dishonest acts or omissions directly relating to a calculation by the Insured set forth in a Proof of Loss. In such case, the Insurer shall send a notice of the rejection of the Claim within five (5) Business Days following receipt of such Proof of Loss from the Insured. In the absence of such notice within that period, the Proof of Loss shall be deemed accepted. Any rejection of a Proof of Loss shall be subject to dispute resolution as set forth in Article VII(A) below. Nothing contained herein shall be deemed to be a waiver of or prejudice in any way any claim that the Insurer may have subsequent to acceptance of a Proof of Loss or payment of any amount under this Policy; provided, however, that any such claim shall be pursued by the Insurer within the period set by the applicable statute of limitations.
- D. Within five (5) Business Days following acceptance of a Proof of Loss by the Insurer, it shall (i) provide written notice thereof to the Insured, clearly stating that such Proof of Loss has been accepted in full by the Insurer, (ii) submit such accepted Proof of Loss to the Reinsurer, (iii) secure Claim payment of the Covered Amount from the Reinsurer, and (iv) transmit such Claim payment (or cause such payment to be transmitted) to the Insured by means of the U.S. Fedwire funds service immediately available funds in accordance with wiring instructions provided by the Insured to the Insurer. Any such payments not transmitted to the Insured within five (5) Business Days following acceptance shall be subject to a late payment fee calculated based on the amount due but not wired. For the avoidance of doubt, the amount of such late payment fee shall be calculated as follows: (amount due and owing under the unpaid Proof of Loss) multiplied by (prime rate + 1.000%) divided by 365, multiplied by the number of calendar days for which the payment is due but unpaid. The prime rate shall be determined by reference to the highest quoted prime rate published in the "Money Rates" section or other comparable section of The Wall Street Journal on the first Business Day of the month in which the payment is due.

## VI. REFERENCE POOL AND REFERENCE TRANCHES

### A. Reference Pool

1. The Reference Pool consists of the Reference Obligations, which are Mortgage Loans acquired by the Insured between April 1, 2014 and July 31, 2014 (and more particularly \_\_\_\_\_ identified \_\_\_\_\_ at [http://www.freddiemac.com/creditriskofferings/security\\_data.html](http://www.freddiemac.com/creditriskofferings/security_data.html) as of the Effective Date) and which meet the Eligibility Criteria and have no Unconfirmed Underwriting Defects as of January 4, 2015 that were known to Freddie Mac or that were subsequently discovered through the Third-Party Diligence Provider's due diligence review as described under "*The Reference Obligations — Third-Party Due Diligence Review*" in the STACR 2015-DN1 Offering Circular.
2. The "Eligibility Criteria" to be satisfied with respect to each Reference Obligation in the Reference Pool are as follows:
  - a. is a fully amortizing, fixed rate, one- to four-unit, first lien Mortgage Loan, which has an original term of 30 years;
  - b. was originated on or after January 1, 2014;
  - c. was securitized into a participation certificate by October 31, 2014 and remained in such participation certificate as of January 5, 2015;
  - d. has not been prepaid in full as of January 5, 2015;
  - e. has not been repurchased by the applicable seller or servicer as of January 5, 2015;
  - f. has no Underwriting Defects as of January 4, 2015;
  - g. as of November 30, 2014, has never been reported to be 30 days or more delinquent since purchase by the Insured;
  - h. was originated with documentation as described under "*General Mortgage Loan Purchase and Servicing — Underwriting Standards— Documentation*" in the STACR 2015-DN1 Offering Circular;
  - i. is not covered by mortgage or pool insurance;
  - j. does not have an original loan-to-value ratio that (i) is less than or equal to 60%, or (ii) exceeds 80%;
  - k. is not subject to recourse or other credit enhancement;
  - l. was not originated under the Insured's Relief Refinance program (including the Home Affordable Refinance Program which is the Federal Housing Finance Agency's name for Relief Refinance Mortgage Loans with a loan-to-value ratio greater than 80%);
  - m. was not originated under Home Possible® or other affordable mortgage programs of the Insured;
  - n. was not associated with a mortgage revenue bond purchased by the Insured;

- o. had an unpaid principal balance as of the Cut-off Date that is greater than or equal to \$5,000; and
  - p. was not originated under a government program (e.g., FHA, VA or Guaranteed Rural Housing Loans).
3. The characteristics of the Reference Pool will change from time to time to reflect subsequent payments, prepayments and Credit Events with respect to the Reference Obligations. In addition, the characteristics of the Reference Pool may change because Reference Obligations will be removed (any such removal, a "Reference Pool Removal") from the Reference Pool because:
- a. the Reference Obligation becomes a Credit Event Reference Obligation;
  - b. the Reference Obligation is paid in full;
  - c. of the identification and final determination, through the Insured's quality control process, of an Underwriting Defect relating to the Reference Obligation;
  - d. of the discovery of a violation of the Eligibility Criteria for such Reference Obligation; or
  - e. the Reference Obligation is seized pursuant to any special eminent domain proceeding brought by any federal, state or local government instrumentality with the intent to provide relief to financially-distressed borrowers with negative equity in the underlying mortgage loan. For the avoidance of doubt, if a property were seized through any eminent domain proceedings brought by any state, federal, or local government entity, such seizure will not be treated as a Credit Event. Instead, the unpaid principal balance of the loan at the time of seizure will be treated as Unscheduled Principal and the loan will be removed pursuant to Reference Pool Removal.

Reference Obligations will not be removed from the Reference Pool if they undergo a temporary or permanent modification and they do not meet any other criteria above to be removed. In the event that a Reference Obligation that was previously removed from the Reference Pool is discovered to have been removed in error, such Reference Obligation will be reinstated into the Reference Pool.

**B. Reference Tranches**

1. For purposes of this Policy and for purposes of making the calculations for each Payment Date of any principal write-downs (or write-ups) on the Notes as a result of Credit Events (or reversals thereof) on the Reference Obligations and principal payments required to be made on the Notes, the Insured has established a hypothetical structure of nine (9) Classes of Reference Tranches (the Class A-H, Class M-1, Class M-1H, Class M-2, Class M-2H, Class M-3, Class M-3H, Class B, and Class B-H) (each, a "Reference Tranche") deemed to be backed by the Reference Pool. Pursuant to the hypothetical structure, the Class A-H Reference Tranche is senior to all the other Reference Tranches and therefore does not provide any credit enhancement to the other Reference Tranches. The Class M-1 and Class M-1H Reference Tranches are pro rata with each other and are subordinate to the Class A-H Reference Tranche and are senior to the Class M-2, Class M-2H, Class M-3, Class M-3H, Class B, and Class B-H Reference Tranches. The Class M-2 and Class M-2H Reference Tranches are pro rata with each other and are subordinate to the Class A-H, Class M-1 and Class M-1H Reference Tranches and are senior to the Class M-3, Class M-3H, Class B, and Class B-H Reference Tranches. The Class M-

3 and Class M-3H Reference Tranches are pro rata with each other and are subordinate to the Class A-H, Class M-1, Class M-1H, Class M-2 and Class M-2H Reference Tranches and are senior to the Class B and Class B-H Reference Tranches. The Class B and Class B-H Reference Tranches are pro rata with each other and are subordinate to all the other Reference Tranches and therefore does not benefit from any credit enhancement. Each Class of Reference Tranche has a Class Notional Amount as of the Cut-off Date (*i.e.*, the "Initial Class Notional Amount") as indicated in its respective definition herein.

2. The "Class Notional Amount" of each Class of Reference Tranche as of any Premium Payment Date is a notional amount equal to:
  - a. the Initial Class Notional Amount of such Class of Reference Tranche, *minus*
  - b. the aggregate amount of Senior Reduction Amounts and/or Subordinate Reduction Amounts allocated to such Class of Reference Tranche on such Premium Payment Date and all prior Premium Payment Dates, *minus*
  - c. the aggregate amount of Calculated Tranche Write-down Amounts allocated to reduce the Class Notional Amount of such Class of Reference Tranche on such Premium Payment Date and on all prior Premium Payment Dates, *plus*
  - d. the aggregate amount of Calculated Tranche Write-up Amounts allocated to increase the Class Notional Amount of such Class of Reference Tranche on such Premium Payment Date and on all prior Premium Payment Dates.
  - e. For the avoidance of doubt, no Calculated Tranche Write-up Amount or Calculated Tranche Write-down Amount will be applied twice on the same Premium Payment Date.

3. Allocation of Calculated Tranche Write-down Amounts to the Reference Tranches

On each Premium Payment Date on or prior to the Termination Date, the amount, if any, of the Calculated Tranche Write-down Amount, if any, for that Premium Payment Date, will be allocated to reduce the Class Notional Amount of each Class of Reference Tranche in the following order of priority, in each case until its Class Notional Amount is reduced to zero:

- a. *first*, to the Class B and Class B-H Reference Tranches, *pro rata* based on their Class Notional Amounts immediately prior to such Premium Payment Date,
- b. *second*, to the Class M-3 and Class M-3H Reference Tranches, *pro rata* based on their Class Notional Amounts immediately prior to such Premium Payment Date,
- c. *third*, to the Class M-2 and Class M-2H Reference Tranches, *pro rata* based on their Class Notional Amounts immediately prior to such Premium Payment Date,
- d. *fourth*, to the Class M-1 and Class M-1H Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Premium Payment Date, and
- e. *fifth*, to the Class A-H Reference Tranche.

4. Allocation of Calculated Tranche Write-up Amounts to the Reference Tranches

On each Premium Payment Date on or prior to the Termination Date, the Calculated Tranche Write-up Amount, if any, for such Premium Payment Date will be allocated to increase the Class Notional Amount of each Class of Reference Tranche in the following order of priority until the cumulative Calculated Tranche Write-up Amount allocated to each such Class of Reference Tranche is equal to the cumulative Calculated Tranche Write-down Amount previously allocated to such Class of Reference Tranche on or prior to such Premium Payment Date:

- a. *first*, to the Class A-H Reference Tranche,
- b. *second*, to the Class M-1 and Class M-1H Reference Tranches, *pro rata* based on their Class Notional Amounts immediately prior to such Premium Payment Date,
- c. *third*, to the Class M-2 and Class M-2H Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Premium Payment Date,
- d. *fourth*, to the Class M-3 and Class M-3H Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Premium Payment Date, and
- e. *fifth*, to the Class B and Class B-H Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Premium Payment Date.

5. Allocation of Senior Reduction Amount and Subordinate Reduction Amount to the Reference Tranches

- a. On each Premium Payment Date prior to the Maturity Date and the date on which the Insured elects to cancel this Policy pursuant to Article VII(C)(3), after allocation of the Calculated Tranche Write-down Amount or Calculated Tranche Write-up Amount, if any, for such Premium Payment Date as described above, the Senior Reduction Amount will be allocated to reduce the Class Notional Amount of each Class of Reference Tranche in the following order of priority, in each case until its Class Notional Amount is reduced to zero:
  - i. *first*, to the Class A-H Reference Tranche,
  - ii. *second*, to the Class M-1 and Class M-1H Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Premium Payment Date,
  - iii. *third*, to the Class M-2 and Class M-2H Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Premium Payment Date,
  - iv. *fourth*, to the Class M-3 and Class M-3H Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Premium Payment Date, and
  - v. *fifth*, to the Class B and Class B-H Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Premium Payment Date.

- b. On each Premium Payment Date prior to the Maturity Date and the date on which the Insured elects to cancel this Policy pursuant to Article VII(C)(3), after allocation of the Senior Reduction Amount and the Calculated Tranche Write-down Amount or Calculated Tranche Write-up Amount, if any, for such Premium Payment Date as described above, the Subordinate Reduction Amount will be allocated to reduce the Class Notional Amount of each Class of Reference Tranche in the following order of priority, in each case until its Class Notional Amount is reduced to zero:
    - i. first, to the Class M-1 and Class M-1H Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Premium Payment Date,
    - ii. second, to the Class M-2 and Class M-2H Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Premium Payment Date,
    - iii. third, to the Class M-3 and Class M-3H Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Premium Payment Date,
    - iv. fourth, to the Class B and Class B-H Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Premium Payment Date, and
    - v. fifth, to the Class A-H Reference Tranche.
6. For any Premium Payment Date purposes of making calculations with respect to the hypothetical structure and the Reference Tranches, the reporting periods (each, a "Reporting Period") will be:
- a. in the case of all principal collections, other than full prepayments, on the Reference Obligations, and in the case of determining Credit Events resulting from the related Mortgage Note being sold to a third party during the foreclosure process, a deed in lieu of foreclosure being executed or a REO acquisition, the period from and including the 16<sup>th</sup> day of the second calendar month preceding the month in which such Premium Payment Date occurs to and including the 15<sup>th</sup> day of the calendar month immediately preceding the month in which such Premium Payment Date occurs;
  - b. in the case of full principal prepayments on the Reference Obligations, and in the case of determining an Unconfirmed Underwriting Defect or an Underwriting Defect or determining a Credit Event resulting from a short sale being settled, the period from but excluding the 2<sup>nd</sup> Business Day of the calendar month immediately preceding the month in which such Premium Payment Date occurs to and including the 2<sup>nd</sup> Business Day of the calendar month in which such Premium Payment Date occurs; and
  - c. in the case of determining delinquency status with respect to each Reference Obligation, the last day of the second calendar month preceding such Premium Payment Date.

## VII. GENERAL CONDITIONS

- A. Dispute Resolution; Venue. Any dispute arising out of or in connection with this Policy shall be settled in a proceeding brought in the United States District Court for the Eastern District of

Virginia. Each of the Insurer and the Insured irrevocably submits to the personal and in rem jurisdiction and venue of that Court for the Eastern District of Virginia for the purposes thereof and expressly waives any claim of lack of personal jurisdiction and improper venue and any claim that any such court is an inconvenient forum. The Insured and the Insurer hereby irrevocably consent to the service of process in such court in any such suit, action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to the address provided to the parties in accordance with the Declarations page of this Policy, such service to become effective ten (10) days after such mailing. It is further agreed that service of process in any suit instituted against the Insurer or the Insured will be made upon the other party and that in any such suit the parties will abide by the final decision of such Virginia court, including any appellate court in the event of an appeal. Any award of money damages in such proceeding shall be consistent with the Policy Limit of Liability.

B. Assignment. This Policy may not be assigned or transferred by either party without prior written consent of the other party.

C. Cancellation.


1. The Insured may cancel this Policy on a cut-off basis upon (a) the insolvency of the Insurer; (b) a breach by the Insurer of any representations and warranties provided to the Insured in this Policy; or (c) the receipt by the Insurer of a cease and desist order or any similar order from a regulatory authority or other Governmental Entity that it cease and desist writing all or part of its business. The Insured shall give written notice to the Insurer stating the grounds for such action and when the cancellation shall be effective.
2. Without derogating from the generality of Article VII(C)(1), the Insured may also cancel this Policy in its entirety if it determines at any time that the Insurer, any of its Principal Shareholders or its direct or indirect subsidiaries, any director or officer of the Insurer or any of its Principal Shareholders or any of their direct or indirect subsidiaries, or any employee, agent, or affiliate of the Insurer or any of its Principal Shareholders or its direct or indirect subsidiaries is a Covered Person that is, or is owned or controlled by a Covered Person that is, (i) the target of any Sanctions, or (ii) located, organized, or resident in any country or territory that is, or whose government is, the target of Sanctions (currently, Cuba, Iran, North Korea, Sudan and Syria). The Insured shall give written notice to the Insurer stating the grounds for such action and when the cancellation shall be effective.
3. The Insured may also cancel this Policy in its entirety at any time in its sole discretion on any Premium Payment Date on or after the Premium Payment Date on which the aggregate unpaid balance of the Reference Obligations is less than or equal to ten percent (10%) of the Cut-off Date Balance of the Reference Obligations. Termination shall be effective as of the Premium Payment Date when the Insured delivers to the Insurer written notice of such termination election.
4. In addition, this Policy shall cancel automatically as of the Premium Payment Date on which the initial Class Balance (without giving effect to any allocations of Calculated Tranche Write-down Amounts or Calculated Tranche Write-up Amounts on such Premium Payment Date and all prior Premium Payment Dates) and accrued and unpaid interest due on the Class M-1, Class M-2, Class M-3, and Class B Notes have been paid in full. In the event that the initial Class Balance (without giving effect to any allocations of Calculated Tranche Write-down Amounts or Calculated Tranche Write-up Amounts on such Premium Payment Date and all prior Premium Payment Dates) and accrued and unpaid interest due on the Class M-1, Class M-2, Class M-3, and Class B Notes have been paid in full only with respect to either the Class M-1 Notes or Class M-2 Notes or Class M-3 Notes or Class B Notes, then the coverage under the Policy shall only be canceled with respect to either the Class M-1H Reference Tranche or the Class M-2H

Reference Tranche or the Class M-3H Reference Tranche or the Class B-H Reference Tranche, as applicable, but the coverage shall remain in place for the other Insured Tranche(s).

5. No cancellation of this Policy is permitted by the Insurer, except in the event of non-payment of Premium, without prejudice to the Insurer's right to retain the greater of the Premium earned to the date of such termination or right to offset any amounts due from the Insured to the Insurer against amounts due from the Insurer to the Insured.
  6. This Policy may be cancelled by the Insurer in accordance with Article VII(C)(5) by sending written notice to the Insured stating when, not less than thirty (30) days thereafter, the cancellation shall be effective. Confirmation by the relevant courier of delivery of such notice shall be sufficient proof of notice and the effective date of cancellation stated in the notice shall become the Expiry Date, unless payment of the Premium is received by the Insurer prior to this specified date of cancellation, in which case the Policy shall continue in full force and effect.
  7. Cancellation in accordance with this Article VII(C) shall not prejudice any rights of or remedies available at law or in equity to the Insured or the Insurer existing prior to or on the effective date of such cancellation, including the Insured's right to withhold Premium payment once it forms a reasonable belief that any Insurer representation or warranty has been breached.
- D. Insolvency of Insured. In the event of an insolvency of the Insured, and the appointment of a conservator, liquidator, receiver, administrator, trustee in bankruptcy or other Person to administer the estate of the Insured as a consequence of an insolvency, or appointment of a statutory successor to the Insured, the coverage afforded by this Policy shall be payable by the Insurer directly to the such conservator, liquidator, receiver, administrator, trustee in bankruptcy or other Person appointed to administer the estate of the Insured as a consequence of insolvency, or such statutory successor, on the basis of the liability of the Insurer as provided in this Policy and without diminution because of the insolvency. No insolvency of the Insured and no act of any conservator, liquidator, receiver, administrator, trustee in bankruptcy or other Person administering the estate of the Insured as a consequence of an insolvency, or of any statutory successor, shall cause any liability of the Insurer hereunder to become due earlier or for a higher amount than would have been the case if such insolvency had not occurred or if such act had not been committed.
- E. Changes. After issuance of the Policy, the Insured and the Insurer agree not to change any terms of this Policy or the Exhibits thereto, unless agreed to by the Insured and the Insurer and attached to the Policy by written endorsement thereto.
- F. Acceleration. The Insurer's liability to pay a Covered Amount to the Insured shall be based only on the original Premium Payment Dates as set forth in the STACR 2015-DN1 Agreement. Any acceleration of the Premium Payment Dates shall not give rise to a corresponding acceleration of the Insurer's obligation to pay Covered Amounts hereunder.
- G. Headings. All headings in this Policy are for convenience only and shall not be used in interpreting the language of the Policy.
- H. Notice and Communications. All notices to the Insurer under any provision of this Policy shall be sent by electronic mail to the e-mail address below, with a copy of each such notice sent in writing and given by prepaid express courier, certified mail or fax, to:


[REDACTED]





All notices to the Insured under any provision of this Policy shall be in writing and given by prepaid express courier, certified mail or fax, to the place and the fax number indicated in the Declarations, with a copy of each such notice sent in writing and by the same means to:

Freddie Mac  
8200 Jones Branch Drive  
McLean, VA 22102-3110



Notice given as described above shall be deemed to be received and effective upon actual receipt thereof by the addressee or any Business Day following the date such notice is sent, whichever is earlier.

Notwithstanding the above, Proofs of Loss under this Policy shall be sent by electronic mail, prepaid express courier, certified mail or fax to the Insurer at the above address.

- I. Waiver. No waiver by any party of any of the provisions hereof shall be effective unless explicitly set forth in writing and signed by the party so waiving. No waiver by any party shall operate or be construed as a waiver in respect of any failure, breach or default not expressly identified by such written waiver, whether of a similar or different character, and whether occurring before or after that waiver. No failure to exercise, or delay in exercising, any right, remedy, power or privilege arising from this Policy shall operate or be construed as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.
- J. Other Insurance. If the Insured has any bond or policy of insurance which would cover a Loss in whole or in part in the absence of this Policy, then such other coverage shall be primary to that afforded under this Policy, which shall apply according to its terms after the limit for that bond or policy for that Claim has been exhausted.
- K. Premium and Tax Reporting; U.S. Foreign Account Tax Compliance Act ("FATCA"). The Premium amount(s) specified in the Declarations are due and payable as specified in the Declarations. The Premium payable upon issuance of the Policy and payable upon each Premium Payment Date is non-refundable.

The Insurer shall be responsible for filing any excise tax returns and paying any excise taxes due on any Premiums. Notwithstanding any provision in the Policy to the contrary:

- 1. All Premium paid shall be subject to any withholding or deduction imposed on such Premium payment pursuant to or on account of FATCA, and no additional payment shall be required from the Insured, nor any Premium payment be increased on account of any such withholding or deduction. Except as provided in Article VII(K)(2) below, the Insured shall not be required to indemnify the Insurer or any Reinsurer on account of any loss, liability or cost imposed as a result of or otherwise arising from such withholding or deduction relating to FATCA.

2. If the Insured is required to make any deduction or withholding pursuant to or on account of FATCA and the Insured does not so deduct or withhold and a liability resulting from such failure to withhold or deduct is assessed directly against the Insured, then the Insurer will indemnify the Insured therefor and promptly pay to the Insured the amount of such liability. The Insurer's indemnification obligation hereunder shall include any related liability for interest and shall include any related liability for penalties.
  3. Any representation or warranty made by the Insurer with respect to any withholding or deduction being or not being applicable to Premium payments hereunder shall be deemed not to be made in respect of any withholding or deduction imposed pursuant to or on account of FATCA.
  4. Upon execution of this Policy, the Insurer agrees to deliver to the Insured IRS Form W-9 or applicable IRS Form W-8. In addition, the Insurer agrees to deliver any forms or documentation or information reasonably requested in writing by the Insured in order for the Insured to comply with its obligations under FATCA with respect to the Policy including, for the avoidance of doubt, any document establishing the Insurer's status under FATCA and any waiver that may be required to permit reporting of any "financial account" as defined under FATCA. The Insurer agrees to provide an updated and applicable IRS Form W-9 or W-8 if there is a change in its circumstances.
  5. The Insurer will provide to the Insured, as applicable, U.S. IRS tax forms W-9 and/or W-8 from each Reinsurer on or prior to the execution of this Policy.
- L. No Confidentiality. Either party may disclose, publish or otherwise make this Policy publicly available without the consent of the other party.
- M. Public Announcements. The party drafting any news release or other public announcement or communication shall provide the other party reasonable advance notice and reasonable time to review and comment upon a draft of such news release or other public announcement or communication; provided, however, that prior to disclosure of the Policy as permitted under Article VII(L), this Article VII(M) shall not apply to a news release or other public announcement or communication that, refers to the Policy in an incidental manner and does not include any material details regarding the Policy or the parties hereto.
- N. Governing Law. This Policy and any dispute, controversy or claim arising out of or relating to this Policy (except with respect to the Trust Agreement), shall be governed by Delaware Law. For the avoidance of doubt, any dispute, controversy or claim directly related to the Trust Agreement shall be governed by the terms and conditions of the Trust Agreement, including the choice of law provision set forth therein.
- O. Insurer Delegation. At its discretion, the Insurer may delegate some or all of its duties and obligations hereunder (including those as may relate to premium and claims administration and processing) to an agent selected by the Insurer [REDACTED]. Any act or omission by an agent of the Insurer (whether or not so delegated) shall be deemed to be an act or omission of the Insurer. The Insurer and its agent are jointly and severally liable to the Insured for the performance or failure to perform the Insurer's obligations hereunder.
- P. Severability. Each of the provisions of this Policy are severable and distinct from the others, and if at any time one or more of such provisions is or becomes invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions of this Policy shall not in any way be affected or impaired thereby.
- Q. Conflict with STACR 2015-DN1 Documentation; Priority. This Policy references and incorporates various terms, operating procedures and provisions of the STACR 2015-DN1 Agreement, certain of which are reflected in the STACR 2015-DN1 Offering Circular. In the event of a conflict

between any term, operating procedure or provision of this Policy on the one hand, and any term, operating procedure or provision of the STACR 2015-DN1 Agreement or STACR 2015-DN1 Offering Circular on the other, the term, operating procedure or provision of the STACR 2015-DN1 Agreement or the STACR 2015-DN1 Offering Circular shall prevail. In the event of a conflict between a term, operating procedure or provision of the STACR 2015-DN1 Agreement and a term, operating procedure or provision of the STACR 2015-DN1 Offering Circular, the term, operating procedure or provision of the STACR 2015-DN1 Agreement shall prevail. In the event of a conflict between a term, operating procedure or provision of the Policy and a term, operating procedure or provision of the Global Agency Agreement, the term, operating procedure or provision of the Global Agency Agreement shall prevail. The Insured shall not make or agree to any amendments to the STACR 2015-DN1 Documentation without the prior written consent of the Insurer. If notwithstanding the foregoing an amendment is made to the STACR 2015-DN1 Documentation without the prior written consent of the Insurer, any such amendment shall not apply for purposes of this Policy, and the versions of the STACR 2015-DN1 Documentation that were in effect prior to such amendment shall continue to be used for purposes of this Policy.

- R. Entire Agreement. This Policy (including all exhibits hereto) constitutes the entire agreement between the Insured and the Insurer, and supersedes all prior agreements and understandings, both written and oral, among the Insured and the Insurer with respect to the subject matter of this Policy and the coverage provided hereunder.
- S. The Quota Share Contract shall include provisions substantially similar to the provisions of this Article VII (A),(B),(C)(1),(D),(E),(I),(M),(N),(O) and (P).

#### VIII. DEFINITIONS

Except as otherwise defined in this Policy or in any endorsement to this Policy, the definition of terms and phrases contained in this Policy and any endorsements to this Policy will be as set forth below.

- 1. "15% Severity Tier Percentage" means, with respect to any Premium Payment Date, a percentage equal to: the excess, if any, of:
  - (a) the lesser of (i) 1%, and (ii) the greater of the Cumulative Net Credit Event Percentage for such Premium Payment Date and the Cumulative Net Credit Event Percentage for the preceding Premium Payment Date (or in the case of the first Premium Payment Date, zero); over
  - (b) the greater of (i) 0%, and (ii) the lesser of the Cumulative Net Credit Event Percentage for such Premium Payment Date and the Cumulative Net Credit Event Percentage for the preceding Premium Payment Date.
- 2. "25% Severity Tier Percentage" means, with respect to any Premium Payment Date, a percentage equal to: the excess, if any, of:
  - (a) the lesser of (i) 2%, and (ii) the greater of the Cumulative Net Credit Event Percentage for such Premium Payment Date and the Cumulative Net Credit Event Percentage for the preceding Premium Payment Date (or in the case of the first Premium Payment Date, zero); over
  - (b) the greater of (i) 1%, and (ii) the lesser of the Cumulative Net Credit Event Percentage for such Premium Payment Date and the Cumulative Net Credit Event Percentage for the preceding Premium Payment Date.
- 3. "40% Severity Tier Percentage" means, with respect to any Premium Payment Date, a percentage equal to: the excess, if any, of:

- (a) the greater of the Cumulative Net Credit Event Percentage for such Premium Payment Date and the Cumulative Net Credit Event Percentage for the preceding Premium Payment Date (or in the case of the first Premium Payment Date, zero); over
  - (b) the greater of (i) 2%, and (ii) the lesser of the Cumulative Net Credit Event Percentage for such Premium Payment Date and the Cumulative Net Credit Event Percentage for the preceding Premium Payment Date.
- 4. "Actual Net Loss Addendum" means any addendum incorporated into this Policy and which is executed contemporaneously herewith, a copy of which is attached hereto as Exhibit E, as applicable.
- 5. "Applicable Law" means any applicable order, law, statute, regulation, license, rule, ordinance, writ, injunction, directive, judgment, decree, principle of common law, constitution or treaty enacted, promulgated, issued, enforced or entered by any Governmental Entity, including any amendments thereto that may be adopted from time to time; provided, however, that for purposes of the Insurer's compliance with Article III(H) of this Policy, under no circumstances shall this definition confer or be deemed to confer in, on or to the Insured any right to enact, promulgate, issue, enforce or enter any order, law, statute, regulation, license, rule, ordinance, writ, injunction, directive, judgment, decree, principle of common law, constitution or treaty.
- 6. "Applicable Severity" means, with respect to each Premium Payment Date, a percentage equal to:
  - (a) the sum of (i) the product of 15% and the 15% Severity Tier Percentage, (ii) the product of 25% and the 25% Severity Tier Percentage, and (iii) the product of 40% and the 40% Severity Tier Percentage; divided by
  - (b) the sum of the 15% Severity Tier Percentage, the 25% Severity Tier Percentage, and the 40% Severity Tier Percentage.
- 7. "Business Day" means a day other than (i) a Saturday or Sunday or (ii) a day on which the offices of the Insurer, Reinsurer, Insured, the corporate trust offices of the Global Agent (currently located at 5022 Gateway Parkway, Jacksonville, FL, 32256), or the banking institutions in the city of New York are authorized or obligated by law or executive order to be closed.
- 8. "Calculated Recovery Principal" means, with respect to any Premium Payment Date, the sum of: (a) the Credit Event Amount for such Premium Payment Date, minus the Calculated Tranche Write-down Amount for such Premium Payment Date; and (b) the Calculated Tranche Write-up Amount for such Premium Payment Date.
- 9. "Calculated Tranche Write-down Amount" means, with respect to any Premium Payment Date, the product of (a) the Net Credit Event Amount for such Premium Payment Date, and (b) the Applicable Severity for such Premium Payment Date.
- 10. "Calculated Tranche Write-up Amount" means, with respect to any Premium Payment Date, an amount equal to the sum of:
  - (a) the product of:
    - (i) the Net Reversed Credit Event Amount for such Premium Payment Date; and
    - (ii) the Applicable Severity for such Premium Payment Date; and
  - (b) the Origination Rep and Warranty Settlement Amount for such Premium Payment Date.

11. "Claim" means that claim for the recovery of the Covered Amount that is filed by the Insured against the Insurer pursuant to the terms of this Policy by means of a Proof of Loss.
12. "Class" means a class of Reference Tranche.
13. "Class A-H Reference Tranche" means a Reference Tranche associated with the Reference Pool with an Initial Subordination and Credit Enhancement of 4.50% in respect of the Reference Pool and a Class Notional Amount as of the Cut-off Date of \$26,399,583,737.
14. "Class B Notes" has the meaning set forth in the STACR 2015-DN1 Offering Circular.
15. "Class B Reference Tranche" means a Reference Tranche associated with the Reference Pool that is pro rata with the Class B-H Reference Tranche, with an Initial Class Notional Amount of \$75,000,000, and which, together with the Class B-H Reference Tranche, has an Initial Subordination and Credit Enhancement of 0.00% in respect of the Reference Pool.
16. "Class B-H Reference Tranche" means a Reference Tranche associated with the Reference Pool that is pro rata with the Class B Reference Tranche, with an Initial Class Notional Amount of \$201,435,432, and which, together with the Class B Reference Tranche, has an Initial Subordination and Credit Enhancement of 0.00% in respect of the Reference Pool.
17. "Class M-1 Notes" has the meaning set forth in the STACR 2015-DN1 Offering Circular.
18. "Class M-1 Reference Tranche" means a Reference Tranche associated with the Reference Pool that is pro rata with the Class M-1H Reference Tranche, with an Initial Class Notional Amount of \$230,000,000, and which, together with the Class M-1H Reference Tranche, has an Initial Subordination and Credit Enhancement of 3.50% in respect of the Reference Pool.
19. "Class M-1H Reference Tranche" means a Reference Tranche associated with the Reference Pool that is pro rata with the Class M-1 Reference Tranche, with an Initial Class Notional Amount of \$46,435,432, and which, together with the Class M-1 Reference Tranche, has an Initial Subordination and Credit Enhancement of 3.50% in respect of the Reference Pool.
20. "Class M-2 Notes" has the meaning set forth in the STACR 2015-DN1 Offering Circular.
21. "Class M-2 Reference Tranche" means a Reference Tranche associated with the Reference Pool that is pro rata with the Class M-2H Reference Tranche, with an Initial Class Notional Amount of \$230,000,000, and which, together with the Class M-2H Reference Tranche, has an Initial Subordination and Credit Enhancement of 2.50% in respect of the Reference Pool.
22. "Class M-2H Reference Tranche" means a Reference Tranche associated with the Reference Pool that is pro rata to the Class M-2 Reference Tranche, with an Initial Class Notional Amount of \$46,435,432, and which, together with the Class M-2 Reference Tranche, has an Initial Subordination and Credit Enhancement of 2.50% in respect of the Reference Pool.
23. "Class M-3 Notes" has the meaning set forth in the STACR 2015-DN1 Offering Circular.
24. "Class M-3 Reference Tranche" means a Reference Tranche associated with the Reference Pool that is pro rata with the Class M-3H Reference Tranche, with an Initial Class Notional Amount of \$345,000,000, and which, together with the Class M-3H Reference Tranche, has an Initial Subordination and Credit Enhancement of 1.00% in respect of the Reference Pool.
25. "Class M-3H Reference Tranche" means a Reference Tranche associated with the Reference Pool that is pro rata to the Class M-3 Reference Tranche, with an Initial Class Notional Amount of \$69,653,148, and which, together with the Class M-3 Reference Tranche, has an Initial Subordination and Credit Enhancement of 1.00% in respect of the Reference Pool.

26. "Class Notional Amount" means the notional amount associated with each Class of Reference Tranche, adjusted in accordance with Article VI(B). The Initial Class Notional Amount associated with each Class of Reference Tranche is set forth in the definition for each such Class of Reference Tranche.
27. "Covered Amount" means, with respect to a Loss, the amount set forth in Article I.
28. "Credit Event" means, with respect to any Premium Payment Date and any Reference Obligation, the first to occur of any of the following events with respect to such Reference Obligation being reported by the applicable servicer to the Insured during the related Reporting Period: (i) 180 days or more delinquent (regardless if such Reference Obligation is performing during a trial modification period), (ii) a short sale is settled, (iii) the related Mortgage Note is sold to a third party during the foreclosure process, (iv) a deed in lieu of foreclosure is executed, or (v) a REO acquisition occurs. Notwithstanding anything herein to the contrary, Freddie Mac will not, for a period of 18 months, declare a Credit Event based on a delinquency of 180 days or more with respect to any Reference Obligation that is affected by a natural disaster. Such 18-month period will commence the month the applicable servicer begins reporting to Freddie Mac that such Reference Obligation was affected by a natural disaster. Upon the expiration of such 18-month period, any Reference Obligation that is 180 days or more delinquent will immediately become a Credit Event Reference Obligation. Determination of delinquency will be made using the "MBA delinquency method." Under the MBA delinquency method, a loan due on the first of the month is considered 30 days delinquent when all or part of one or more payments remains unpaid as of close of business on the last Business Day of such month. For the avoidance of doubt, with respect to any Credit Event Reference Obligation, there can only be one occurrence of a Credit Event; provided that one additional separate Credit Event can occur with respect to each instance of such Credit Event Reference Obligation becoming a Reversed Credit Event Reference Obligation.
29. "Credit Event Amount" means, with respect to any Premium Payment Date, the aggregate amount of the Credit Event UPBs of all Credit Event Reference Obligations for the related Reporting Period.
30. "Credit Event Reference Obligation" means, with respect to any Premium Payment Date, any Reference Obligation with respect to which a Credit Event has occurred.
31. "Credit Event UPB" means, with respect to any Credit Event Reference Obligation, the unpaid principal balance thereof as of the end of the Reporting Period related to the Premium Payment Date that it became a Credit Event Reference Obligation.
32. "Cumulative Net Credit Event Percentage" means, with respect to each Premium Payment Date, a percentage equal to (i) the aggregate Credit Event Amount for such Premium Payment Date and all prior Premium Payment Dates less the aggregate Reversed Credit Event Amount for such Premium Payment Date and all prior Premium Payment Dates; divided by (ii) the aggregate unpaid principal balance of the Reference Obligations in the Reference Pool as of the Cut-off Date.
33. "Cumulative Net Credit Event Test" means, with respect to any Premium Payment Date, a test that will be satisfied if the Cumulative Net Credit Event Percentage does not exceed the applicable percentage indicated below:

| <u>Premium Payment Date occurring in the period</u> | <u>Percentage</u> |
|---|-------------------|
| February 2015 to January 2016.....                  | 0.25%             |
| February 2016 to January 2017.....                  | 0.50%             |
| February 2017 to January 2018.....                  | 0.75%             |
| February 2018 to January 2019.....                  | 1.00%             |
| February 2019 to January 2020.....                  | 1.25%             |

|                                    |       |
|------------------------------------|-------|
| February 2020 to January 2021..... | 1.50% |
| February 2021 to January 2022..... | 1.75% |
| February 2022 to January 2023..... | 2.00% |
| February 2023 to January 2024..... | 2.25% |
| February 2024 and thereafter ..... | 2.50% |

34. "Cut-off Date" means close of business on December 15, 2014.
35. "Cut-off Date Balance" means \$ 27,643,543,181; the aggregate unpaid principal balance of the Reference Obligations as of the Cut-Off Date.
36. "Effective Date" has the meaning set forth in the Declarations.
37. "Eligible Assets" means those assets deposited by the Reinsurer in the Trust Account as security for its performance obligations hereunder and under the Quota Share Contract, and shall be limited as set forth in the Trust Agreement.
38. "Eligibility Criteria" has the meaning set forth in Article VI(A)(2) of this Policy.
39. "Expiry Date" has the meaning set forth in the Declarations.
40. "Global Agent" means Deutsche Bank Trust Company Americas, or any such successor entity under the STACR 2015-DN1 Agreement.
41. "Governmental Entity" means any foreign, domestic, federal, territorial, state or local governmental or independent regulatory authority, quasi-governmental authority, instrumentality, court or government, self-regulatory organization, commission, tribunal or organization or any political or other subdivision, department, branch or representative of any of the foregoing, and shall include the Federal Housing Finance Agency, in its role as conservator and regulator of the Insured, as well as the [REDACTED], in its role as regulator (and, as applicable, rehabilitator or any like role) of the Insurer.
42. "I&L Agreement" means the interests and liabilities agreement evidencing a Reinsurer's interests and liabilities with respect to its quota share of 100% of the risk ceded by the Insurer, and into which the Quota Share Contract is incorporated upon the signing by the (a) Reinsurer of the I&L Agreement, and (b) Insurer of both the Quota Share Contract and the I&L Agreement.
43. "Initial Class Notional Amount" has the meaning set forth in Article VI(B)(1).
44. "Initial Subordination and Credit Enhancement" means, in respect of a Class or Classes of Reference Tranches, an amount equal to the percentage of the Cut-off Date Balance of the Reference Pool represented by the aggregate Initial Class Notional Amount of the Class or Classes of Reference Tranches subordinate to the subject Class or Classes of Reference Tranches.
45. "Insurance Application" means all information provided by or on behalf of the Insured to the Insurer prior to the Policy Period, as set forth in the STACR 2015-DN1 Documentation.
46. "Insured" means the entity named in the Declarations.
47. "Insured Percentage" means the percentage of coverage corresponding to each Reference Tranche specified in the Declarations.

48. "Insured Tranche" means either the Class M-1H Reference Tranche or the Class M-2H Reference Tranche or the Class M-3H Reference Tranche or the Class B-H Reference Tranche (and together, the "Insured Tranches").
49. "Insurer" means the entity named in the Declarations, and, with respect to performance of premium and claims administration obligations hereunder, shall be deemed to include any agent of the Insurer responsible in whole or in part for discharging such obligations, such as [REDACTED]
50. "Knowledge" or "Knowing" means actual knowledge, after performing diligent inquiry.
51. "Loss" has the meaning set forth in Article I.
52. "Material" as used in connection with the Insurance Application means information that a reasonable Person in the position of the Insurer would require to properly evaluate the risk associated with the Policy.
53. "Maturity Date" means the Premium Payment Date in January 2025.
54. "Minimum Credit Enhancement Test" means, with respect to any Premium Payment Date, a test that will be satisfied if the Subordinate Percentage is greater than or equal to 5.0%.
55. "Mortgage Loan" means a Reference Obligation evidenced by a promissory note or other similar evidence of indebtedness secured by a first mortgage, deed of trust or similar security instrument on a residential property.
56. "Mortgage Note" means a promissory note or similar evidence of indebtedness.
57. "Net Credit Event Amount" means, with respect to any Premium Payment Date, the excess, if any, of the Credit Event Amount over the Reversed Credit Event Amount for such Premium Payment Date.
58. "Net Reversed Credit Event Amount" means, with respect to each Premium Payment Date, the excess, if any, of the Reversed Credit Event Amount over the Credit Event Amount for such Premium Payment Date.
59. "Origination Rep and Warranty Settlement" means any settlement (which settlement only relates to claims arising from breaches of origination representations and warranties) that the Insured enters into with a seller or servicer in lieu of requiring such seller or servicer to repurchase a specified pool of Mortgage Loans which include, among others, one or more Reference Obligations, as a result of breaches of origination representations or warranties whereby the Insured has received the agreed-upon settlement proceeds from such seller or servicer. For the avoidance of doubt, any settlement that the Insured may enter into with a servicer in connection with a breach by such servicer of its servicing obligations to the Insured with respect to Reference Obligations will not be included in any Origination Rep and Warranty Settlement.
60. "Origination Rep and Warranty Settlement Amount" means (I) with respect to the Premium Payment Date in the month after the calendar month in which an Origination Rep and Warranty Settlement occurs, the lesser of (a) the product of (i) the aggregate of the Credit Event Amounts of the Origination Rep and Warranty Settlement Reference Obligations for such Premium Payment Date and all prior Premium Payment Dates, less the aggregate of the Reversed Credit Event Amounts of the Origination Rep and Warranty Settlement Reference Obligations for such Premium Payment Date and all prior Premium Payment Dates; and (ii) the Applicable Severity of such Premium Payment Date; and (b) the Origination Rep and Warranty Settlement Loan Allocation Amount (Cap); and, (II) with respect to each Premium Payment Date thereafter, the lesser of (a) the product of (i) the aggregate of the Net Credit Event



Amounts of the Origination Rep and Warranty Settlement Reference Obligations for such Premium Payment Date; and (ii) the Applicable Severity of such Premium Payment Date; and (b) the maximum of (i) 0; and (ii) the Origination Rep and Warranty Settlement Loan Allocation Amount (Cap), less the Origination Rep and Warranty Settlement Amount for all prior Premium Payment Dates.

61. "Origination Rep and Warranty Settlement Loan Allocation Amount (Cap)" means with respect to any Origination Rep and Warranty Settlement, an amount equal to the product of (a) the settlement proceeds received by the Insured in connection with such Origination Rep and Warranty Settlement and (b) the percentage expressed as a fraction, (i) the numerator of which is the settlement proceeds that the Insured has received for Origination Rep and Warranty Settlement Reference Obligations through the Origination Rep and Warranty Settlement date, plus, the current unpaid principal balance of outstanding repurchase requests (issued by the Insured to the applicable seller or servicer) for Origination Rep and Warranty Settlement Reference Obligations as of the Origination Rep and Warranty Settlement date; and (ii) the denominator of which is the settlement proceeds that the Insured has received for all the Mortgage Loans (including, among others, Origination Rep and Warranty Settlement Reference Obligations) covered by such Origination Rep and Warranty Settlement through the Origination Rep and Warranty Settlement date, plus, the current unpaid principal balance of outstanding repurchase requests (issued by the Insured to the applicable seller or servicer) for all the Mortgage Loans (including, among others, Origination Rep and Warranty Settlement Reference Obligations) covered by such Origination Rep and Warranty Settlement as of the Origination Rep and Warranty Settlement date.
62. "Origination Rep and Warranty Settlement Reference Obligations" mean the Reference Obligations (including Credit Event Reference Obligations) that are covered by an Origination Rep and Warranty Settlement.
63. "Payment Date Statement" means the monthly report prepared by the Global Agent, which such report sets forth certain information relating to, among other things, the Reference Pool and the Classes of Reference Tranches.
64. "Person" means any natural person, corporation, limited partnership, general partnership, association, company, limited liability company, trust, business trust, statutory trust, trustee, Governmental Entity or other organization, whether or not a legal entity.
65. "Premium" means the amounts payable from the Insured to the Insurer, as set forth in the Declarations.
66. "Premium Payment Date" means the twenty-fifth (25th) day of each month (or, if such day is not a Business Day, then on the next succeeding Business Day).
67. "Policy Limit of Liability" means the amount approved by the Insurer in the Declarations as the maximum amount payable for all Covered Amounts under this Policy.
68. "Policy Period" means the period beginning with the Effective Date shown in the Declarations and ending on the Expiry Date shown in the Declarations, unless this Policy is canceled earlier in accordance with the terms of this Policy.
69. "Proof of Loss" means the Insured's executed notice of Claim and proof of Loss (i.e., the Payment Date Statement applicable to the Premium Payment Date to which the Loss relates), in the Form of Exhibit D.
70. "Quota Share Contract" means the quota share reinsurance agreement entered into by and between the Insurer and the Reinsurer by virtue of incorporation of the Quota Share Contract

into the I&L Agreement upon the signing of the former by the Insurer and the signing of the latter by the Insurer and the Reinsurer.

71. "Reference Obligation" has the meaning set forth in Article VI(A)(1).
72. "Reference Pool Removal" has the meaning set forth in Article VI(A)(3).
73. "Reference Tranche" has the meaning set forth in Article VI(B)(1).
74. "Reference Transaction" has the meaning assigned in the Declarations.
75. "Reinsurer" means, individually and collectively, any and all duly licensed reinsurance entities approved by the Insured to be counterparties to any I&L Agreement into which the Quota Share Contract is incorporated.
76. "REO" means real estate owned, as the term is commonly understood in the mortgage industry.
77. "Reporting Period" has the meaning set forth in Article VI(B)(6).
78. "Reversed Credit Event Amount" means, with respect to any Premium Payment Date, the aggregate amount of the Credit Event UPBs of all Reversed Credit Event Reference Obligations for the related Reporting Period.
79. "Reversed Credit Event Reference Obligation" means, with respect to any Premium Payment Date, a Reference Obligation formerly in the Reference Pool that became a Credit Event Reference Obligation in a prior Reporting Period that is found in the related Reporting Period, through the Insured's quality control process, to have an Underwriting Defect or a data correction that invalidates the previously determined Credit Event.
80. "Scheduled Principal" means, with respect to any Premium Payment Date, the sum of all monthly scheduled payments of principal due (whether with respect to the related Reporting Period or any prior Reporting Period) on the Reference Obligations and reported to the Insured and collected by the related servicer during the related Reporting Period.
81. "Senior Percentage" means, with respect to any Premium Payment Date, the percentage equivalent of a fraction, the numerator of which is the Class Notional Amount of the Class A-H Reference Tranche immediately prior to such Premium Payment Date and the denominator of which is the aggregate unpaid principal balance of the Reference Obligations at the end of the previous Reporting Period.
82. "Senior Reduction Amount" means, with respect to any Premium Payment Date, either:
  - (A) with respect to each Premium Payment Date, if either the Minimum Credit Enhancement Test or the Cumulative Net Credit Event Test is not satisfied, the sum of:
    - (i) the Senior Percentage of the Scheduled Principal for such Premium Payment Date;
    - (ii) 100% of the Unscheduled Principal for such Premium Payment Date; and
    - (iii) 100% of the Calculated Recovery Principal for such Premium Payment Date; or
  - (B) with respect to each Premium Payment Date, if both the Minimum Credit Enhancement Test and the Cumulative Net Credit Event Test are satisfied, the sum of:
    - (i) the Senior Percentage of the Scheduled Principal for such Premium Payment Date;

- (ii) the Senior Percentage of the Unscheduled Principal for such Premium Payment Date; and
  - (iii) 100% of the Calculated Recovery Principal for such Premium Payment Date.
83. "STACR 2015-DN1 Agreement" means the STACR 2015-DN1 Debt Agreement dated as of February 3, 2015, as it may be amended or supplemented from time to time, and attached to this Policy as Exhibit A.
84. "STACR 2015-DN1 Documentation" means, collectively, the STACR 2015-DN1 Agreement, the STACR 2015-DN1 Offering Circular, and the STACR 2015-DN1 Global Agency Agreement.
85. "STACR 2015-DN1 Global Agency Agreement" means the agreement between the Insured and the Global Agent, dated February 3, 2015, a copy of which is attached to this Policy as Exhibit C.
86. "STACR 2015-DN1 Offering Circular" means *The Freddie Mac STACR 2015-DN1 Debt Notes, Series 2015-DN1 Offering Circular* dated January 28, 2015 (including any related supplement thereto) attached to this Policy as Exhibit B.
87. "Subordinate Percentage" means, with respect to any Premium Payment Date, the percentage equal to 100% minus the Senior Percentage for such Premium Payment Date.
88. "Subordinate Reduction Amount" means, with respect to any Premium Payment Date, the sum of the Scheduled Principal, Unscheduled Principal and Calculated Recovery Principal for such Premium Payment Date, less the Senior Reduction Amount.
89. "Termination Date" means the earlier of (i) the Maturity Date, (ii) the date on which any cancellation under Article VII(C) takes effect, or (iii) the date on which the full benefit of the insurance coverage provided by this Policy has been fulfilled.
90. "Trust Account" means the trust account established and maintained for the sole benefit of the beneficiary thereunder, pursuant to the terms of the Trust Agreement.
91. "Trust Agreement" means the trust agreement (including any supplement to such agreement) entered into among the Reinsurer, as the grantor, the Insured, as the beneficiary, and the Bank of New York, as the trustee.
92. "Unconfirmed Underwriting Defect" means with respect to any Reference Obligation, the existence of the following, as determined by the Insured in its sole discretion: (i) there is a material violation of the underwriting guidelines and other requirements in the Freddie Mac Single Family Seller/Service Guide (as modified by the terms of the related seller's contract, including any related terms of business) with respect to such Reference Obligation, (ii) the Insured determines that as of the origination date such Reference Obligation was secured by collateral that was inadequate or (iii) the Insured determines that as of the origination date repayment in full on such Reference Obligation from the related mortgagor could not be expected. For the avoidance of doubt, Reference Obligations with minor technical violations or missing documentation, which in each case the Insured determines to be acceptable Reference Obligations, will not result in an Unconfirmed Underwriting Defect.
93. "Underwriting Defect" means with respect to any Premium Payment Date and any Reference Obligation for which the Insured has determined the existence of an Unconfirmed Underwriting Defect, the occurrence of any of the following: (i) such Reference Obligation is repurchased by the related seller or servicer during the related Reporting Period, (ii) in lieu of repurchase, an alternative remedy (such as indemnification) is mutually agreed upon by both the Insured and the seller or servicer during the related Reporting Period, (iii) the Insured in its sole discretion

elects to waive the enforcement of a remedy against the seller or servicer in respect of such Unconfirmed Underwriting Defect during the related Reporting Period, or (iv) the party responsible for the representations and warranties and/or servicing obligations or liabilities with respect to the Reference Obligation becomes subject to a bankruptcy, insolvency proceeding or a receivership. For the avoidance of doubt, if, through the Insured's quality control process, a loan were discovered to have an Underwriting Defect and the seller of the loan were declared insolvent or bankrupt; then one of the two things will happen depending upon whether or not the loan has suffered a Credit Event: (a) should the loan have suffered a Credit Event, then such Credit Event will be reversed through the Claim Refund process set forth in Article II(J); or (b) Should the loan have not suffered a Credit Event, then it will be removed pursuant to Reference Pool Removal and the unpaid principal balance of the loan will be treated as *Unscheduled Principal*.

94. "Unscheduled Principal" means, with respect to any Premium Payment Date, the sum of:

- (a) all partial principal prepayments on the Reference Obligations collected during the related Reporting Period, *plus*
- (b) the aggregate unpaid principal balance of all Reference Obligations that became Reference Pool Removals during the related Reporting Period other than Credit Event Reference Obligations or any Reversed Credit Event Reference Obligations, *plus*
- (c) negative adjustments in the unpaid principal balance of all Reference Obligations as the result of loan modification or data corrections, *minus*
- (d) positive adjustments in the unpaid principal balance of all Reference Obligations as the result of loan modification, reinstatements into the Reference Pool of Reference Obligations that were previously removed from the Reference Pool in error, or data corrections.

In the event the amount in clause (d) above exceeds the sum of the amounts in clauses (a), (b), and (c) above, the *Unscheduled Principal* for the applicable Premium Payment Date will be zero, and the Class Notional Amount for the Class A-H Reference Tranche will be increased by the amount that the amount in clause (d) above exceeds the sum of the amounts in clauses (a), (b), and (c) above. In the event that the Class Notional Amount for the Class A-H Reference Tranche is so increased as described in the prior sentence, this would have the effect of increasing the Senior Percentage and correspondingly reducing the Subordinate Percentage, which would have a negative impact on the Notes in respect of the calculations of the Senior Reduction Amount and the Subordinate Reduction Amount, as described above. In the event that the Insured were to ever employ a policy that permitted or required principal forgiveness as a loss mitigation alternative, any principal that may be forgiven with respect to a Reference Obligation will be treated as a negative adjustment in unpaid principal balance of such Reference Obligation pursuant to clause (c) above.

IN WITNESS HEREOF, each of the Insurer and Insured has caused this Policy to be executed on its behalf and signed in the Declarations by its duly authorized representative.

**EXHIBIT A**

**STACR 2015-DN1 AGREEMENT**

*(Attached)*

**EXHIBIT B**

**STACR 2015-DN1 OFFERING CIRCULAR**

*(Attached)*

EXHIBIT C

STACR 2015-DN1 GLOBAL AGENCY AGREEMENT

*(Attached)*

EXHIBIT D

NOTICE OF CLAIM AND PROOF OF LOSS

(Date)

[REDACTED]

Re: Notice of Claim and Proof of Loss

Pursuant to the terms of the Credit Insurance Policy issued by [REDACTED] (the "Insurer"), policy no. [REDACTED] (the "Policy"), the undersigned authorized representative of Federal Home Loan Mortgage Corporation, also known as Freddie Mac, a government-sponsored enterprise chartered by the U.S. Congress (the "Insured"), hereby submits this notice of Claim and Proof of Loss in accordance with the terms of the Policy in order to provide required information with respect to a Loss, and obtain payment of the associated Covered Amount. Terms not defined herein shall have the meaning set forth in the Policy.

1. **Beginning Class Notional Amount**  
relating to the applicable  
Insured Tranche: as of the applicable Premium Payment Date
2. **Calculated Tranche Write-down Amount**  
relating to such Insured Tranche as of the  
applicable Premium Payment Date:
3. **Loss:**
4. **Insured Percentage:**  
  
Class M-1H Reference Tranche – 29.473457%  
Class M-2H Reference Tranche – 29.473457%  
Class M-3H Reference Tranche – 45.613684%  
Class B-H Reference Tranche – 25.095912%
5. **Covered Amount:**

(attach the Payment Date Statement)

IN WITNESS WHEREOF, the undersigned authorized representative of the Insured has executed this Proof of Loss as of (Date).

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By:  
Name:  
Title:



EXHIBIT E

**ACTUAL NET LOSS ADDENDUM**

*(Attached, if applicable)*

