

ACIS 2018-HQA1

INSURANCE POLICY

DECLARATIONS

Policy Number: [REDACTED]

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

EFFECTIVE DATE: March 28, 2018

TERMINATION DATE: As defined in Article VIII.

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

Contact Information:

Freddie Mac
8200 Jones Branch Drive
McLean, Virginia 22102

With a copy to:

Freddie Mac
8200 Jones Branch Drive
McLean, Virginia 22102

Item 2. Insurer and Insurer's Jurisdiction:

Contact Information:

Item 3. Reference Transaction:

A certain pool (Reference Pool) of residential mortgage loans (Reference Obligations) with an initial aggregate UPB as of the Cut-off Date equal to the Cut-off Date Balance. The Reference

Obligations were acquired by the Insured between April 1, 2017 and September 30, 2017. The Reference Obligations meet the Eligibility Criteria, all as more specifically described below, and in the STACR Agreement.

- Item 4. Cut-off Date:** The close of business on February 15, 2018.
- Item 5. Cut-off Date Balance:** The aggregate UPB of the Reference Obligations as of the Cut-off Date, as set forth in Annex 1.
- Item 6. Insurance Type:** Aggregate Excess of Loss Credit insurance.
- Item 7. 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 the aggregate Policy Limit of Liability set forth in Annex 1 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) the Policy Limit of Liability for the Class M-1H Reference Tranche set forth in Annex 1 minus any Covered Amounts previously paid to that point;
- (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) the Policy Limit of Liability for the Class M-2H Reference Tranche set forth in Annex 1 minus any Covered Amounts previously paid to that point;
- (c) for the Class B-1H Reference Tranche, the lesser of (i) the product of the Class B-1H Reference Tranche Insured Percentage and the Class Notional Amount of the Class B-1H Reference Tranche at such time, or (ii) the Policy Limit of Liability for the Class B-1H Reference Tranche set forth in Annex 1 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) above will be adjusted based on the application of allocated Scheduled Principal, Unscheduled Principal, Modification Loss Amounts, Modification Gain Amounts, and Covered Amounts paid with respect to each of the Class M-1H Reference Tranche, Class M-2H Reference Tranche, and Class B-1H Reference Tranche, as applicable.

- Item 8. Insured Percentage:** The applicable Insured Percentage, as set forth in Annex 1 for each Reference Tranche.

- Item 9. Annual Premium Rate & Premium Payment:**



Item 10. Delivery Location:

Item 11. Maturity Date:

The Premium Payment Date in September 2030

Item 12. Early Call Option Fee:

Item 13. 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) or any Early Call Option Fee, 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).

Item 14. Payment Currency:

United States of America Dollars.

Item 15. Policy All-Inclusive:

This Policy is comprised of this Declarations Page (including Annex 1 hereto), the various terms and provisions attached to this Policy, and all exhibits and schedules 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."

Transaction-Specific Details for Policy Number

("Annex 1")

Associated STACR Transaction: STACR 2018-HQA1

Item 5: Cut-off Date Balance

a. \$40,102,078,191

	Item 7: Policy Limit of Liability	Item 8: Insured Percentages	Item 9: Annual Premium Rate
a. Aggregate	\$306,590,621.55		
b. Class M-1H Reference Tranche	\$66,765,024.30		
c. Class M-2H Reference Tranche	\$192,173,664.34		
d. Class B-1H Reference Tranche	\$47,651,932.91		

Article II (I): Retention Percentage

a. 5%
b. 75%

Minimum Retention Percentage
Class B-2 and Class B-2H Minimum Retention Percentage

Definitions:

a.	<u>Class of Reference Tranches</u>	<u>Initial Class Notional Amou</u>
	A-H	\$38,497,995,063
	M-1	\$225,000,000
	M-1H	\$95,816,625
	M-2	\$620,000,000
	M-2H	\$262,245,721
	B-1	\$140,000,000
	B-1H	\$60,510,391
	B-2H	\$200,510,391
b.	<u>Class of Reference Tranches</u>	<u>Initial Subordination</u>
	A-H	4.00%
	M-1 and M-1H	3.20%
	M-2 and M-2H	1.00%
	B-1 and B-1H	0.50%
	B-2H	0.00%
c.	Minimum Credit Enhancement Test	4.25%

(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 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, 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 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 (such product the "Covered Amount"), which obligation of the Insurer shall be performed strictly in accordance with the terms of this Policy under all circumstances. 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) calendar days after the Effective Date and maintain 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, and the Insurer hereby agrees that the Quota Share Contract and each I&L Agreement may not be amended without the prior written consent of the Insured. 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 COVENANTS AND AGREEMENTS OF THE INSURED

In accepting this Policy, the Insured hereby covenants and agrees to, or represents and warrants, the following to the Insurer and the Reinsurer, as applicable:

- A. Information in the statements and information provided to the Insurer and the Reinsurer 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 or the Reinsurer that would reasonably affect the decision of an insurer or reinsurer of risks similar to the risk under this Policy, and as of the Effective Date, the Insured has no Knowledge of any circumstance which could give rise to or increase the likelihood of a Covered Amount becoming due at any time during the Policy Period.
- C. Exhibits A through C inclusive are true and complete copies of the STACR 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 this Policy.
- F. The Insured is accepting delivery of this Policy in the location set forth in Item 10 of the Declarations.
- G. This 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 this 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 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 or the Reinsurer 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 this Policy.
- I. At all times during the Policy Period, the Insured shall retain a percentage of the credit loss exposure to the Reference Tranches that is no less than the Minimum Retention Percentage set forth in Annex 1, except that the Insured shall retain one-hundred percent (100%) of the credit loss exposure to the Class B-2H Reference Tranche.
- 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 Tranche Write-up Amount, then the Insured shall refund to the Insurer an amount equal to the product of (i) such 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 following 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, including Covered Amounts associated with a Tranche Write-down Amount applied to any Overcollateralization Amount pursuant to Article VI(B)(5).
- 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 Insurer or the Reinsurer, or if the Insured were to withdraw Assets from the Trust Account, then, only and solely to the 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.
- L. The Insured acknowledges and agrees that the Insurer and the Reinsurer are relying upon the representations and warranties of the Insured set forth above.

III. WARRANTIES AND CERTAIN COVENANTS AND AGREEMENTS OF THE INSURER

The Insurer hereby covenants and agrees to, or represents and warrants, the following to the Insured, as applicable:

[REDACTED]

[REDACTED]

[REDACTED]

- D. The Insurer has taken all corporate action required to authorize the execution and delivery of this 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, this Policy.
- F. If the Insurer appoints a Managing Agent, then (i) the Managing Agent (a) is and shall remain licensed by Applicable Law and in good standing, (b) is duly authorized to fully bind the Insurer to provide coverage to the Insured and/or manage any administrative matters, as applicable, as defined in this Policy, and (ii) any defenses from and against the execution and/or administration of this Policy by the Managing Agent on behalf of the Insurer are waived to the fullest extent permitted by Applicable Law. Any act or omission by the Managing Agent (whether or not related to a duty or obligation outsourced or delegated to it by the Insurer) shall be deemed to be an act or omission of the Insurer, and the Insurer shall be liable to the Insured for the Managing Agent's performance or failure to perform its and the Insurer's obligations hereunder. For the avoidance of doubt, (1) a term of this Policy shall control over any conflicting term of any agreement between the Insurer and any third-party, including, but not limited to, the Managing Agent, regarding the timing and payment of claims, (2) any dispute between the Insurer and any third-party, including, but not limited to, the Managing Agent, whether subject to arbitration, litigation, any other legal proceeding, or any alternative dispute resolution (including any related settlement) will not supersede or result in delays to the timing and payment of claims as set forth in Article V, and (3) payments by the Insurer to and through the Managing Agent shall be deemed

payment to the Insured only to the extent that such payments are actually received by the Insured.

- G. This 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.
- H. The execution and delivery by the Insurer of this Policy, and the performance by the Insurer under this 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 this Policy.
- I. 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, but not limited to, to the extent applicable, the conditions attached to its license or with any directions to the Insurer issued by the insurance regulator in the Insurer's Jurisdiction under Applicable Law. The Insurer has not made any reductions of capital or paid any dividends or distributions in the past two (2) years that have not complied with Applicable Law in the Insurer's Jurisdiction.
- J. The Insurer is currently in compliance with the requirement applicable to the Insurer to provide to the insurance regulator in the Insurer's Jurisdiction statutory financial statements and audited financial statements in respect of its insurance business and is currently in compliance in all material respects with Applicable Law in the Insurer's Jurisdiction. The Insurer shall provide to the Insured copies of any such financial statements and any declarations required to be filed with the insurance regulator in the Insurer's Jurisdiction pursuant to Applicable Law in the Insurer's Jurisdiction within five (5) Business Days following any request by the Insured therefor.
- K. The Insurer is, and will use its best efforts to remain, operating in accordance with the solvency, liquidity and capital requirements imposed by the Insurer's Jurisdiction. The Insurer is, and after issuance of this Policy will be, solvent, including by all applicable standards of solvency under the Applicable Law in the Insurer's Jurisdiction.
- L. There are no pending or, to Insurer's Knowledge, threatened actions, suits, investigations or proceedings ("Proceedings") by or against the Insurer which are materially adverse (as determined under Applicable Law) 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 (2) years.
- M. Without derogating from the generality of Article III(I), none of the Insurer, any of its direct or indirect subsidiaries, any shareholder that holds ten percent (10%) or more of the outstanding voting securities 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.

- N. 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, and the Insurer has received, sufficient information for this purpose. In entering into this Policy, the Insurer further represents and warrants that it had such information as it deemed necessary and sufficient to enter into this Policy. In entering into this Policy, the Insurer is not relying on any representation as to any past or present fact or circumstance, or on any representation, prediction or estimation as to any future fact or circumstance, whatsoever made by or on behalf of the Insured, except for the representations and warranties made by the Insured in Article II. Prior to the Insurer's execution and delivery of this Policy, the Insurer has (i) been given the opportunity to ask questions of, and receive answers from, the Insured concerning the terms and conditions of this Policy and the subject matter of this Policy and (ii) been given the opportunity to review all the information, as identified in this Policy, which represents all the information necessary to evaluate the risks and merits of entering into and performing 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 this Policy or as to the accuracy or completeness of any of the information (including, but not limited to, 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.
- O. Without derogating from the generality of Article III(I), the Insurer is compliant with the U.S. Foreign Account Tax Compliance Act.
- P. 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.
- Q. The Quota Share Contract shall include written representations and warranties substantially similar to those set forth in this Article III(A) and (D) through (P).
- R. The Insurer acknowledges and agrees that the Insured is relying upon the representations and warranties of the Insurer set forth above.

IV. LIMITATIONS OF LIABILITY

The Insurer's total liability for all Covered Amounts under this Policy shall not exceed the Policy Limit of Liability. Each payment made by or on behalf of the Insurer in discharge of its obligations under this Policy (including any payment made from the Trust Account): (i) shall be deemed to have been made by the Insurer and (ii) 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 "www.sf.citidirect.com" or any other website that may be

established by the Global Agent, provided the Insurer has agreed to the Global Agent's requirements for such access. 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. Following the occurrence of a Loss, the Insured shall submit to the Insurer a Proof of Loss within thirty (30) calendar days following the publication of the corresponding 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 following the date of such filing, the Insurer shall verify that the Class Notional Amount, the 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 Tranche Write-down Amount or the Tranche Write-up Amount shall, absent manifest error, be binding on the Insurer and the Insured. Absent manifest error, 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. Within five (5) Business Days following the Insurer's receipt of a Proof of Loss from the Insured, the Insurer shall either (i) provide written notice of its acceptance of such Proof of Loss to the Insured and the Reinsurer, clearly stating that such Proof of Loss has been accepted in full by the Insurer, or (ii) send to the Insured a notice of its rejection of the Proof of Loss. In the absence of such notice of acceptance or rejection within that period, the Proof of Loss shall be deemed accepted by the Insurer on such fifth (5th) Business Day for all purposes under this Policy without any further action on the part of the Insurer or any other Person. Any rejection of a Proof of Loss shall be subject to dispute resolution as set forth in Article VII(A). Nothing contained herein shall be deemed to be a waiver of or prejudice in any way any claim that the Insurer may have relating to 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 (including deemed acceptance) of a Proof of Loss by the Insurer, the Insurer shall pay, or cause the Reinsurer to pay, to the Insured the Covered Amount set forth in such Proof of Loss in immediately available funds by means of the U.S. Fedwire funds service in accordance with wiring instructions provided by the Insured to the Insurer. Any such payments not received by the Insured within five (5) Business Days following acceptance (including deemed acceptance) of the Proof of Loss by the Insurer shall be subject to a late payment fee calculated based on the amount due but not received by the Insured. 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 calendar month in which the payment is due.
- E. As of any date, the Insurer and the Insured shall have the right to offset any balance or amounts due from one party to the other under the terms of this Policy. The party asserting the right of offset may, with the concurrence of the other party, exercise such right any time,

whether the balances due are on account of Premiums, Covered Amounts or late payment fees.

VI. REFERENCE POOL AND REFERENCE TRANCHES; MODIFICATION-RELATED ALLOCATIONS AND NET PREMIUM PAYMENTS

A. Reference Pool

1. The Reference Pool consists of the Reference Obligations, which are Mortgage Loans that were acquired by the Insured during the period specified in Item 3 of the Declarations (and more particularly identified at http://www.freddiemac.com/creditriskofferings/security_data.html as of the Effective Date) and which meet the Eligibility Criteria and have no Underwriting Defects, Unconfirmed Underwriting Defects, Major Servicing Defects, Minor Servicing Defects or Unconfirmed Servicing Defects as of March 2, 2018 that were Known to the Insured 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 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 241 to 360 months;
 - b. was originated on or after January 1, 2017;
 - c. has not been prepaid in full as of March 2, 2018;
 - d. as of March 2, 2018, the servicer has not reported that the borrower of such Reference Obligation has filed for bankruptcy;
 - e. has not been repurchased by the applicable seller or servicer as of March 2, 2018;
 - f. has no Underwriting Defects, Major Servicing Defects, Minor Servicing Defects, Unconfirmed Underwriting Defects or Unconfirmed Servicing Defects found in the Insured's internal quality control process as of March 2, 2018;
 - g. as of January 31, 2018, has never been reported to be thirty (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 Offering Circular;
 - i. is not covered by pool insurance;
 - j. has an original loan-to-value ratio that is (i) greater than 80% and (ii) less than or equal to 97%;
 - k. has an original combined loan-to-value ratio that is less than or equal to 97%;
 - l. subject to any applicable TOBs or certain pilot programs, is not subject to recourse or other credit enhancement;

- m. 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 Freddie Mac's relief refinance program for Mortgage Loans with a loan-to-value ratio greater than 80%);
 - n. was not associated with a mortgage revenue bond purchased by the Insured;
 - o. had an original principal balance 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 after the issuance of the Original Notes, 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 or Major Servicing Defect relating to the Reference Obligation;
 - d. of the discovery of a violation of the Eligibility Criteria for such Reference Obligation;
 - 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 UPB 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, a hypothetical structure of ten (10) Classes of Reference Tranches (the Class A-H, Class M-1, Class M-1H, Class M-2A, Class M-2AH, Class M-2B, Class M-2BH, Class B-1, Class B-1H, and Class B-2H) (each, a "Reference Tranche") deemed to be backed by the Reference Pool, as set forth below, is used for calculations including for each Premium Payment Date (i) any principal write-downs (or write-ups) on the Original Notes as a result of Credit Events (or reversals thereof) or Modification Events on the Reference Obligations, (ii) any reduction or increase in interest amounts on the Original Notes as a result of Modification Events on the Reference Obligations and (iii) the principal payments required to be made on

the Original Notes by the Insured. 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-2A, Class M-2AH, Class M-2B, Class M-2BH, Class B-1, Class B-1H, and Class B-2H Reference Tranches. The Class M-2A and Class M-2AH 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-2B, Class M-2BH, Class B-1, Class B-1H, and Class B-2H Reference Tranches. The Class M-2B and Class M-2BH Reference Tranches are pro rata with each other and are subordinate to the Class A-H, Class M-1, Class M-1H, Class M-2A and Class M-2AH Reference Tranches and are senior to the Class B-1, Class B-1H and Class B-2H Reference Tranches. The Class B-1 and Class B-1H Reference Tranches are pro rata with each other and are subordinate to the Class A-H, Class M-1, Class M-1H, Class M-2A, Class M-2AH, Class M-2B and Class M-2BH Reference Tranches and are senior to the Class B-2H Reference Tranche. The Class B-2H Reference Tranche is 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. On the Closing Date, the Class M-2A and Class M-2B Notes will be deemed to have been exchanged in their entirety for the Class M-2 Notes, and accordingly (a) the Class M-2 Reference Tranche will (x) become and reflect the sum of the Class Notional Amount of the Class M-2A Reference Tranche and the Class M-2B Reference Tranche and (y) reflect the aggregate results of the allocation rules set forth in this Article VI(B)(2) through (6) and (C) for the Class M-2A Reference Tranche and the Class M-2B Reference Tranche, and (b) the Class M-2H Reference Tranche will (x) become and reflect the sum of the Class Notional Amount of the Class M-2AH Reference Tranche and the Class M-2BH Reference Tranche and (y) reflect the aggregate results of the allocation rules set forth in this Article VI(B)(2) through (6) and (C) for the Class M-2AH Reference Tranche and the Class M-2BH Reference Tranche.

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 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 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 Tranche Write-up Amount or Tranche Write-down Amount will be applied twice on the same Premium Payment Date.

3. For any Premium Payment Date and for 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, the period from and including the 16th day of the second calendar month preceding the calendar month in which such Premium Payment Date occurs to and including the 15th day of the calendar month immediately preceding the calendar month in which such Premium Payment Date occurs;
 - b. in the case of full principal prepayments on the Reference Obligations, in the case of determining loan modifications, Unconfirmed Underwriting Defects, Underwriting Defects, Unconfirmed Servicing Defects, Minor Servicing Defects or Major Servicing Defects, and in the case of determining Credit Events resulting from short sales being settled, from charge-offs, from a seriously delinquent Mortgage Note being sold prior to foreclosure, from the Mortgaged Property that secured the related Mortgage Note being sold to a third-party at a foreclosure sale, or from an REO disposition, the period from but excluding the 2nd Business Day of the calendar month immediately preceding the calendar month in which such Premium Payment Date occurs to and including the 2nd 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 the calendar month in which such Premium Payment Date occurs.
4. Allocation of Tranche Write-down Amounts to the Reference Tranches

On each Premium Payment Date on or prior to the Termination Date, the Tranche Write-down Amount, if any, for that Premium Payment Date, will be allocated, *first*, to reduce any Overcollateralization Amount for such Premium Payment Date, until such Overcollateralization Amount is reduced to zero, and, *second*, 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-2H Reference Tranche,
- b. *second*, to the Class B-1 and Class B-1H Reference Tranches, *pro rata* based on their Class Notional Amounts immediately prior to such Premium Payment Date,
- c. *third*, to the Class M-2B and Class M-2BH Reference Tranches, *pro rata* based on their Class Notional Amounts immediately prior to such Premium Payment Date,
- d. *fourth*, to the Class M-2A and Class M-2AH Reference Tranches, *pro rata* based on their Class Notional Amounts immediately prior to such Premium Payment Date,
- e. *fifth*, 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
- f. *sixth*, to the Class A-H Reference Tranche, but only in an amount equal to the excess, if any, of the remaining unallocated Tranche Write-down Amount for

such Payment Date over the Principal Loss Amount for such Premium Payment Date attributable to clause (d) of the definition of "Principal Loss Amount".

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

On each Premium Payment Date on or prior to the Termination Date, the 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 Tranche Write-up Amounts allocated to each such Class of Reference Tranche is equal to the cumulative Tranche Write-down Amounts 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-2A and Class M-2AH Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Premium Payment Date,
- d. *fourth*, to the Class M-2B and Class M-2BH Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Premium Payment Date,
- e. *fifth*, to the Class B-1 and Class B-1H Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Premium Payment Date, and
- f. *sixth*, to the Class B-2H Reference Tranche.

To the extent that the Tranche Write-up Amount on any Premium Payment Date exceeds the Tranche Write-up Amount allocated on such Premium Payment Date pursuant to Articles VI(B)(5)(a) through (f), such excess (the "Write-up Excess") will be available as overcollateralization to offset any Tranche Write-down Amounts on future Premium Payment Dates prior to such Tranche Write-down Amounts being allocated to reduce the Class Notional Amounts of the Reference Tranches. On each Premium Payment Date, the "Overcollateralization Amount" equals (i) the aggregate amount of Write-up Excesses for such Premium Payment Date and all prior Premium Payment Dates, *minus* (ii) the aggregate amount of Write-up Excesses used to offset Tranche Write-down Amounts on all prior Premium Payment Dates. For the avoidance of doubt, the Overcollateralization Amount is intended to preserve a Tranche Write-up Amount that would result in the increase of a Reference Tranche above its Initial Class Notional Amount, but for the sole purpose of offsetting subsequent Tranche Write-down Amounts for that Reference Tranche. The Insured does not anticipate that Overcollateralization Amounts, if any, in this transaction will be significant.

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

- a. On each Premium Payment Date on or prior to the Termination Date, after allocation of the Tranche Write-down Amount or 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-2A and Class M-2AH Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Premium Payment Date,
 - iv. *fourth*, to the Class M-2B and Class M-2BH Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Premium Payment Date,
 - v. *fifth*, to the Class B-1 and Class B-1H Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Premium Payment Date, and
 - vi. *sixth*, to the Class B-2H Reference Tranche.
- b. On each Premium Payment Date on or prior to the Termination Date, after allocation of the Senior Reduction Amount and the Tranche Write-down Amount or 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-2A and Class M-2AH Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Premium Payment Date,
 - iii. *third*, to the Class M-2B and Class M-2BH Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Premium Payment Date,
 - iv. *fourth*, to the Class B-1 and Class B-1H Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Premium Payment Date,
 - v. *fifth*, to the Class B-2H Reference Tranche, and
 - vi. *sixth*, to the Class A-H Reference Tranche.

C. Allocations of Modification Losses and Gains

1. Allocation of Modification Loss Amounts to the Reference Tranches

- a. On each Premium Payment Date on or prior to the Termination Date, the following will be computed prior to the allocation of Modification Loss Amount:
 - i. the "Preliminary Principal Loss Amount", which is equal to the Principal Loss Amount computed without giving effect to clause (d) of the definition of Principal Loss Amount;
 - ii. the "Preliminary Tranche Write-down Amount", which is equal to the Tranche Write-down Amount computed using the Preliminary Principal Loss Amount instead of the Principal Loss Amount;
 - iii. the "Preliminary Tranche Write-up Amount", which is equal to the Tranche Write-up Amount computed using the Preliminary Principal Loss Amount instead of the Principal Loss Amount; and
 - iv. the "Preliminary Class Notional Amount" of each Reference Tranche, which is equal to the Class Notional Amount of such Reference Tranche immediately prior to such Premium Payment Date, after the application of the Preliminary Tranche Write-down Amount in accordance with the same priorities set forth in the allocation of Tranche Write-down Amount, and after the application of the Preliminary Tranche Write-up Amount in accordance with the same priorities set forth in the allocation of Tranche Write-up Amount.
- b. On each Premium Payment Date on or prior to the Termination Date, the Modification Loss Amount, if any, for such Premium Payment Date, will be allocated in the following order of priority:
 - i. *first*, to the Class B-2H Reference Tranche until the amount allocated to the Class B-2H Reference Tranche is equal to the Class B-2H Reference Tranche Interest Accrual Amount;
 - ii. *second*, to the Class B-2H Reference Tranche until the amount allocated to the Class B-2H Reference Tranche is equal to the Preliminary Class Notional Amount of the Class B-2H Reference Tranche for such Premium Payment Date;
 - iii. *third*, to the Class B-1 and Class B-1H Reference Tranches, pro rata, based on their Class Notional Amounts immediately prior to such Premium Payment Date, until the amount allocated to the Class B-1 Reference Tranche is equal to the Class B-1 Notes Interest Accrual Amount;
 - iv. *fourth*, to the Class B-1 and Class B-1H Reference Tranches, pro rata, based on their Preliminary Class Notional Amounts for such Premium Payment Date until the aggregate amount allocated to the Class B-1 and Class B-1H Reference Tranches is equal to the aggregate of the Preliminary Class Notional Amounts of the Class B-1 and Class B-1H Reference Tranches for such Premium Payment Date;
 - v. *fifth*, to the Class M-2B and Class M-2BH Reference Tranches, pro rata, based on their Class Notional Amounts immediately prior to such Premium Payment Date, until the amount allocated to the Class M-2B Reference Tranche is equal to the Class M-2B Notes Interest Accrual Amount;
 - vi. *sixth*, to the Class M-2A and Class M-2AH Reference Tranches, pro rata, based on their Class Notional Amounts immediately prior to such Premium

Payment Date, until the amount allocated to the Class M-2A Reference Tranche is equal to the Class M-2A Notes Interest Accrual Amount;

- vii. *seventh*, to the Class M-2B and Class M-2BH Reference Tranches, pro rata, based on their Preliminary Class Notional Amounts for such Premium Payment Date until the aggregate amount allocated to the Class M-2B and Class M-2BH Reference Tranches is equal to the aggregate of the Preliminary Class Notional Amounts of the Class M-2B and Class M-2BH Reference Tranches for such Premium Payment Date;
- viii. *eighth*, to the Class M-2A and Class M-2AH Reference Tranches, pro rata, based on their Preliminary Class Notional Amounts for such Premium Payment Date until the aggregate amount allocated to the Class M-2A and Class M-2AH Reference Tranches is equal to the aggregate of the Preliminary Class Notional Amounts of the Class M-2A and Class M-2AH Reference Tranches for such Premium Payment Date;
- ix. *ninth*, 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, until the amount allocated to the Class M-1 Reference Tranche is equal to the Class M-1 Notes Interest Accrual Amount; and
- x. *tenth*, to the Class M-1 and Class M-1H Reference Tranches, pro rata, based on their Preliminary Class Notional Amounts for such Premium Payment Date until the aggregate amount allocated to the Class M-1 and Class M-1H Reference Tranches is equal to the aggregate of the Preliminary Class Notional Amounts of the Class M-1 and Class M-1H Reference Tranches for such Premium Payment Date.

2. Allocation of Modification Gain Amounts to the Reference Tranches

- a. On each Premium Payment Date on or prior to the Termination Date, the Modification Gain Amount, if any, for such Premium Payment Date, will be allocated in the following order of priority:
 - 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, until the amount allocated to the Class M-1 Reference Tranche is equal to the cumulative amount of unreimbursed Modification Loss Amounts allocated to reduce the Interest Payment Amount on the Class M-1 Notes on all prior Premium Payment Dates;
 - ii. *second*, to the Class M-2A and Class M-2AH Reference Tranches, pro rata, based on their Class Notional Amounts immediately prior to such Premium Payment Date, until the amount allocated to the Class M-2A Reference Tranche is equal to the cumulative amount of unreimbursed Modification Loss Amounts allocated to reduce the Interest Payment Amount on the Class M-2A Notes on all prior Premium Payment Dates;
 - iii. *third*, to the Class M-2B and Class M-2BH Reference Tranches, pro rata, based on their Class Notional Amounts immediately prior to such Premium Payment Date, until the amount allocated to the Class M-2B Reference Tranche is equal to the cumulative amount of unreimbursed Modification Loss Amounts allocated to reduce the Interest Payment Amount on the Class M-2B Notes on all prior Premium Payment Dates;
 - iv. *fourth*, to the Class B-1 and Class B-1H Reference Tranches, pro rata, based on their Class Notional Amounts immediately prior to such Premium Payment Date, until the amount allocated to the Class B-1 Reference

Tranche is equal to the cumulative amount of unreimbursed Modification Loss Amounts allocated to reduce the Interest Payment Amount on the Class B-1 Notes on all prior Premium Payment Dates; and

- v. *fifth*, to the most subordinate Classes of Reference Tranches outstanding (except for the Class B-2H Reference Tranche), pro rata, based on their Class Notional Amounts immediately prior to such Premium Payment Date.

D. First Premium Payment and Catch-up Payment; Modification Loss/Gain Allocations; Premium Accrual Amount and Net Premium Payments



2. With respect to the first Premium Payment Date and each Premium Payment Date thereafter, the amount of any Premium with respect to a Reference Tranche will be calculated prior to the application of the Modification Loss Amounts or Modification Gain Amounts for such Reference Tranche in accordance with Article VI(C) (each such amount calculated prior to the application of Modification Loss Amounts or Modification Gain Amounts, the "Premium Accrual Amount"), and shall be calculated as the sum of subsections (a) through (c) as follows:

(a) For the Class M-1H Reference Tranche, the product of (i) the Class M-1H Reference Tranche Insured Percentage, (ii) the Class M-1H Annual Premium Rate, (iii) the Class Notional Amount of the Class M-1H Reference Tranche as of the immediately prior Premium Payment Date, and (iv) the actual number of days from and including such prior Premium Payment Date to and including the day immediately preceding the Premium Payment Date on which the calculation occurs divided by 360.

(b) For the Class M-2H Reference Tranche, the product of (i) the Class M-2H Reference Tranche Insured Percentage, (ii) the Class M-2H Annual Premium Rate, (iii) the Class Notional Amount of the Class M-2H Reference Tranche as of the immediately prior Premium Payment Date, and (iv) the actual number of days from and including such prior Premium Payment Date to and including the day immediately preceding the Premium Payment Date on which the calculation occurs divided by 360.

(c) For the Class B-1H Reference Tranche, the product of (i) the Class B-1H Reference Tranche Insured Percentage, (ii) the Class B-1H Annual Premium Rate, (iii) the Class Notional Amount of the Class B-1H Reference Tranche as of the immediately prior Premium Payment Date, and (iv) the actual number of days from and including such prior Premium Payment Date to and including the day immediately preceding the Premium Payment Date on which the calculation occurs divided by 360.

3. With respect to each outstanding Reference Tranche and each Premium Payment Date, the Insured shall pay to the Insurer an amount, not less than zero, equal to the



Premium Accrual Amount for such Reference Tranche as such amount is adjusted to take into account the application of Modification Loss Amounts or Modification Gain Amounts on such Premium Payment Date, in either instance as such applicable Modification Loss Amount or Modification Gain Amount is further adjusted by the application of the Insured Percentage (such adjusted amount, the "Net Premium Payment"). For the avoidance of doubt, as of each Premium Payment Date and for each Reference Tranche the Net Premium Payment will reflect the allocation of (a) any Modification Loss Amount, as adjusted by the Insured Percentage for such Premium Payment Date pursuant to the priorities set forth in Article VI(C)(1), or (b) any Modification Gain Amount for such Premium Payment Date allocated to increase the Interest Payment Amount of its associated Class of Original Notes pursuant to the priorities set forth in Article VI(C)(2). Any determination of the Net Premium Payment (including any determination of its component calculations) shall be based solely on inputs set forth in this Policy and values provided by the Payment Date Statement associated with the Premium Payment Date to which the Net Premium Payment relates.

4. With respect to a Premium Payment Date and a Reference Tranche, if the allocation of (a) Modification Loss Amounts results in the Net Premium Payment being reduced to zero, but the Interest Payment Amount for such allocated Reference Tranche is greater than zero (such greater amount, the "Net Premium Payment Limit"), then the Insured will not pay any further Net Premium Payment for that Reference Tranche, or (b) Modification Gain Amounts results in an increase to the Interest Payment Amount, the Insured will pay to the Insurer a commensurate increase to the Net Premium Payment, but only to the extent that it is above the Net Premium Payment Limit. For the avoidance of doubt, any Tranche Write-down Amount (whether or not affected by a Net Premium Payment Limit) will be subject to the applicable terms of coverage in this Policy, including Tranche Write-down Amount allocations set forth in Article VI(C), and the Insurer's associated liability for the payment of Covered Amounts.
5. The Insured shall pay the Net Premium Payment to the Insurer within twenty (20) Business Days following the Premium Payment Date of each month beginning in April 2018.

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) calendar 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, Novation, or Transfer.** This Policy will be binding upon and inure to the benefit of the Insured and the Insurer and their respective successors and assigns; provided, however, that, subject to Article VII(D), this Policy may not be assigned, novated, or transferred, including any attempted transfer of rights and/or obligations under any U.S. or non-U.S. statute, legislation, or jurisprudence, by either the Insured or the Insurer, or as the result of the actions of a parent

company or an affiliated entity of either, without the prior written consent of the other party and the Reinsurer. In the event of any assignment or transfer, the assignor or transferor will remain liable under this Policy and further guarantees the performance of all obligations of any assignee or transferee under this Policy. Notwithstanding the foregoing, neither the Insurer's nor the Reinsurer's consent shall be required with respect to any merger, acquisition, consolidation or other similar transaction undertaken by any Governmental Entity involving the Insured, and any such transaction shall not impact the coverage provided to the Insured under this Policy.

C. Cancellation.

1. The Insured may cancel this Policy on a cut-off basis, effective as of the Premium Payment Date of the month in which the cancellation notice is sent, upon the occurrence of any of the following:
 - a. an insurance regulatory authority of a state of the United States or any other Governmental Entity (other than the Federal Housing Finance Agency) orders the Insurer to cease writing business or has imposed upon it any other restrictions on or conditions relating to the Insurer's license or conduct of business in any jurisdiction, and such restriction or condition applies to the business covered under this Policy;
 - b. the Insurer is placed into receivership or liquidation (whether voluntary or involuntary), or there are instituted against it proceedings for the appointment of a receiver, liquidator, rehabilitator, conservator, trustee in bankruptcy, or other agent known by whatever name, to take possession of its assets or control of its operations, or is declared insolvent by a regulatory authority with jurisdiction over the Insurer;
 - c. the Insurer announces intentions to cease all underwriting operations;
 - d. the Insurer voluntarily ceases all underwriting operations;
 - e. following any assignment, novation, or transfer of the Insurer's rights and/or obligations under this Policy without the consent of the Insured, including any such assignment, novation, or transfer imposed by any court or by any U.S. or non-U.S. statute, legislation, or jurisprudence;
 - f. the Insurer, directly or through the actions of a parent company or an affiliated entity, invokes any U.S. or non-U.S. statute, legislation, or jurisprudence which purports to enable the Insurer to require the Insured to settle its liabilities, including any estimated or undetermined claims liabilities under this Policy, on an accelerated basis; provided, however, that this condition does not apply to any attempt to enforce a settlement of liabilities under a commutation process to which the parties have agreed;
 - g. the Insurer has hired an unaffiliated run-off claims manager for the business covered hereunder that is compensated on a contingent basis or is otherwise provided with financial incentives based on the quantum of claims paid; or
 - h. upon a breach by the Insurer of any representations and warranties provided to the Insured in this Policy or a breach by the Insurer of any of its material obligations under this Policy.

The Insured shall give written notice to the Insurer stating the grounds for such action and when the cancellation shall be effective; provided, however, that in the event that the Insured intends to cancel this Policy pursuant to Article VII(C)(1)(h) based upon a breach by the Insurer of any representations and warranties provided to the Insured in this Policy or a breach by the Insurer of any of its material obligations under this Policy, (x) the Insured shall notify the Insurer in writing, and (y) the Insurer shall have thirty (30) calendar days following the date on which the Insurer receives such notice to cure such breach, and if the Insurer fails to cure such breach within such thirty (30) day period, then this Policy shall terminate effective as of the end of such thirty (30) day period; provided,

further, that in the event that the Insured intends to cancel this Policy pursuant to Article VII(C)(1), prior to such cancellation taking effect, the Insured and the Insurer shall cooperate in good faith and use reasonable efforts to novate this Policy from the Insurer to another insurer selected by the Insured.

For the avoidance of doubt, pursuant to a cut-off cancellation, the Insurer shall receive Premium and will process any Claim filed for a Loss that is attributed to the Payment Date Statement associated with the Premium Payment Date in the month in which the Insured submits a cancellation notice to the Insurer, and the Insurer shall have no additional or outstanding obligations to the Insured following satisfaction of all Claims for Losses attributable to such Premium Payment Date.

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. 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, by its exercise of: (i) the Early Call Option upon the provision of sixty (60) days' prior written notice to the Insurer, in which event the Insured shall pay the Insurer the Early Call Option Fee within twenty (20) Business Days of its exercise of the Early Call Option, or (ii) the Early Redemption Option on any Premium Payment Date on or after the Premium Payment Date on which the Insured exercises the Early Redemption Option. Once the Insured provides written notice in accordance with the Early Call Option in the preceding sentence, the Insured shall not be permitted to revoke its election to exercise the Early Call Option. Cancellation under either option 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 Notional Amount (without giving effect to any allocations of Tranche Write-down Amounts or 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-2A, Class M-2B, and Class B-1 Notes have been paid in full. In the event that the Initial Class Notional Amount (without giving effect to any allocations of Tranche Write-down Amounts or 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-2A, Class M-2B, and Class B-1 Notes have been paid in full only with respect to either the Class M-1 Notes or Class M-2A Notes or Class M-2B Notes or Class B-1 Notes, then the coverage under this Policy shall only be canceled with respect to either the Class M-1H Reference Tranche or the Class M-2AH Reference Tranche or the Class M-2BH Reference Tranche or the Class B-1H 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 Premium earned to the date of such termination or the parties' rights under Article V(E).
6. This Policy may be cancelled by the Insurer in the event of non-payment of Premium by the Insured 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 Termination Date, unless payment of the Premium is received by the Insurer prior to this specified date of cancellation, in which case this Policy shall continue in full force and effect.

7. This Policy shall cancel automatically in the event the Quota Share Contract is terminated with respect to all Reinsurers, effective as of the termination date of the Quota Share Contract.
 8. 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, but not limited to, the Insured's right to withhold Premium payment once it forms a reasonable belief that any Insurer representation or warranty has been breached.
 9. The Insurer shall notify the Insured in writing within five (5) days following the occurrence of any of the circumstances described in Article VII(C)(1) or (2).
- D. **Insolvency of Insured.** In the event of an insolvency of the Insured, and the appointment of a receiver, liquidator, 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 such receiver, liquidator, 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, receiver, liquidator, 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 this Policy, the Insured and the Insurer agree not to change any terms of this Policy or the exhibits and schedules thereto, unless agreed to by the Insured and the Insurer and attached to this Policy by written endorsement thereto.
- F. **Acceleration.** The Insurer's liability to pay, or cause the Reinsurer to pay, a Covered Amount to the Insured shall be based only on the original Premium Payment Dates as set forth in the STACR Agreement. Any acceleration of the Premium Payment Dates shall not give rise to a corresponding acceleration of the Insurer's obligation to pay, or cause the Reinsurer to pay, Covered Amounts hereunder, except as provided in Article VII(V).
- G. **Interpretation.** All headings in this Policy are for convenience only and shall not be used in interpreting the language of this 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 indicated in Item 2 of the Declarations, with a copy of each such notice sent in writing and given by prepaid express courier, certified mail or fax, to the place and/or fax number indicated in Item 2 of the Declarations.

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/or the fax number indicated in Item 1 of the Declarations.

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. For the avoidance of doubt, coverage under this Policy does not constitute duplicate insurance with respect to any mortgage guaranty or hazard insurance, but this excess coverage provision shall apply in the event that it is ever so construed.
- K. Premium and Tax Reporting; Early Call Option Fee; U.S. Foreign Account Tax Compliance Act ("FATCA"). The Premium and any Early Call Option Fee amount(s) specified in Items 9 and 12 of the Declarations respectively are due and payable as specified in Items 9 and 12 of the Declarations. The Premium payable upon issuance of this 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 and on any Early Call Option Fee. Notwithstanding any provision in this Policy to the contrary:

- 1. All Premium and any Early Call Option Fee paid shall be subject to any withholding or deduction imposed on such Premium and any Early Call Option Fee payment pursuant to or on account of FATCA, and no additional payment shall be required from the Insured, nor any Premium and any Early Call Option Fee payment be increased on account of any such withholding or deduction. Except as provided in Article VII(K)(2), 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 and the Early Call Option Fee 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 this 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 upon (a) a reasonable demand by the Insured, (b) a change in circumstances or (c) learning that any such form or document previously provided has become obsolete, incorrect or ineffective.

5. The Insurer will provide to the Insured, as applicable, U.S. IRS tax forms W-9 and/or W-8 from each Reinsurer upon (a) execution of this Policy, (b) a reasonable demand by the Insured, (c) a change in circumstances or (d) learning that any such form or document previously provided has become obsolete, incorrect or ineffective.
- L. No Confidentiality. Either party may (1) disclose, publish or otherwise make a redacted version of this Policy publicly available without the consent of the other party; provided, however, that the Insured shall determine, in its sole discretion, which information must be redacted from this Policy prior to this Policy being made publicly available, and (2) disclose, without limitation of any kind, the tax treatment and tax structure relating to this Policy, any fact that may be relevant to understanding the tax treatment or structure of this Policy, and all materials of any kind relating to such tax treatment or structure that may be relevant to understanding such tax treatment or structure.
- 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 this 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 this Policy in an incidental manner and does not include any material details regarding this 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 or insolvency of the Insurer), shall be governed by Delaware law. The parties (i) acknowledge that they have selected Delaware law to promote the parties' mutual commercial goals and (ii) waive the application of non-Delaware law notwithstanding that the effect of provisions of this Policy under Delaware law may be inconsistent with the effect of such provisions under the law or public policy of another jurisdiction. For the avoidance of doubt, (a) 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, and (b) the insolvency of the Insurer will be governed by the Applicable Law in the Insurer's Jurisdiction.
- O. 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.
- P. Remedies Cumulative. All rights and remedies with respect to this Policy are cumulative and not exclusive, and the exercise by any party of any right or remedy does not preclude the exercise of any other rights or remedies that may now or subsequently be available at law, in equity, by statute, in any other agreement between the parties or otherwise.
- Q. Counterparts. This Policy may be in any number of counterparts and signed by each party on separate counterparts, each of which, when so executed shall be deemed to be an original, and all such counterparts shall constitute but one and the same instrument. The exchange of copies of this Policy and of signature pages by facsimile transmission or electronic mail shall constitute

effective execution and delivery of this Policy as to the parties and may be used in lieu of the original for all purposes. Signatures of parties transmitted by facsimile or electronic mail shall be deemed to be their original signatures for any purpose whatsoever.

- R. Third Party Beneficiaries. The Reinsurer is the only express intended third-party beneficiary of this Policy solely for purposes of enforcing its rights under Article II and Articles VII(B) and (V). Except as expressly provided herein, this Policy is made solely for the benefit of the Parties hereto. Subject to the foregoing, no provision of this Policy, whether express or implied, is intended to or shall confer on any Person other than the Parties any right, benefit, interest or remedy of any nature whatsoever under or by reason of this Policy. For the avoidance of doubt, no primary mortgage insurer shall under any circumstances be a third party beneficiary under this Policy.
- S. Conflict with STACR Documentation; Priority. This Policy references and incorporates various terms, operating procedures and provisions of the STACR Agreement, certain of which are reflected in the STACR 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 Agreement or STACR Offering Circular on the other, the term, operating procedure or provision of the STACR Agreement or the STACR Offering Circular shall prevail. In the event of a conflict between a term, operating procedure or provision of the STACR Agreement and a term, operating procedure or provision of the STACR Offering Circular, the term, operating procedure or provision of the STACR Agreement shall prevail. In the event of a conflict between a term, operating procedure or provision of this 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 Documentation without the prior written consent of the Insurer. If notwithstanding the foregoing an amendment is made to the STACR 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 Documentation that were in effect prior to such amendment shall continue to be used for purposes of this Policy.
- T. Entire Agreement. This Policy (including all exhibits and schedules 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.
- U. Quota Share Contract. 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), (P) and (Q).
- V. Reinsurer Insolvency.
 - 1. In the event any Reinsurer is placed into receivership or liquidation (whether voluntary or involuntary), or there are instituted against it proceedings for the appointment of a receiver, liquidator, rehabilitator, conservator, trustee in bankruptcy, or other agent known by whatever name, to take possession of its assets or control of its operations, or is declared insolvent by a regulatory authority with jurisdiction over such Reinsurer (any such event, an "Insolvency Event"), and such Reinsurer's quota share participation under the Quota Share Contract is cancelled pursuant to the terms of the Quota Share Contract or is otherwise cancelled or rejected following such Insolvency Event, then the Insured shall calculate the Terminal Settlement Amount with respect to such Reinsurer in accordance with Schedule 1 and provide notice of such Terminal Settlement Amount to the Insurer and such Reinsurer. If such Terminal Settlement Amount is positive, then the Insurer shall pay, or cause such Reinsurer to pay, to the Insured such Terminal Settlement Amount. If such Terminal Settlement Amount is negative, then the Insured shall pay to the Insurer an amount equal to the absolute value of such Terminal Settlement Amount. Such Terminal Settlement Amount (or the absolute value thereof, as

applicable) shall be paid by the applicable party to the other party on the later of (i) the Premium Payment Date of the month in which such Insolvency Event occurred and (ii) ten (10) Business Days following the Insurer's receipt of notice of such Terminal Settlement Amount. The parties hereby agree that (a) such Terminal Settlement Amount is a fair and reasonable estimate of the difference in payments each party would have been entitled to receive in a stress scenario during the period from but excluding the date on which such Reinsurer's quota share participation in the Quota Share Contract is terminated through and including the Maturity Date had such Reinsurer's quota share participation in the Quota Share Contract not been cancelled or rejected following the occurrence of an Insolvency Event, (b) such Terminal Settlement Amount is based on estimates derived from methodologies mutually agreed to by the parties, and in recognition that the Insured may not be able to obtain insurance coverage substantially similar to the coverage provided by such Reinsurer under the Quota Share Contract or the same amount of Premiums paid to such Reinsurer under the Quota Share Contract in the event an Insolvency Event occurs prior to the Maturity Date and such Reinsurer's quota share participation in the Quota Share Contract is cancelled or rejected, (c) such Terminal Settlement Amount is not intended to act as a penalty on any party and (d) the right of the applicable party to receive such Terminal Settlement Amount (or the absolute value thereof, as applicable) shall be vested and fully matured on the date on which the Insolvency Event occurred. If such Terminal Settlement Amount is positive, then the Insured shall have the right to withdraw Assets from the Trust Account established by such Reinsurer to pay the Insured such Terminal Settlement Amount to the extent the Insured does not receive the Terminal Settlement Amount when due under this Article VII(V). For the avoidance of doubt, if the Terminal Settlement Amount is zero, then no payment shall be made by either the Insured or the Insurer.

2. If a Terminal Settlement Amount (or the absolute value thereof, as applicable) becomes payable pursuant to subparagraph (1) above, then the Insured shall calculate the True-Up Amount in accordance with Schedule 2 and provide notice of the True-Up Amount to the Insurer and the applicable Reinsurer within ten (10) Business Days following the Maturity Date. If the True-Up Amount is positive, then the Insured shall pay to the Insurer an amount equal to such True-Up Amount within ten (10) Business Days following the delivery by the Insured of notice of the True-Up Amount. If the True-Up Amount is negative, then the Insurer shall pay, or cause the applicable Reinsurer (or the Reinsurer's estate) to pay, to the Insured an amount equal to the absolute value of such True-Up Amount within ten (10) Business Days following the Insurer's receipt of notice of the True-Up Amount.
3. Article VII(V) shall survive the termination of this Policy until the obligations of the applicable party hereunder are satisfied.
4. If a Reinsurer's participation under the Quota Share Contract is automatically cancelled or is otherwise cancelled or rejected following an Insolvency Event with respect to such Reinsurer and (i) the Terminal Settlement Amount related to such Insolvency Event is positive and the Insured receives such Terminal Settlement Amount and is permitted to retain such Terminal Settlement Amount or (ii) such Terminal Settlement Amount is negative, then (a) the Policy Limit of Liability under this Policy shall be reduced by an amount equal to such Reinsurer's quota share of such Policy Limit of Liability under the Contract and (b) the Premium payable by the Insured under this Policy shall be reduced by an amount equal to such Reinsurer's quota share of such Premium under the Contract, both in accordance with Schedule 3.
5. If a Reinsurer's participation under the Quota Share Contract is automatically cancelled or is otherwise cancelled or rejected following an Insolvency Event with respect to such Reinsurer and the Terminal Settlement Amount related to such Insolvency Event is positive and the Insured does not receive such Terminal Settlement Amount or is not

permitted to retain such Terminal Settlement Amount, then (i) no change shall be made to the Policy Limit of Liability in this Policy, (ii) the collateral in the Trust Account established by such Reinsurer shall remain available to pay actual future Covered Amounts of the Insurer payable to the Insured as they arise hereunder and (iii) such Reinsurer's quota share of the Premium payable under this Policy shall be recalculated to reflect coverage up to only the value of the assets then-remaining in the Trust Account established by such Reinsurer.

VIII. DEFINITIONS

Except as otherwise defined in this Policy or in any endorsement, exhibit or schedule 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. "Accounting Net Yield" with respect to each Premium Payment Date and any Reference Obligation, means the related mortgage rate less the related servicing fee rate.
2. "Actual Net Loss" has the meaning set forth in Schedule 2.
3. "Annual Premium Rate" means the rate of Premium, expressed as a percentage, corresponding to each Reference Tranche specified in Annex 1.
4. "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(I), 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.
5. "Assets" has the meaning set forth in the Trust Agreement.
6. "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 (located as of the Effective Date at 1 Federal Street, 3rd Floor, Boston, Massachusetts 02110), or the banking institutions in the city of New York are authorized or obligated by law or executive order to be closed.
7. "Catch-up Payment" has the meaning set forth in Article VI(D)(1).
8. "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.
9. "Claim Refund" has the meaning set forth in Article II(J).
10. "Class" means a class of Reference Tranche.
11. "Class Coupon" means the per annum interest rates of each Class of Original Notes as set forth in the STACR Agreement.
12. "Class A-H Reference Tranche" means a Reference Tranche associated with the Reference Pool with an Initial Subordination and Credit Enhancement in respect of the Reference Pool as set forth in Annex 1 and an Initial Class Notional Amount as set forth in Annex 1.
13. "Class B-1 Notes" has the meaning set forth in the STACR Offering Circular.

14. "Class B-1 Reference Tranche" means a Reference Tranche associated with the Reference Pool that is pro rata with the Class B-1H Reference Tranche, with an Initial Class Notional Amount as set forth in Annex 1, and which, together with the Class B-1H Reference Tranche, has an Initial Subordination and Credit Enhancement in respect of the Reference Pool as set forth in Annex 1.
15. "Class B-1H Reference Tranche" means a Reference Tranche associated with the Reference Pool that is pro rata with the Class B-1 Reference Tranche, with an Initial Class Notional Amount as set forth in Annex 1, and which, together with the Class B-1 Reference Tranche, has an Initial Subordination and Credit Enhancement in respect of the Reference Pool as set forth in Annex 1.
16. "Class B-2H Reference Tranche" means a Reference Tranche associated with the Reference Pool with an Initial Class Notional Amount as set forth in Annex 1, and which has an Initial Subordination and Credit Enhancement in respect of the Reference Pool as set forth in Annex 1.
17. "Class M-1 Notes" has the meaning set forth in the STACR 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 as set forth in Annex 1, and which, together with the Class M-1H Reference Tranche, has an Initial Subordination and Credit Enhancement in respect of the Reference Pool as set forth in Annex 1.
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 as set forth in Annex 1, and which, together with the Class M-1 Reference Tranche, has an Initial Subordination and Credit Enhancement in respect of the Reference Pool as set forth in Annex 1.
20. "Class M-2A Notes" has the meaning set forth in the STACR Offering Circular.
21. "Class M-2A Reference Tranche" means a Reference Tranche associated with the Reference Pool that is pro rata with the Class M-2AH Reference Tranche, with an Initial Class Notional Amount as set forth in Annex 1, and which, together with the Class M-2AH Reference Tranche, has an Initial Subordination and Credit Enhancement in respect of the Reference Pool as set forth in Annex 1.
22. "Class M-2AH Reference Tranche" means a Reference Tranche associated with the Reference Pool that is pro rata to the Class M-2A Reference Tranche, with an Initial Class Notional Amount as set forth in Annex 1, and which, together with the Class M-2A Reference Tranche, has an Initial Subordination and Credit Enhancement in respect of the Reference Pool as set forth in Annex 1.
23. "Class M-2B Notes" has the meaning set forth in the STACR Offering Circular.
24. "Class M-2B Reference Tranche" means a Reference Tranche associated with the Reference Pool that is pro rata with the Class M-2BH Reference Tranche, with an Initial Class Notional Amount as set forth in Annex 1, and which, together with the Class M-2BH Reference Tranche, has an Initial Subordination and Credit Enhancement in respect of the Reference Pool as set forth in Annex 1.
25. "Class M-2BH Reference Tranche" means a Reference Tranche associated with the Reference Pool that is pro rata to the Class M-2B Reference Tranche, with an Initial Class Notional Amount as set forth in Annex 1, and which, together with the Class M-2B Reference Tranche, has an Initial Subordination and Credit Enhancement in respect of the Reference Pool as set forth in Annex 1.
26. "Class M-2H Reference Tranche" has the meaning set forth in Article VI(B)(1).
27. "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.

28. "Class Principal Balance" has the meaning set forth in the STACR Offering Circular.
29. "Covered Amount" means, with respect to a Loss, the amount set forth in Article I.
30. "Credit Event" means, with respect to any Premium Payment Date on or before the Termination 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) a short sale is settled, (ii) a seriously delinquent Mortgage Note is sold prior to foreclosure, (iii) the Mortgaged Property that secured the related Mortgage Note is sold to a third party at a foreclosure sale, (iv) an REO disposition occurs, or (v) the related Mortgage Note is charged off. With respect to any Credit Event Reference Obligation, there can only be one occurrence of a Credit Event; provided, however, 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.
31. "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.
32. "Credit Event Net Gain" with respect to any Credit Event Reference Obligation, means an amount equal to the excess, if any, of:
- (a) the related Net Liquidation Proceeds; over
 - (b) the sum of:
 - (i) the related Credit Event UPB;
 - (ii) the total amount of prior principal forgiveness modifications, if any, on the related Credit Event Reference Obligation; and
 - (iii) delinquent accrued interest thereon, calculated at the related Current Accrual Rate from the related last paid interest date through the date the Insured determines such Reference Obligation has been reported as a Credit Event Reference Obligation.
33. "Credit Event Net Loss" with respect to any Credit Event Reference Obligation, means an amount equal to the excess, if any, of:
- (a) the sum of:
 - (i) the related Credit Event UPB;
 - (ii) the total amount of prior principal forgiveness modifications, if any, on the related Credit Event Reference Obligation; and
 - (iii) delinquent accrued interest thereon, calculated at the related Current Accrual Rate from the related last paid interest date through the date the Insured determines such Reference Obligation has been reported as a Credit Event Reference Obligation, over
 - (b) the related Net Liquidation Proceeds.
34. "Credit Event Reference Obligation" means, with respect to any Premium Payment Date, any Reference Obligation with respect to which a Credit Event has occurred.

35. "Credit Event UPB" means, with respect to any Credit Event Reference Obligation, the UPB thereof as of the end of the Reporting Period related to the Premium Payment Date on which it became a Credit Event Reference Obligation.
36. "Cumulative Net Loss Percentage" means, with respect to each Premium Payment Date, a percentage equal to (i) the Principal Loss Amount for such Premium Payment Date and all prior Premium Payment Dates less the Principal Recovery Amount for such Premium Payment Date and all prior Premium Payment Dates; divided by (ii) the aggregate UPB of the Reference Obligations in the Reference Pool as of the Cut-off Date.
37. "Cumulative Net Loss Test" means, with respect to any Premium Payment Date, a test that will be satisfied if the Cumulative Net Loss Percentage does not exceed the applicable percentage indicated below:

<u>Premium Payment Date occurring in the period</u>	<u>Percentage</u>
April 2018 to March 2019.....	0.10%
April 2019 to March 2020.....	0.20%
April 2020 to March 2021.....	0.30%
April 2021 to March 2022.....	0.40%
April 2022 to March 2023.....	0.50%
April 2023 to March 2024.....	0.60%
April 2024 to March 2025.....	0.70%
April 2025 to March 2026.....	0.80%
April 2026 to March 2027.....	0.90%
April 2027 to March 2028.....	1.00%
April 2028 to March 2029.....	1.10%
April 2029 to March 2030.....	1.20%
April 2030 and thereafter.....	1.30%

38. "Current Accrual Rate" with respect to each Premium Payment Date and any Reference Obligation, means the lesser of (i) the related current Accounting Net Yield; and (ii) the related current mortgage rate thereon (as adjusted for any modifications) minus 0.35%.
39. "Cut-off Date" has the meaning set forth in Item 4 of the Declarations.
40. "Cut-off Date Balance" has the meaning set forth in Item 5 of the Declarations.
41. "Default Probability" has the meaning set forth in Schedule 1.
42. "Delinquency Test" means for any Premium Payment Date, a test that will be satisfied if:
- (a) the sum of the Distressed Principal Balance for the current Premium Payment Date and each of the preceding five (5) Premium Payment Dates, divided by six (6) or, in the case of any Premium Payment Date prior to the sixth (6th) Premium Payment Date after the Closing Date, the sum of the Distressed Principal Balance for the current Premium Payment Date and each of the preceding Premium Payment Dates, divided by the number of Premium Payment Dates since the Closing Date
- is less than
- (b) 50% of the amount by which (i) the product of (x) the Subordinate Percentage and (y) the aggregate UPB of the Reference Obligations as of the preceding Premium Payment Date; exceeds (ii) the Principal Loss Amount for the current Premium Payment Date.
43. "Distressed Principal Balance" means for any Premium Payment Date, the sum, without duplication, of the UPB of Reference Obligations that meet any of the following criteria:

- (a) Reference Obligations that are sixty (60) days or more delinquent;
 - (b) Reference Obligations that are in foreclosure, bankruptcy, or REO status; or
 - (c) Reference Obligations that were modified in the twelve (12) months preceding the end of the related Reporting Period.
44. "Early Call Option" means, the option held, at the sole discretion of the Insured, to cancel this Policy on a cut-off basis on the Premium Payment Date that is sixty (60) months after the Effective Date.
45. "Early Call Option Fee" has the meaning set forth in the Declarations.
46. "Early Redemption Option" means, at the sole discretion of the Insured (a) the option to redeem any Class (or all Classes) of the Original Notes prior to the Maturity Date on any Premium Payment Date at the earlier of (i) on or after the Premium Payment Date on which the aggregate UPB of the Reference Obligations is less than or equal to 10% of the Cut-off Date Balance of the Reference Pool or (ii) on or after the Premium Payment Date in March 2028, by paying an amount equal to the outstanding Class Principal Balance, after allocation of the Tranche Write-down Amount or Tranche Write-up Amount, if any, for such Premium Payment Date, of each Class of Original Notes, plus accrued and unpaid interest.
47. "Effective Date" has the meaning set forth in the Declarations.
48. "Eligibility Criteria" has the meaning set forth in Article VI(A)(2).
49. "Eligible Assets" has the meaning set forth in the Trust Agreement.
50. "First Premium Payment" has the meaning set forth in Article VI(D)(1).
51. "Future Modeled Loss Amount" has the meaning set forth in Schedule 1.
52. "Future Premium" has the meaning set forth in Schedule 1.
53. "Future Premium Multiplier" has the meaning set forth in Schedule 1.
54. "Global Agent" means Citibank, N.A. ("Citibank"), or any such successor entity under the STACR Agreement.
55. "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 insurance regulator in the Insurer's Jurisdiction, in its role as regulator (and, as applicable, rehabilitator or any like role) of the Insurer.
56. "Gross Future Modeled Loss Amount" has the meaning set forth in Schedule 1.
57. "Gross Insured Tranche Modeled Loss" has the meaning set forth in Schedule 1.
58. "Guide" means Freddie Mac Single Family Seller/Service Guide.
59. "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 pursuant to the Quota Share Contract, 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.

- 60. "Initial Class Notional Amount" has the meaning set forth in Article VI(B)(1).
- 61. "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.
- 62. "Insolvency Event" has the meaning set forth in Article VII(V)(1).
- 63. "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 Documentation.
- 64. "Insured" means the entity named in Item 1 of the Declarations.
- 65. "Insured Percentage" means the percentage of coverage corresponding to each Reference Tranche specified in Item 8 of the Declarations.
- 66. "Insured Tranche" means either the Class M-1H Reference Tranche or the Class M-2AH Reference Tranche or the Class M-2BH Reference Tranche or the Class B-1H Reference Tranche (and together, the "Insured Tranches").
- 67. "Insurer" means the entity named in Item 2 of the Declarations.
- 68. "Insurer's Jurisdiction" means the jurisdiction set forth in Item 2 of the Declarations.
- 69. "Insurer's Reference Tranche Limit" has the meaning set forth in Schedule 3.
- 70. "Interest Accrual Amount" means, with respect to each outstanding Class of Original Notes (and for purposes of calculating allocations of any Modification Loss Amounts, the Class B-2H Reference Tranche) and any Premium Payment Date, an amount equal to the accrued interest at the Class Coupon on the Class Notional Amount of each Class of Original Notes (and, for purposes of calculating allocations of any Modification Loss Amounts to the Class B-2H Reference Tranche, on the Class Notional Amount of the Class B-2H Reference Tranche) immediately prior to such Premium Payment Date.
- 71. "Interest Payment Amount" means, with respect to each outstanding Class of Original Notes and each Premium Payment Date, the Interest Accrual Amount to which any holder of an Original Note in an outstanding Class of Original Notes is entitled under the STACR Agreement, less any Modification Loss Amount for such Premium Payment Date allocated to reduce the Interest Accrual Amount for such Class of Original Notes pursuant to the priorities set forth under Article VI(C)(1), or plus any Modification Gain Amount for such Premium Payment Date allocated to increase the Interest Accrual Amount of such Class of Original Notes pursuant to the priorities set forth under Article VI(C)(2).
- 72. "Knowledge", "Knowing" or "Known" means actual knowledge, after performing diligent inquiry.
- 73. "Liquidation Proceeds" means, with respect to any Credit Event Reference Obligation, all cash amounts (including sales proceeds, net of selling expenses), received in connection with the liquidation of the Credit Event Reference Obligation.
- 74. "Loss" has the meaning set forth in Article I.

75. "Loss Given Default" has the meaning set forth in Schedule 1.
76. "Major Servicing Defect" means with respect to each Premium Payment Date and any Reference Obligation for which the Insured has determined the existence of an Unconfirmed Servicing Defect, the occurrence of any of the following:
- (a) the related servicer repurchased such Reference Obligation or made the Insured whole resulting in a full recovery of losses incurred ("Make-whole") during the related Reporting Period;
 - (b) 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, an insolvency proceeding or a receivership; or
 - (c) inappropriate cancellation of the mortgage insurance policy, provided that the servicer has not reinstated the related policy or otherwise assumed the obligations of the related mortgage insurance company.

Reference Obligations covered under servicing settlements will not result in Major Servicing Defects, excluding Reference Obligations for which (c) above applies.

77. "Managing Agent" means any agent appointed or established by the Insurer to which any Insurer duty or obligation hereunder (including any as may relate to risk underwriting, premium or claims administration or processing) is outsourced and/or delegated pursuant to a managing general underwriter agreement, managing general agent agreement or other similar arrangement.
78. "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 this Policy.
79. "Maturity Date" has the meaning set forth in Item 11 of the Declarations.
80. "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 the percentage set forth in Annex 1.
81. "Minor Servicing Defect" means with respect to each Premium Payment Date and any Reference Obligation for which the Insured has determined the existence of an Unconfirmed Servicing Defect, the occurrence of a remedy, other than by repurchase or Make-whole (as defined above) that is mutually agreed upon by both the Insured and the related servicer that results in a recovery of the damages sustained by the Insured on such Reference Obligation as a result of the Unconfirmed Servicing Defect.

No Reference Obligation will be removed from the Reference Pool as a result of the determination of a Minor Servicing Defect, and any such Reference Obligation will remain eligible to become subject to an Underwriting Defect or Major Servicing Defect.

82. "Modification Event" means, with respect to any Reference Obligation, a forbearance or mortgage rate modification relating to such Reference Obligation.
83. "Modification Excess" means, with respect to each Premium Payment Date and any Reference Obligation that has experienced a Modification Event, the excess, if any, of:
- (a) one-twelfth of the Current Accrual Rate multiplied by the interest bearing UPB of such Reference Obligation; over

- (b) one-twelfth of the Original Accrual Rate multiplied by the UPB of such Reference Obligation.
84. "Modification Gain Amount" means, with respect to each Premium Payment Date, the excess, if any, of the aggregate Modification Excess over the aggregate Modification Shortfall for such Premium Payment Date.
85. "Modification Loss Amount" means, with respect to each Premium Payment Date, the excess, if any, of the aggregate Modification Shortfall over the aggregate Modification Excess for such Premium Payment Date.
86. "Modification Shortfall" means, with respect to each Premium Payment Date and any Reference Obligation that has experienced a Modification Event, the excess, if any, of:
- (a) one-twelfth of the Original Accrual Rate multiplied by the UPB of such Reference Obligation; over
- (b) one-twelfth of the Current Accrual Rate multiplied by the interest bearing UPB of such Reference Obligation.
87. "Mortgage Insurance Credit Amount" means with respect to each Premium Payment Date and any Credit Event Reference Obligation, the amount that the Insured reports is payable under any effective mortgage insurance policy (or, If the servicer has assumed the obligation of the related mortgage insurance company after an inappropriate cancellation of the related policy, the amount payable by such servicer) relating to such Credit Event Reference Obligation; provided, that such Mortgage Insurance Credit Amount will be limited to the amount that would be necessary to reduce to zero any Credit Event Net Gain and Credit Event Net Loss (in each case as calculated after taking into account any subsequent losses on such Credit Event Reference Obligation as contemplated under clause (c) of the definition of Principal Loss Amount and any subsequent recoveries on such Credit Event Reference Obligation as contemplated under clause (b) of the definition of Principal Recovery Amount) that would otherwise result for such Credit Event Reference Obligation on such Payment Date. If it is subsequently determined that the Mortgage Insurance Credit Amount with respect to any previous Premium Payment Date should have been a different amount based upon additional information received by the Insured after such Premium Payment Date, such difference will be treated as a subsequent loss under clause (c) of the definition of Principal Loss Amount (if the amount should have been lower) or a subsequent recovery under clause (b) of the definition of Principal Recovery Amount (if the amount should have been higher or if the Mortgage Insurance Credit Amount was limited pursuant to the proviso of the immediately preceding sentence and the amount actually received by the Insured pursuant to the related mortgage insurance policy was greater than such limited amount, such difference will be so treated as a subsequent recovery), as described under Article VI(B)(5). Any Mortgage Insurance Credit Amount reported by the Insured will be included as a component of Net Liquidation Proceeds irrespective of the Insured's receipt of such amounts from the related mortgage insurance company. The Mortgage Insurance Credit Amount will not be reduced or otherwise affected irrespective of (i) any insolvency of the related mortgage insurance company or (ii) any settlement or agreement between the Insured and the related mortgage insurance company resulting in the reduction in a claim payment or the commutation or cancellation of coverage under the related mortgage insurance policy. For the avoidance of doubt, clause (ii) in the immediately preceding sentence excludes settlements or agreements related to the transfer of a Mortgage Note to a third-party. The Mortgage Insurance Credit Amount with respect to any Reference Obligation will be deemed to be zero in the event that the related Mortgage Note is transferred to a third party. In such event, any proceeds received from the related mortgage insurance company in connection with the commutation or cancellation of mortgage insurance for any related Mortgage Note with an effective mortgage insurance policy will be included as a component of Liquidation Proceeds.

88. "Mortgage Loan" means a residential mortgage loan evidenced by a Mortgage Note secured by a first mortgage, deed of trust or similar security instrument on a residential property.
89. "Mortgage Note" means a promissory note or other similar evidence of indebtedness.
90. "Mortgaged Property" means residential properties consisting of one- to four-family dwelling units, townhouses, individual condominium units, individual units in planned unit developments, individual cooperative units or manufactured homes.
91. "Mortgagor" has the meaning set forth in the STACR Offering Circular.
92. "Net Liquidation Proceeds" means, with respect to each Premium Payment Date and any Credit Event Reference Obligation, the sum of the related Liquidation Proceeds, any Mortgage Insurance Credit Amount, and any proceeds received from the related servicer in connection with a Minor Servicing Defect (except for those included in Modification Excess), less related expenses, credits and reimbursement of advances; including but not limited to taxes and insurance, legal costs, maintenance and preservation costs; provided, however, to the extent that any such proceeds are received in connection with a Minor Servicing Defect resulting from a servicer's mishandling of a mortgage insurance claim, such proceeds will not be included in the Net Liquidation Proceeds.
93. "Net Premium Payment" has the meaning set forth in Article VI(D)(3).
94. "Net Premium Payment Limit" has the meaning set forth in Article VI(D)(4).
95. "Original Accrual Rate" means, with respect to each Premium Payment Date and any Reference Obligation, the lesser of (i) the related Accounting Net Yield as of the Cut-off Date; and (ii) the related mortgage rate as of the Cut-off Date minus 0.35%.
96. "Original Note" means, collectively, the Class M-1, Class M-2A, Class M-2B, and Class B-1 Notes.
97. "Origination Rep and Warranty/Servicing Breach Settlement" means any settlement (which settlement only relates to claims arising from breaches of origination/selling representations and warranties or breaches of servicing obligations) 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 that include, among others, one or more Reference Obligations, as a result of breaches of origination/selling representations or warranties or as a result of breaches of servicing obligations whereby the Insured has received the agreed-upon settlement proceeds from such seller or servicer. For the avoidance of doubt, any Origination Rep and Warranty/Servicing Breach Settlement will only relate to breaches of either (i) origination/selling representations and warranties or (ii) servicing obligations, but not both.
98. "Origination Rep and Warranty/Servicing Breach Settlement Amount" means with respect to the Premium Payment Date in the calendar month after the calendar month in which an Origination Rep and Warranty/Servicing Breach Settlement occurs, the lesser of:
- (a) the aggregate amount of Credit Event Net Losses of the Origination Rep and Warranty/Servicing Breach Settlement Reference Obligations for such Premium Payment Date and all prior Premium Payment Dates, less the aggregate amount of Credit Event Net Losses of the Origination Rep and Warranty/Servicing Breach Settlement Reference Obligations that were Reversed Credit Event Reference Obligations for such Premium Payment Date and all prior Premium Payment Dates; and
 - (b) the Origination Rep and Warranty/Servicing Breach Settlement Loan Allocation Amount (Cap); and

with respect to each Premium Payment Date thereafter, the lesser of:

- (c) the aggregate amount of Credit Event Net Losses of the Origination Rep and Warranty/Servicing Breach Settlement Reference Obligations for such Premium Payment Date; and
 - (d) the maximum of:
 - (i) zero; and
 - (ii) the Origination Rep and Warranty/Servicing Breach Settlement Loan Allocation Amount (Cap), less the Origination Rep and Warranty/Servicing Breach Settlement Amount for all prior Premium Payment Dates.
99. "Origination Rep and Warranty/Servicing Breach Settlement Loan Allocation Amount (Cap)" means with respect to any Origination Rep and Warranty/Servicing Breach Settlement, an amount equal to the greater of (A) zero or (B)(1) the sum of the Origination Rep and Warranty/Servicing Breach Settlement proceeds determined to be attributable to the Reference Obligations (such determination to be made by the Insured at or about the time of the settlement) minus (2) the aggregate amount of unreimbursed Credit Event Net Losses on such Origination Rep and Warranty/Servicing Breach Settlement Reference Obligations that the Insured identified as having Underwriting Defects or Major Servicing Defects, as applicable, through the related Origination Rep and Warranty /Servicing Breach Settlement date (exclusive of the related settlement proceeds).
100. "Origination Rep and Warranty/Servicing Breach Settlement Reference Obligations" mean the Reference Obligations (including Credit Event Reference Obligations) that are covered by an Origination Rep and Warranty/Servicing Breach Settlement.
101. "Overcollateralization Amount" has the meaning set forth in Article VI(B)(5).
102. "Payment Date Statement" means the monthly report prepared by the Global Agent, as set forth in the STACR Offering Circular.
103. "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.
104. "Policy Limit of Liability" means the amount set forth in Item 7 of the Declarations as the maximum amount payable for all Covered Amounts under this Policy.
105. "Policy Period" means the period beginning with the Effective Date and ending on the Termination Date.
106. "Premium" means the amounts payable from the Insured to the Insurer, as set forth in Item 9 of the Declarations.
107. "Premium Accrual Amount" has the meaning set forth in Article VI(D)(2).
108. "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).
109. "Principal Loss Amount" with respect to each Premium Payment Date, means the sum of:
- (a) the aggregate amount of Credit Event Net Losses for all Credit Event Reference Obligations for the related Reporting Period;

- (b) the aggregate amount of court-approved principal reductions (*i.e.*, "cramdowns") on the Reference Obligations in the related Reporting Period;
- (c) subsequent losses on any Reference Obligation that became a Credit Event Reference Obligation on a prior Premium Payment Date; and
- (d) amounts included in the *second, fourth, seventh, eighth* and *tenth* priorities under the allocation of Modification Loss Amounts set forth in Article VI(C)(1)(b).

110. "Principal Recovery Amount" with respect to each Premium Payment Date, means the sum of:

- (a) the aggregate amount of Credit Event Net Losses for all Reversed Credit Event Reference Obligations for the related Reporting Period;
- (b) subsequent recoveries on any Reference Obligation that became a Credit Event Reference Obligation on a prior Premium Payment Date;
- (c) the aggregate amount of the Credit Event Net Gains of all Credit Event Reference Obligations for the related Reporting Period;
- (d) the Origination Rep and Warranty/Servicing Breach Settlement Amount for such Premium Payment Date; and
- (e) the Projected Recovery Amount.

111. "Projected Recovery Amount" means the fair value of the estimated amount of future subsequent recoveries on the Credit Event Reference Obligations as determined solely by the Insured on the Termination Date. The Projected Recovery Amount will be included in the Principal Recovery Amount on the Termination Date.

112. "Proof of Loss" means the Insured's executed notice of Claim and proof of Loss, substantially in the Form of Exhibit D.

113. "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.

114. "Recovery Principal" means with respect to any Premium Payment Date the sum of:

- (a) the excess, if any, of the Credit Event Amount for such Premium Payment Date, *over* the Tranche Write-down Amount for such Premium Payment Date; and
- (b) the Tranche Write-up Amount for such Premium Payment Date.

115. "Reference Obligation" has the meaning set forth in Article VI(A)(1).

116. "Reference Pool" has the meaning set forth in Article VI(A)(1).

117. "Reference Pool Removal" has the meaning set forth in Article VI(A)(3).

118. "Reference Pool Status" has the meaning set forth in Schedule 1.

119. "Reference Pool Status UPB" has the meaning set forth in Schedule 1.

120. "Reference Tranche" has the meaning set forth in Article VI(B)(1).

121. "Reference Transaction" has the meaning assigned in Item 3 of the Declarations.

122. "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.

123. "Reinsurer's Reference Tranche Limit" has the meaning set forth in Schedule 3.

124. "REO" means real estate owned, as the term is commonly understood in the mortgage industry.

125. "Reporting Period" has the meaning set forth in Article VI(B)(3).

126. "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, Major Servicing Defect or a data correction that invalidates the previously determined Credit Event.

127. "Revised Insured Percentage" has the meaning set forth in Schedule 3.

128. "Revised Insurer's Reference Tranche Limit" has the meaning set forth in Schedule 3.

129. "Revised Reinsurer Allocation" has the meaning set forth in Schedule 3.

130. "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 in the Reference Pool and collected by the Insured during the related Reporting Period.

131. "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 UPB of the Reference Obligations in the Reference Pool at the end of the previous Reporting Period.

132. "Senior Reduction Amount" means, with respect to any Premium Payment Date, either:

- (a) if any of the Minimum Credit Enhancement Test, the Cumulative Net Loss Test or the Delinquency 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 Recovery Principal for such Premium Payment Date; or
- (b) if the Minimum Credit Enhancement Test, the Cumulative Net Loss Test and the Delinquency 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 Recovery Principal for such Premium Payment Date.

133. "STACR Agreement" means the Debt Agreement associated with the STACR transaction identified in Annex 1, as such Debt Agreement may be amended or supplemented from time to time, and attached to this Policy as Exhibit A.
134. "STACR Documentation" means, collectively, the STACR Agreement, the STACR Offering Circular, and the STACR Global Agency Agreement.
135. "STACR Global Agency Agreement" means the agreement between the Insured and the Global Agent associated with the STACR transaction identified in Annex 1, a copy of which is attached to this Policy as Exhibit C.
136. "STACR Offering Circular" means the STACR Debt Notes Offering Circular (including any related supplement thereto) associated with the STACR transaction identified in Annex 1, and attached to this Policy as Exhibit B.
137. "Subordinate Percentage" means, with respect to any Premium Payment Date, the percentage equal to 100% minus the Senior Percentage for such Premium Payment Date.
138. "Subordinate Reduction Amount" means, with respect to any Premium Payment Date, the sum of the Scheduled Principal, Unscheduled Principal and Recovery Principal for such Premium Payment Date, less the Senior Reduction Amount.
139. "Terminal Settlement Amount" has the meaning set forth in Schedule 1.
140. "Termination Date" means the earliest 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.
141. "TOB" means terms of business the Insured negotiates with its sellers and servicers from time to time which may amend, waive or otherwise alter certain terms of the Guide.
142. "Tranche Future Premium" has the meaning set forth in Schedule 1.
143. "Tranche Write-down Amount" means, with respect to each Premium Payment Date, the excess, if any, of the Principal Loss Amount for such Premium Payment Date over the Principal Recovery Amount for such Premium Payment Date. With respect to each Premium Payment Date, the Class Notional Amount for the Class A-H Reference Tranche will be increased by the excess, if any, of the Tranche Write-down Amount for such Premium Payment Date over the Credit Event Amount for such Premium Payment Date.
144. "Tranche Write-up Amount" means, with respect to each Premium Payment Date, the excess, if any, of the Principal Recovery Amount for such Premium Payment Date over the Principal Loss Amount for such Premium Payment Date.
145. "True-Up Amount" has the meaning set forth in Schedule 2.
146. "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.
147. "Trust Agreement" means the trust agreement, which is comprised of the base trust agreement and its respective Trust Supplement, to be established with Eligible Assets within thirty (30) calendar days after the Effective Date among the Reinsurer, as the grantor, the Insured, as the beneficiary, and the Bank of New York, as the trustee.
148. "Trust Supplement" has the meaning set forth in the base trust agreement.
149. "Unconfirmed Servicing Defect" means with respect to any Reference Obligation, the existence of the following, as determined by the Insured in its sole discretion:

- (a) there is a violation of the servicing guidelines and other requirements in the Guide (as modified by the terms of the related servicer's contract, including any related TOBs); and
- (b) the Insured has issued a notice of defect, repurchase letter or a repurchase alternative letter related to the servicing breach.

For the avoidance of doubt, Reference Obligations with minor technical violations, which in each case the Insured determines to be acceptable Reference Obligations, may not result in an Unconfirmed Servicing Defect.

150. "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 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, any Reference Obligation with minor technical violations or missing documentation, which in each case the Insured determines to be an acceptable Reference Obligation, will not result in an Unconfirmed Underwriting Defect.

151. "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 related 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 UPB of the loan will be treated as Unscheduled Principal.

152. "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 UPB 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) the absolute value of any negative adjustments in the UPB of all Reference Obligations as the result of loan modifications or data corrections, *minus*
- (d) the value of any positive adjustments in the UPB of all Reference Obligations as the result of loan modifications, 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 Original 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 that would be applicable to the Reference Obligations, any principal that may be forgiven with respect to a Reference Obligation will be treated as a negative adjustment in UPB of such Reference Obligation pursuant to clause (c) above. In addition, while principal modifications that result in a negative adjustment in the UPB of a Reference Obligation will initially result in an unscheduled principal payment being made to the Original Notes, if such Reference Obligation subsequently becomes a Credit Event Reference Obligation, such principal reduction will be allocated as a loss and possibly result in a Tranche Write-down Amount.

153. "UPB" means, with respect to any Mortgage Loan and as of any date, the unpaid principal balance of such Mortgage Loan as of such date.

154. "Write-up Excess" has the meaning set forth in Article VI(B)(5).

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 AGREEMENT

(Attached)



EXHIBIT B
STAGR OFFERING CIRCULAR

(Attached)



EXHIBIT C

STACR GLOBAL AGENCY AGREEMENT

(Attached)

EXHIBIT D

FORM OF NOTICE OF CLAIM AND PROOF OF LOSS

(Date)

[REDACTED]

Re: Notice of Claim and Proof of Loss

Pursuant to the terms of the Insurance Policy issued by [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. **Tranche Write-down Amount**
relating to such Insured Tranche as of the
applicable Premium Payment Date:
3. **Loss:**
4. **Insured Percentage:**

(See Annex 1 attached)
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).

By:
Name:
Title:

SCHEDULE 1

TERMINAL SETTLEMENT AMOUNT CALCULATION

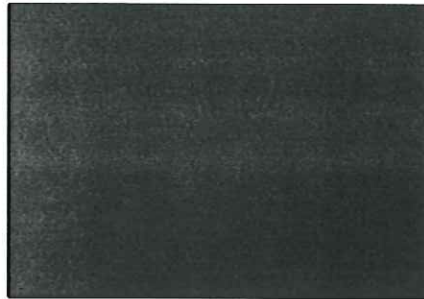
The "Terminal Settlement Amount" shall be an amount calculated as follows:

1. Future Modeled Loss Amount calculation
 - a. Evaluate the delinquency profile of the Reference Pool based on the Payment Date Statement as of the month in which the Insolvency Event occurred, such that all Reference Obligations' status (Current, Delinquent up to 90 days, Delinquent 91 to 180 days, Delinquent 181 to 360 days, Delinquent more than 360 days) (the "Reference Pool Status") are identified and the respective UPB of each category of Reference Pool Status is aggregated respectively (the "Reference Pool Status UPB").
 - b. Obtain the probability of default (the "Default Probability") value from the Schedule 1A table for each category of Reference Pool Status.
 - c. Obtain the loss given default multiplier (the "Loss Given Default") that applies to each category of Reference Pool Status based on Schedule 1A.
 - d. Calculate the "Gross Future Modeled Loss Amount," which is the sum of the following product for each of the five (5) categories of Reference Pool Status: (i) the applicable Reference Pool Status UPB, (ii) the applicable Default Probability and (iii) the applicable Loss Given Default.
 - e. Allocate the Gross Future Modeled Loss Amount to the then-remaining Class Notional Amount as of such date for each Reference Tranche (up to the outstanding UPB of each such Reference Tranche), starting with the most subordinate Reference Tranche until the Gross Future Modeled Loss Amount is reduced to zero (0) (with respect to each Reference Tranche, the "Gross Insured Tranche Modeled Loss").
 - f. Calculate the "Future Modeled Loss Amount," which is the sum of the following product for each Reference Tranche: (i) the applicable Gross Insured Tranche Modeled Loss, (ii) the applicable Insured Percentage of the Insurer and (iii) the applicable Reinsurer's Insured Percentage from the applicable I&L Agreement.
2. Future Premium calculation
 - a. For each Insured Tranche, obtain the "Future Premium Multiplier" from Schedule 1A.
 - b. For each Insured Tranche, obtain the Premium paid to the applicable Reinsurer on the Premium Payment Date as of the month in which the Insolvency Event occurred and multiply it by the applicable Future Premium Multiplier to generate the "Tranche Future Premium."
 - c. Add the Tranche Future Premium with respect to each respective Insured Tranche together to generate the "Future Premium."
3. Terminal Settlement Amount calculation
 - a. Obtain the "Terminal Settlement Amount" by subtracting the Future Premium from the Future Modeled Loss Amount.

SCHEDULE 1A

TERMINAL SETTLEMENT AMOUNT CALCULATION TABLES

DEFAULT PROBABILITY AND LOSS GIVEN DEFAULT



FUTURE PREMIUM MULTIPLIER

Tranche Multiples			
Future Premium Multiplier by Counterparty Default Time Frame*			
Time	ACIS Tranche		
Frame	B1	M2	M1

* Number of months of future premium to be applied to last premium payment made during default time frame

** Time Frame is based on the lapse of time since the Effective Date

SCHEDULE 2

TRUE-UP AMOUNT CALCULATION

The "True-Up Amount" shall be an amount equal to:

- (i) if the Terminal Settlement Amount is zero or positive, (x) the Terminal Settlement Amount actually paid by the applicable Reinsurer (or such Reinsurer's estate) and permitted to be retained by the Insured, minus (y) the result of the actual Losses that would have been payable by such Reinsurer under the Quota Share Contract during the period from but excluding the date on which such Reinsurer's quota share participation in the Quota Share Contract terminated through and including the Maturity Date, minus the actual Premium that would have been payable to such Reinsurer under the Quota Share Contract during the period from but excluding the date on which such Reinsurer's quota share participation in the Quota Share Contract terminated through and including the Maturity Date, in each case, assuming such Reinsurer's quota share participation in the Quota Share Contract was not terminated prior to the Maturity Date (the result of the calculation in clause (y), the "Actual Net Loss"); or
- (ii) if the Terminal Settlement Amount is negative, (x) the Terminal Settlement Amount, minus (y) the Actual Net Loss.

For the avoidance of doubt, and purely as examples:

- a. if the Terminal Settlement Amount paid by the Reinsurer (or the Reinsurer's estate) and permitted to be retained by the Insured was \$20 million, and the Actual Net Loss amount is \$35 million, then the Reinsurer (or the Reinsurer's estate) shall pay the Insured \$15 million;
- b. if the Terminal Settlement Amount paid by the Reinsurer (or the Reinsurer's estate) and permitted to be retained by the Insured was \$20 million, and the Actual Net Loss amount is \$5 million, then the Insured shall pay the Reinsurer (or the Reinsurer's estate) \$15 million;
- c. if the Terminal Settlement Amount was -\$20 million, and the Actual Net Loss amount is -\$35 million, then the Insured shall pay the Reinsurer (or the Reinsurer's estate) \$15 million; or
- d. if the Terminal Settlement Amount was -\$20 million, and the Actual Net Loss amount is -\$5 million, then the Reinsurer (or the Reinsurer's estate) shall pay the Insured \$15 million.

SCHEDULE 3

POLICY LIMIT OF LIABILITY RECALCULATION

For the avoidance of doubt, and purely as an example of the Policy Limit of Liability reduction for each Reference Tranche, if the Policy Limit of Liability for a Reference Tranche is \$120 million, the Insured Percentage is 60.00%, and there are four (4) Reinsurers with the following allocations: Reinsurer A has a 20% allocation, Reinsurer B has a 30% allocation, Reinsurer C has a 40% allocation, and Reinsurer D has a 10% allocation, and Reinsurer A suffers an Insolvency Event, and if the Terminal Settlement Amount is either (i) positive and is received and permitted to be retained by the Insured or (ii) negative, then the revision to the Policy Limit of Liability and the impacted attributes shall be calculated as follows:

1. Calculate the product of the Reference Tranche Policy Limit of Liability and the Insured Percentage ($\$120M \times 60.00\% = \$72M$) (the "Insurer's Reference Tranche Limit");
2. Calculate the product of the Insurer's Reference Tranche Limit and the Reinsurer A allocation ($\$72M \times 20.00\% = \$14.4M$) (the "Reinsurer's Reference Tranche Limit"). The reduction in the Policy Limit of Liability will be equal to the Reinsurer's Reference Tranche Limit (\$14.4M);
3. Subtract the Reinsurer's Reference Tranche Limit from the Insurer's Reference Tranche Limit ($\$72M - \$14.4M = \$57.6M$) (the "Revised Insurer's Reference Tranche Limit");
4. Calculate the quotient of the Revised Insurer's Reference Tranche Limit and the Reference Tranche Policy Limit of Liability ($\$57.6M / \$120M = 48.00\%$) (the "Revised Insured Percentage"); and
5. For the remaining Reinsurers, calculate the quotient of (i) the product of the Insurer's Reference Tranche Limit and the applicable Reinsurer's allocation (e.g. for Reinsurer B, $\$72M \times 30.00\% = \$21.6M$) and (ii) the Revised Insurer's Reference Tranche Limit ($\$21.6M / \$57.6M = 37.5\%$) (such quotient, the "Revised Reinsurer Allocation")

For future Premium Payment Dates following the Insolvency Event, the Insured will use the Revised Insurer's Reference Tranche Limit, the Revised Insured Percentage, and the Revised Reinsurer Allocation for the allocation of all Covered Amounts and Premiums. The recalculated numbers will be set forth on a schedule substantially in the form of Schedule 4 (the "Revised Annex 1") as prepared by the Insured for the Insurer to distribute to each Reinsurer on the Premium Payment Date following the Insolvency Event, and a Revised Reinsurer Allocation(s) will be set forth on Exhibit D of the I&L Agreement for each Reinsurer, which will be provided on the Premium Payment Date following the Insolvency Event to amend and accordingly reflect each Reinsurer's revised percentage share(s).

SCHEDULE 4

Revised Transaction-Specific Details for Policy Number [REDACTED]

("Revised Annex 1")

Associated STACR Transaction: STACR 2018-HQA1