



**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:** February 4, 2020

**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:

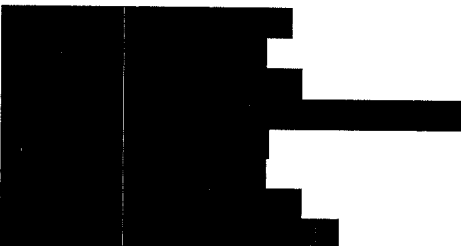
Freddie Mac  
8200 Jones Branch Drive  
McLean, Virginia 22102



**Item 2. Insurer and Insurer's Jurisdiction:**



**Contact Information:**



- Item 3. Reference Transaction:** STACR REMIC Trust 2020-HQA1
- Item 4. Reference Pool:** 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 are (i) mortgage loans that were originated on or after January 1, 2015 and securitized by the Insured between April 1, 2019 and June 30, 2019 and (ii) subject to the satisfaction of certain conditions described in the definition of Reference Pool Removal, any Enhanced Relief Refinance Reference Obligations that meet the Enhanced Relief Refinance Program Criteria and that replace the corresponding Reference Obligations that were refinanced under the Enhanced Relief Refinance Program, where applicable. Original Reference Obligations must meet the Eligibility Criteria, all as more specifically described below, and in the STACR Documentation.
- Item 5. Cut-off Date:** The close of business on November 30, 2019.
- Item 6. Cut-off Date Balance:** The aggregate UPB of the Reference Obligations as of the Cut-off Date, as set forth in Annex 1.
- Item 7. Insurance Type:** Aggregate Excess of Loss Credit insurance.
- Item 8. 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;
  - (d) for the Class B-2H Reference Tranche, the lesser of (i) the product of the Class B-2H Reference Tranche Insured Percentage and the Class Notional Amount of the Class B-2H Reference Tranche at such time, or (ii) the Policy Limit of Liability for the Class B-2H 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) and (d) above will be adjusted based on the application of allocated Stated 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, Class B-1H Reference Tranche and Class B-2H Reference Tranche, as applicable.

**Item 9. Insured Percentage:**

The applicable Insured Percentage, as set forth in Annex 1 for each Reference Tranche.

**Item 10. Annual Premium Rate & Premium Payment:**



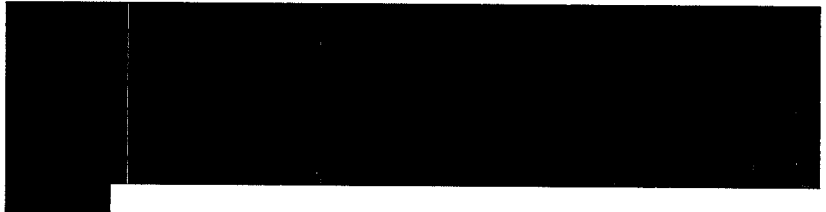
**Item 11. Delivery Location:**



**Item 12. Maturity Date:**

The Premium Payment Date in July 2032.

**Item 13. Early Call Option Fee:**



**Item 14. 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 15. Payment Currency:**

United States of America Dollars.

**Item 16. Policy All-Inclusive:**

This Policy is comprised of these declarations pages, including Annex 1 hereto (collectively, the "Declarations Page"), 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



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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 [REDACTED]**

**("Annex 1")**

**Associated STACR Transaction:** STACR REMIC Trust 2020-HQA1

**Item 6: Cut-off Date Balance**

a. \$24,267,986,966

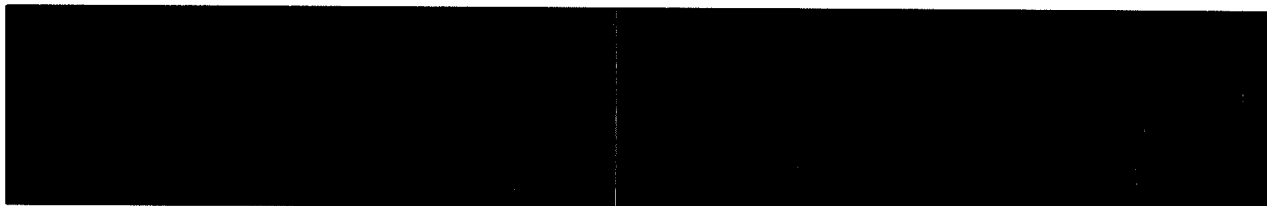
	<b>Item 8: Policy Limit of Liability</b>	<b>Item 9: Insured Percentages</b>	<b>Item 10: Annual Premium Rate</b>
a. Aggregate	\$22,085,845.03	[REDACTED]	[REDACTED]
b. Class M-1H Reference Tranche	\$7,715,625.27	[REDACTED]	[REDACTED]
c. Class M-2H Reference Tranche	\$8,638,946.48	[REDACTED]	[REDACTED]
d. Class B-1H Reference Tranche	\$1,129,783.83	[REDACTED]	[REDACTED]
e. Class B-2H Reference Tranche	\$4,601,489.44	[REDACTED]	[REDACTED]

**Article II (I): Retention Percentage**

- a. 5% Minimum Retention Percentage
- b. 25% Class B-3H Minimum Retention Percentage

**Definitions:**

a.	<u>Class of Reference Tranches</u>	<u>Initial Class Notional Amount</u>
	A-H .....	\$23,236,597,522
	M-1 .....	\$218,000,000
	M-1H .....	\$85,349,837
	M-2 .....	\$330,000,000
	M-2H .....	\$131,091,752
	B-1 .....	\$87,000,000
	B-1H .....	\$34,339,934
	B-2 .....	\$103,000,000
	B-2H .....	\$18,339,934
	B-3H .....	\$24,267,987
b.	<u>Class of Reference Tranches</u>	<u>Initial Subordination</u>
	A-H .....	4.25%
	M-1 and M-1H .....	3.00%
	M-2 and M-2H .....	1.10%
	B-1 and B-1H .....	0.60%
	B-2 and B-2H .....	0.10%
	B-3H .....	0.00%
c.	Minimum Credit Enhancement Test	4.50%



*(signature page follows)*



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

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## 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; 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 to the Insured, following the filing of a Claim, 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. To secure its performance hereunder, within thirty (30) calendar days after the Effective Date, the Insurer shall deposit Eligible Assets in the Trust Account and maintain such Eligible Assets in an amount as determined under and pursuant to the Trust Agreement, and subject to the following provisions:
1. The Trust Agreement shall be in the form mutually agreed between the parties 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 Insurer is able to satisfy its obligations hereunder to deposit Eligible Assets in the Trust Account.
  2. The Insurer agrees to maintain the Eligible Assets in the Trust Account such that the Outstanding Collateral Amount shall be equal to or greater than the Security Amount as of each Collateral Calculation Date.
  3. If the Security Amount as of any Collateral Calculation Date exceeds the Outstanding Collateral Amount as of such Collateral Calculation Date, then, subject to Section 1(e) of the Trust Agreement, the Insurer shall, within five (5) Business Days following the Insurer becoming aware of such difference, deposit additional Eligible Assets in the Trust Account equal to the amount of such difference. If, however, the Outstanding Collateral Amount as of any Collateral Calculation Date exceeds 102% of the Security Amount as of such Collateral Calculation Date, then, subject to Section 1(e) of the Trust Agreement, within five (5) Business Days following the Insurer's request, and upon verification of such amount by the Insured, the Insured shall allow the release to the Insurer of Assets from the Trust Account with an aggregate fair market value no greater than such excess (with all Excess Assets (as defined in the Trust Agreement) to be released to the Insurer prior to release of any Eligible Assets to the Insurer). In furtherance of the foregoing, the Insured shall undertake all actions that shall reasonably be necessary to allow such release of Assets, including, but not limited to, delivery of any notices that might be required by the trustee of the Trust Account; provided, however, that the Insured shall only be required to allow the release to the Insurer of Assets from the Trust Account pursuant to this Article I(B)(3) to the extent withdrawal by the Insurer is permitted under Section 7 of the Trust Agreement.



4. The Insured shall have the right to withdraw Assets from the Trust Account to pay the Insured any amount under this Policy which becomes due from the Insurer under Article V(D) of this Policy and which is not otherwise paid by the Insurer within five (5) Business Days following acceptance (including deemed acceptance) of the related Proof of Loss by the Insurer. In the event the amount withdrawn by the Insured from the Trust Account is in excess of the actual amount finally determined to be due to the Insured, which determination must be made by a court of competent jurisdiction in the event of a dispute unless the parties mutually agree otherwise, the Insured shall promptly return to the Trust Account the excess amount so withdrawn and any such excess withdrawn amount shall accrue interest at the rate specified in Article V(D).
5. Notwithstanding anything contained herein to the contrary, if at any time prior to the occurrence of (i) any of the circumstances described in Article VII(C)(1)(a)-(i) or (ii) an Insolvency Event, the Outstanding Collateral Amount is equal to or less than an amount established pursuant to Section 3(b) of the applicable Trust Supplement, then the Insured shall allow the release to the Insurer of Assets from the Trust Account in accordance with Section 3(b) of the applicable Trust Supplement and subject to the conditions set forth therein.
6. Should the Insured elect to cancel this Policy on a cut-off basis pursuant to Article VII(C)(1), the Insured shall provide the Insurer with a written statement of the Security Amount as of the date of the cancellation notice delivered by the Insured pursuant to Article VII(C)(1). If the Outstanding Collateral Amount as of the date of such cancellation notice is less than the Insured's written statement of the Security Amount, then, subject to Section 1(e) of the Trust Agreement, the Insurer will, within five (5) Business Days following receipt of such notice, top up the Trust Account to an amount equal to the Security Amount. For the avoidance of doubt, upon the occurrence of an Insolvency Event, the Insurer shall not deposit or withdraw any Assets from the Trust Account, regardless of the Outstanding Collateral Amount, until the payment of the Terminal Settlement Amount is received by the respective party, as applicable under the terms of Article VII(C)(11).

## 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, as applicable:

- A. Information in the statements and information provided to the Insurer in the Insurance Application are true and correct in all Material respects as of the Effective Date.
- B. The Insured has not withheld any information from the Insurer that would reasonably affect the decision of an insurer of risks similar to the risk under this Policy, and as of the Effective Date, 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 and B are the true and complete copy 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 11 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 the STACR Indenture), other than (i) any of which have been unconditionally obtained or effected (as appropriate) and are in full force and effect or (ii) any of which the failure to possess, obtain, make, provide or deliver do not or will not, individually or together with any one or more such other failures, result in the Insurer incurring any liability, or have a material adverse effect on (a) the ability of the Insured to perform and comply with its respective obligations under this Policy, or (b) the consummation of the transactions contemplated under this Policy.
- I. On the Closing Date, the Insured will enter into the EU Risk Retention Letter (as defined in the STACR Documentation) irrevocably restricting the Insured's ability to transfer or hedge more than a 95% pro rata share of the credit risk on any of (i) the Class A-H Reference Tranche, (ii) the Class M-1 and Class M-1H Reference Tranches (in the aggregate), (iii) the Class M-2A and Class M-2AH Reference Tranches (in the aggregate), (iv) the Class M-2B and Class M-2BH Reference Tranches (in the aggregate), (v) the Class B-1A and Class B-1AH Reference Tranches (in the aggregate), (vi) the Class B-1B and Class B-1BH Reference Tranches (in the aggregate), (vii) the Class B-2A and Class B-2AH Reference Tranches (in the aggregate), (viii) the Class B-2B and Class B-2BH Reference Tranches (in the aggregate), or (ix) the Class B-3H Reference Tranche (the "Minimum Retention Percentage" set forth in Annex 1). Additionally, the Insured will not enter through any transaction into agreements that transfer or hedge more than a 75% share of the credit risk on the Class B-3H 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 any reinsurer of the Insurer, 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 is 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]

- C. The Insurer has taken all corporate action required to authorize the execution and delivery of this Policy, and the performance of its obligations hereunder.
- D. The Insurer has the corporate power and authority to execute and deliver, and perform its obligations under, this Policy.
- E. 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.
- F. 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.
- G. 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.



- H. The Insurer is, and will use its best efforts to remain, in compliance at all times and in all material respects with all Applicable Law, including, but not limited to, to the extent applicable, [REDACTED] and with 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.
- I. 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.
- [REDACTED] 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 and applicable [REDACTED], including, but not limited to, the minimum solvency margin and the applicable enhanced and eligible capital requirements. The Insurer is, and after issuance of this Policy will be, solvent, including by all applicable standards of solvency under Applicable Law in the Insurer's Jurisdiction. Insurer has at all times ensured, and will use its best efforts to ensure, that the general business and long term business of Insurer is kept separate in accordance with the applicable provisions [REDACTED]
- K. 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.
- L. Without derogating from the generality of Article III(H), none of the Insurer, any of its direct or indirect subsidiaries, any shareholder that holds ten percent (10%) or more of the outstanding 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.
- M. The Insurer has such Knowledge and experience in financial, business and insurance matters that it is capable of evaluating the merits and risks of this transaction. The Insurer has conducted its own independent review and analysis of the underwriting risk and acknowledges and agrees that the Insured has provided, 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.

- N. Without derogating from the generality of Article III(H), the Insurer is compliant with the U.S. Foreign Account Tax Compliance Act.
- O. In any reinsurance treaty executed between the Insurer and a reinsurer with respect to the risks assumed under this Policy by the Insurer, to the extent required by the Insured on or prior to the Effective Date, the Insurer shall obtain written representations and warranties substantially similar to those set forth in this Article III(A)-(N) from the reinsurer to which the Insurer cedes any portion of the risk.
- P. 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 Indenture Trustee, and may do so by accessing the Indenture Trustee's internet site at "<https://sf.citidirect.com>" or any other website that may be established by the Indenture Trustee, provided the Insurer has agreed to the Indenture Trustee's requirements for such access. In the event that the Indenture Trustee ceases to make such reports publicly available, including by means of any such website, the Insured shall work with the Indenture Trustee to provide 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 C. The Insured's failure to provide the Payment Date Statement or Proof of Loss within the foregoing period shall not relieve the Insurer of its obligations under this Policy. 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 Indenture Trustee 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, 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 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 4 of the Declarations Page (and more particularly identified at [http://www.freddiemac.com/creditriskofferings/security\\_data.html](http://www.freddiemac.com/creditriskofferings/security_data.html) as of the Effective Date). Original Reference Obligations must meet the Eligibility Criteria, including certain LTV ratio thresholds and must have no Underwriting Defects, Major Servicing Defects or Minor Servicing Defects that were Known to the Insured as of December 3, 2019 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 Private Placement Memorandum. Additionally, subject to the satisfaction of certain conditions described in the definition of Reference Pool Removal, Reference Obligations include any Enhanced Relief Refinance Obligations that meet the Enhanced Relief Refinance Program Criteria and that replace the corresponding Reference Obligations that were refinanced under the Enhanced Relief Refinance Program, where applicable.
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. Insured securitized between April 1, 2019 and June 30, 2019, and was originated on or after January 1, 2015;
  - c. is held in the Insured's PCs with respect to which a REMIC election has been made;
  - d. has not been prepaid in full as of December 3, 2019;
  - e. as of December 3, 2019, the servicer has not reported that the borrower of such Reference Obligation has filed for bankruptcy;
  - f. has not been repurchased by the applicable seller or servicer as of December 3, 2019;
  - g. has no Underwriting Defects, Major Servicing Defects or Minor Servicing Defects as determined by the Insured's internal quality control process as of December 3, 2019;
  - h. as of November 30, 2019, has never been reported to be thirty (30) days or more delinquent since being purchased by the Insured;
  - i. was originated with documentation as described under "*General Mortgage Loan Purchase and Servicing — Underwriting Standards— Documentation*" in the STACR Private Placement Memorandum;
  - j. is not covered by pool insurance;
  - k. has an original LTV ratio that is (i) greater than 80% and (ii) less than or equal to 97%;



- l. has an original CLTV ratio that is less than or equal to 97%;
- m. for each Reference Obligation with a loan age greater than or equal to 12 months for which an ELTV has been obtained, such ELTV is greater than 55%;
- n. subject to any applicable TOBs or certain pilot programs, is not subject to recourse or other credit enhancement;
- o. 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 LTV ratio greater than 80%);
- p. was not associated with a mortgage revenue bond purchased by the Insured;
- q. had an original principal balance greater than or equal to \$5,000; and
- r. was not originated under a government program (e.g., FHA, VA or Guaranteed Rural Housing loans).

Subject to the satisfaction of certain conditions described in the definition of Reference Pool Removal, upon the refinancing of a Reference Obligation under the Enhanced Relief Refinance Program, the resulting Enhanced Relief Refinance Reference Obligation will be deemed a Reference Obligation and will be included in the Reference Pool in the place of the original refinanced Reference Obligation following the Enhanced Relief Refinance Program Release Date, notwithstanding that such Enhanced Relief Refinance Reference Obligation may not meet all the Eligibility Criteria set forth above.

- 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, and, if permitted, the replacement of the Reference Obligations with the corresponding Enhanced Relief Refinance 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 (except as provided below with regard to a refinancing under the Enhanced Relief Refinance Program);
  - 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; or
  - e. the Reference Obligation is seized pursuant to any special eminent domain proceeding brought by any federal, state or local government instrumentality with the intent to provide relief to financially-distressed borrowers with negative equity in the underlying Mortgage Loan. For the avoidance of doubt, if a property were seized through any eminent domain proceedings brought by any state, federal, or local government entity, such seizure will not be treated as a Credit Event. Instead,



the UPB of the loan at the time of seizure will be treated as Stated Principal and the loan will be removed pursuant to Reference Pool Removal.

A Reference Obligation will not be removed from the Reference Pool if it undergoes a temporary or permanent modification and it does not meet any other criteria in the foregoing Articles VI(A)(3)(a)-(e) to be removed.

Each Reference Obligation required to be removed from the Reference Pool will be so removed:

- (i) in the case of any Reference Obligation required to be removed pursuant to subitem (a) or (b) above, as of the Premium Payment Date related to the Reporting Period during which (a) or (b) above occurred with respect to such Reference Obligation, after giving effect to the payment of all Return Amounts required to be paid on such Premium Payment Date; or
- (ii) in the case of any Reference Obligation required to be removed pursuant to subitem (c), (d), or (e) above, as of the date in the related Reporting Period on which (c), (d), or (e) above occurred with respect to such Reference Obligation.

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

Subject to the satisfaction of the conditions described in Article VI(A)(3), if a Reference Obligation is refinanced under the Enhanced Relief Refinance Program and meets the Enhanced Relief Refinance Program Criteria, such Reference Obligation will not be removed from the Reference Pool until the Enhanced Relief Refinance Program Release Date.

On the Enhanced Relief Refinance Program Release Date with respect to each original Reference Obligation that was paid in full, the following will apply:

- (a) if the Insured confirms that the payment in full was made in connection with the Enhanced Relief Refinance Program, such original Reference Obligation will be removed from the Reference Pool and the resulting Enhanced Relief Refinance Reference Obligation will replace such original Reference Obligation in the Reference Pool (which removal and replacement will not constitute a Reference Pool Removal);
- (b) if the Insured confirms that the payment in full was not made in connection with the Enhanced Relief Refinance Program, such original Reference Obligation will be removed from the Reference Pool (which removal will constitute a Reference Pool Removal); and
- (c) if neither such confirmation can be made in (a) or (b) above, such original Reference Obligation will be removed from the Reference Pool (which removal will constitute a Reference Pool Removal).

In the event that a Reference Obligation that was previously removed from the Reference Pool is discovered to have been removed in error, such Reference Obligation will be reinstated into the Reference Pool.

**B. Reference Tranches**

1. For purposes of this Policy and for purposes of making the calculations for each Premium Payment Date of (i) any principal or notional amount write-downs (or write-ups) on the Original Notes as a result of Credit Events (or reversals thereof) or