

ACIS 2022-AFH2



INSURANCE POLICY

DECLARATIONS

Policy Number: 

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

**EFFECTIVE DATE:** September 1, 2022

**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. Covered Transaction:**

During the Loan Acquisition Period, the Insured shall include all Mortgage Loans that meet the Eligibility Criteria that are Acquired by the Insured during such month to become Covered Obligations and included as such in the pool covered hereunder (the "Covered Pool") in accordance with the methodology set forth on Schedule 1.



The “Loan Acquisition Period” shall be the period commencing on the Effective Date and ending one (1) day prior to the date that is one (1) month after the Effective Date as set forth in Article VI(A)(2)(b). The Covered Pool shall also close once it reaches the maximum aggregate UPB set forth in Annex 1 (the “Maximum Covered Pool Size”). For the avoidance of doubt, once the Loan Acquisition Period closes or reaches the Maximum Covered Pool Size, it will be reported in the next Reporting Period. For illustrative purposes only, if the Maximum Covered Pool Size is attained during September 2022, that fact will be reported in October 2022, but the last day of the Loan Acquisition Period would be September 30, 2022.

Coverage under this Policy will automatically and simultaneously attach to each Covered Obligation upon Acquisition subject to the terms, limits and conditions of this Policy.

For the avoidance of doubt, (i) once the Covered Pool reaches the Maximum Covered Pool Size, no further Covered Obligations will be added to the Covered Pool regardless of the length of time remaining in the Loan Acquisition Period, and (ii) regardless of the final size of the Covered Pool, the Insurer's maximum liability for all Covered Amounts hereunder is limited by the Policy Limit of Liability.

**Item 4. Insurance Type:**

Aggregate Excess of Loss Credit insurance.

**Item 5. Policy Limit of Liability:**

Regardless of the number of Credit Events, at any point in the Policy Period, the Insurer's maximum liability for all Covered Amounts hereunder shall not exceed 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-1 Reference Tranche, the lesser of (i) the product of the Class M-1 Reference Tranche Insured Percentage and the Class Notional Amount of the Class M-1 Reference Tranche at such time, or (ii) the Policy Limit of Liability for the Class M-1 Reference Tranche set forth in Annex 1 minus any Covered Amounts previously paid to that point; and
- (b) for the Class M-2 Reference Tranche, the lesser of (i) the product of the Class M-2 Reference Tranche Insured Percentage and the Class Notional Amount of the Class M-2 Reference Tranche at such time, or (ii) the Policy Limit of Liability for the Class M-2 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) 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-1 Reference Tranche and Class M-2 Reference Tranche, as applicable.

**Item 6. Insured Percentage:**

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



**Item 7. Initial Annual Premium Rate & Final Annual Premium Rate:**

[REDACTED]

[REDACTED]

[REDACTED]

**Item 8. Delivery Location:**

[REDACTED]

**Item 9. Maturity Date:**

The Premium Payment Date occurring twelve and a half (12 ½) years after the end of the Rate Recalculation Date. For the avoidance of doubt, and purely as an example, if the Rate Recalculation Date is October 25, 2022, the Maturity Date would then be April 25, 2035.

**Item 10. Early Call Option Fee:**

[REDACTED]

**Item 11. 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 12. Payment Currency:**

United States of America Dollars.

**Item 13. Policy All-Inclusive:**

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

[REDACTED]

**Transaction-Specific Details for Policy Number** [REDACTED]

**(“Annex 1”)**

**Item 3: Maximum Covered Pool Size**

a. \$14,093,583,886

|                                | <b>Item 5:<br/>Policy Limit<br/>of Liability</b> | <b>Item 6:<br/>Insured<br/>Percentages</b> | <b>Item 7:<br/>Annual<br/>Premium Rate</b> |
|--------------------------------|--|--|--|
| a. In Aggregate                | \$4,953,894.74                                   |  |  |
| b. Class M-1 Reference Tranche | \$2,811,669.99                                   |  |  |
| c. Class M-2 Reference Tranche | \$2,142,224.75                                   |  |  |

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

a. 5% Minimum Retention Percentage

**Definitions:**

|                                       |       |                                   |
|---------------------------------------|-------|-----------------------------------|
| a. <u>Class of Reference Tranches</u> |       | <u>Initial Class Notional Amc</u> |
| A                                     | ..... | \$13,353,670,732                  |
| M-1                                   | ..... | \$295,965,262                     |
| M-2                                   | ..... | \$225,497,342                     |
| B-1                                   | ..... | \$98,655,087                      |
| B-2                                   | ..... | \$84,561,503                      |
| B-3                                   | ..... | \$35,233,960                      |
| b. <u>Class of Reference Tranches</u> |       | <u>Initial Subordination</u>      |
| A                                     | ..... | 5.25%                             |
| M-1                                   | ..... | 3.15%                             |
| M-2                                   | ..... | 1.55%                             |
| B-1                                   | ..... | 0.85%                             |
| B-2                                   | ..... | 0.25%                             |
| B-3                                   | ..... | 0.00%                             |
| c. Minimum Credit Enhancement Test    |       | 5.25%                             |

*(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 Page 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 execution of the Policy, 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. Following the Rate Recalculation Date, 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(F) 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(F).
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 and any reinsurer of the Insurer, as applicable:

- A. Information in the statements and information provided to the Insurer and any reinsurer of 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 or any reinsurer of the Insurer 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. The Insured is duly organized, validly existing and in good standing under the laws of the United States.
- D. The Insured has taken all corporate action required to authorize the execution, delivery and performance of this Policy.
- E. The Insured is accepting delivery of this Policy in the location set forth in Item 8 of the Declarations Page.



- F. 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.
- G. 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, 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 any reinsurer of 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.
- H. 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, following the Insured's retention of the first one-tenth of a percent (0.10%) of the Losses allocated to the Class B-3 Reference Tranche.
- I. During the Loan Acquisition Period, the Insured shall include all Mortgage Loans that meet the Eligibility Criteria that are Acquired by the Insured during such month to be included in the Covered Pool, as set forth on Schedule 1. The Insured will apply the Guide to the Covered Obligations in a manner consistent with the application of the Guide to other Mortgage Loans that meet the Eligibility Criteria but are not designated by the Insured for inclusion in the Covered Pool.
- J. The data tape that serves as a proxy for the expected Covered Pool ("Proxy Data Tape"), provided by the Insured and relied upon by Insurer in calculating its premium price offer hereunder reflects a selection of all Mortgage Loans that meet the Eligibility Criteria that were Acquired by the Insured during August 1, 2022 to August 31, 2022 for the Proxy Data Tape. For the avoidance of doubt, the Proxy Data Tape provided is solely to be used for the premium price offer and is not to be used to indicate the performance for the Covered Pool.
- K. 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)(7).
- L. 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.

- M. The Insured acknowledges and agrees that the Insurer is relying upon the agreements, 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.
- J. 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 to [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 of the [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 Insured shall provide to the Insurer a report (the "Loan Acquisition Report") within twenty-five (25) calendar days following the end of the Loan Acquisition Period, in October 2022, listing the balance of each Reference Tranche and its associated Tranche Write-down Amount. The Loan Acquisition Report will include: (i) a summary of the loan characteristics of all of the Mortgage Loans that meet the Eligibility Criteria Acquired by the Insured, (ii) a summary of the loan characteristics of the subset of the loans referenced in clause (i) that the Insured has designated to be included in the Covered Pool, and (iii) a loan level detail report (comparable to the loan level detail provided in the sample report referenced in Schedule 3) for each of the loans referenced in clause (ii) above that the Insured has designated to be included in the Covered Pool, in each case, in accordance with the requirements set forth in Schedule 1. In no event shall the Insurer accept for coverage under this Policy any Mortgage Loans Acquired by the Insured after the expiration of the Loan Acquisition Period. For the avoidance of doubt, (i) coverage under this Policy with respect to each Covered Obligation shall commence at the time the Mortgage Loan was Acquired, and (ii) the Loan Acquisition Report will include aggregate information for the Mortgage Loans Acquired during the Loan Acquisition Period.

- B. Within twenty-five (25) calendar days following the end of the Loan Acquisition Period, the Insured shall provide to the Insurer and the Calculation Agent a report setting forth (i) a list of all Covered Obligations as of the end of the Loan Acquisition Period, (ii) the Acquisition Balance, (iii) the Initial Balance, (iv) a list of Covered Pool Removals as of the end of the Loan Acquisition Period and (v) the Initial Class Notional Amount of each Class.
- C. In addition to the Loan Acquisition Report, on each subsequent Premium Payment Date, the Insurer shall have the right to receive copies of all reports to be provided by the Calculation Agent under Schedule I of the Calculation Reporting Agreement, and may do so by accessing the Calculation Agent's internet site at "https://pivot.usbank.com" or any other website that may be established by the Calculation Agent, provided the Insurer has agreed to the Calculation Agent's requirements for such access. In the event that the Calculation 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 Calculation Reporting Agreement for the purpose of receiving such reports. The Insurer does not have a right to request or access any reports or records of the Insured other than those produced by the Calculation Agent, or as otherwise set forth in Articles V(A) and (B).
- D. Following the occurrence of a Loss, the Insured may 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 B. 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.
- E. The determination of the Class Notional Amount (including any Acquisition Period Class Notional Amount and the Initial 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.
- F. 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.

- G. 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.
- H. Without derogating from the generality of any other Insurer covenant, representation or warranty, the Insurer covenants with and represents and warrants to the Insured that it shall at all applicable times exercise reasonable, diligent and good faith efforts in accordance with the highest standards of fair dealing in the industry to discharge its claims payment obligations hereunder.

## **VI. COVERED POOL AND REFERENCE TRANCHES; PREMIUM PAYMENTS**

### **A. Covered Pool Creation During Loan Acquisition Period; Changes & Covered Pool Removals**

- 1. During the Loan Acquisition Period, the Insured will include all Mortgage Loans that meet the Eligibility Criteria (as more specifically described below) that are Acquired by the Insured for inclusion in the Covered Pool in accordance with the methodology set forth on Schedule 1 (each such Acquired and included Mortgage Loan, a "Covered Obligation").
- 2. The "Eligibility Criteria" to be satisfied with respect to each Covered Obligation 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. is Acquired during that period from and including September 1, 2022 until and including September 30, 2022;
  - c. is originated after September 1, 2021;
  - d. as of the Acquisition Date, the servicer has not reported that the borrower of such Covered Obligation has filed for bankruptcy;
  - e. is current and not in forbearance as of the first Loan Acquisition Report and all Covered Pool Additions for the Loan Acquisition Period are current and not in forbearance as of the Acquisition Date and as of the end of the month following the Acquisition Date for each such Covered Pool Addition;
  - f. was never delinquent or in forbearance from the origination date through the Acquisition Date;
  - g. meets the criteria set forth in the Guide;
  - h. was originated with documentation as described in Exhibit C;
  - i. is not covered by pool insurance;



- j. has an original LTV ratio that is (i) greater than or equal to 80% and (ii) less than or equal to 97%;
- k. has an original CLTV ratio that is less than or equal to 97%;
- l. except as provided in any applicable TOBs or certain pilot programs, is not subject to recourse or other credit enhancement;
- m. was not originated under the Insured's Enhanced Relief Refinance program (including the Home Affordable Refinance Program which is the Federal Housing Finance Agency's name for the Insured's relief refinance program for Mortgage Loans with an LTV 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).

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

3. The following limitations shall apply to those Covered Obligations with a loan-to-value ratio (i) greater than 80.0% and (ii) less than or equal to 97.0%:
  - a. Not more than 15.0% of Covered Obligations, as measured by the UPB, shall have an original loan-to-value ratio greater than 95.0%;
  - b. Not more than 10.0% of Covered Obligations, as measured by the UPB, shall have FICO credit scores of less than 680;
  - c. Not more than 10.0% of Covered Obligations, as measured by the UPB, shall be cash-out refinancings;
  - d. Not more than 10.0% of Covered Obligations, as measured by the UPB, shall be non-owner occupied;
  - e. Not more than 25.0% of Covered Obligations, as measured by the UPB, shall have debt-to-income ratios in excess of 45.0%;
  - f. Not more than 15.0% of Covered Obligations, as measured by the UPB, shall have been originated in any one state; and
  - g. All Covered Obligations with an original loan-to-value ratio of greater than 80% shall maintain primary mortgage insurance coverage or some other form of credit enhancement as required under the Guide, the Insured's charter, and Applicable Law.



4. The characteristics of the Covered Pool will change from time to time to reflect subsequent payments, prepayments and Credit Events with respect to the Covered Obligations, and, if permitted, the replacement of the Covered Obligations with the corresponding Enhanced Relief Refinance Covered Obligations. In addition, the characteristics of the Covered Pool may change because Covered Obligations will be removed (any such removal, a "Covered Pool Removal") from the Covered Pool because:
- a. the Covered Obligation becomes a Credit Event Covered Obligation;
  - b. the Covered 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 Covered Obligation;
  - d. of the discovery of a violation of the Eligibility Criteria for such Covered Obligation;
  - e. the Covered 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 Covered Pool Removal; or
  - f. (i) the related Mortgaged Property is in an area impacted by a hurricane that makes landfall in the United States prior to the Effective Date, (ii) the related Mortgage Property is located in a presidentially-declared to be a major disaster area as a result of such hurricane, (iii) the related Mortgage Property is located in an area for which FEMA had authorized individual assistance to homeowners in such area as a result of such hurricane, (iv) such Covered Obligation becomes delinquent and (v) at any time through the last day of the sixth full calendar month immediately following the first date that such hurricane makes landfall in the United States (i.e., excluding the month in which such landfall occurs), the related servicer reports that such Covered Obligation is in disaster forbearance as a result of such hurricane.

Covered Obligations will not be removed from the Covered Pool if they undergo a temporary or permanent modification and they do not meet any other criteria above to be removed.

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

- (i) in the case of any Covered 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 Covered Obligation; or
- (ii) in the case of any Covered Obligation required to be removed pursuant to subitem (c), (d), (e) or (f) above, as of the date in the related Reporting Period on which (c), (d), (e) or (f) above occurred with respect to such Covered Obligation.

No Covered Obligation will be removed from the Covered Pool after the Effective Date solely as a result of the determination of a Minor Servicing Defect, Unconfirmed Servicing



Defect or Unconfirmed Underwriting Defect and any such Covered 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)(5), if a Covered Obligation is refinanced under the Enhanced Relief Refinance Program and meets the Enhanced Relief Refinance Program Criteria, such Covered Obligation will not be removed from the Covered Pool until the Enhanced Relief Refinance Program Release Date.

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

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

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

**B. Reference Tranches; Establishment and Adjustment of Class Notional Amounts**

1. For purposes of this Policy and for purposes of making the calculations for each Premium Payment Date of any write-downs (or write-ups) as a result of Credit Events (or reversals thereof) or Modification Events on the Covered Obligations, the Insured has established a hypothetical structure of six (6) Classes of Reference Tranches (the Class A, Class M-1, Class M-2, Class B-1, Class B-2, and Class B-3) (each, a "Reference Tranche") deemed to be backed by the Covered Pool. Pursuant to the hypothetical structure, the Class A 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 Reference Tranche is subordinate to the Class A Reference Tranche and is senior to the Class M-2, Class B-1, Class B-2, and Class B-3 Reference Tranches. The Class M-2 Reference Tranche is subordinate to the Class A and Class M-1 Reference Tranches and is senior to the Class B-1, Class B-2, and Class B-3 Reference Tranches. The Class B-1 Reference Tranche is subordinate to the Class A, Class M-1, and Class M-2 Reference Tranches and is senior to the Class B-2 and Class B-3 Reference Tranche. The Class B-2 Reference Tranche is subordinate to the Class A, Class M-1, Class M-2, and Class B-1 Reference Tranches and is senior to the Class B-3 Reference Tranche. The Class B-3 Reference Tranche is subordinate to all the other Reference Tranches and therefore does not benefit from any credit enhancement.





2. As Mortgage Loans are Acquired and become Covered Obligations during the Loan Acquisition Period, the Class Notional Amount with respect to a Reference Tranche (*i.e.*, the “Acquisition Period Class Notional Amount”) shall be established in accordance with timelines set forth in Schedule 1, and in proportion to any change in the Acquisition Balance associated with such Reference Tranche as of the end of each calendar month within the Loan Acquisition Period, as follows:
  - a. the Acquisition Period Class Notional Amount of the Class A Reference Tranche will be an amount equal to (x) the product of the Class A Reference Tranche Allocation Percentage and the then-current Acquisition Balance minus (y) the amount, if any, by which the Loan Acquisition Period Loss Amount exceeds the Acquisition Period Class Notional Amount of the Class M-1 Reference Tranche;
  - b. the Acquisition Period Class Notional Amount of the Class M-1 Reference Tranche will be an amount equal to the greater of (i) zero and (ii) an amount equal to (x) the product of the Class M-1 Reference Tranche Allocation Percentage and the then-current Acquisition Balance minus (y) the amount, if any, by which the Loan Acquisition Period Loss Amount exceeds the Acquisition Period Class Notional Amount of the Class M-2 Reference Tranche;
  - c. the Acquisition Period Class Notional Amount of the Class M-2 Reference Tranche will be an amount equal to the greater of (i) zero and (ii) an amount equal to (x) the product of the Class M-2 Reference Tranche Allocation Percentage and the then-current Acquisition Balance minus (y) the amount, if any, by which the Loan Acquisition Period Loss Amount exceeds the Acquisition Period Class Notional Amount of the Class B-1 Reference Tranche;
  - d. the Acquisition Period Class Notional Amount of the Class B-1 Reference Tranche will be an amount equal to the greater of (i) zero and (ii) an amount equal to (x) the product of the Class B-1 Reference Tranche Allocation Percentage and the then-current Acquisition Balance minus (y) the amount, if any, by which the Loan Acquisition Period Loss Amount exceeds the Acquisition Period Class Notional Amount of the Class B-2 Reference Tranche;
  - e. the Acquisition Period Class Notional Amount of the Class B-2 Reference Tranche will be an amount equal to the greater of (i) zero and (ii) an amount equal to (x) the product of the Class B-2 Reference Tranche Allocation Percentage and the then-current Acquisition Balance minus (y) the amount, if any, by which the Loan Acquisition Period Loss Amount exceeds the Acquisition Period Class Notional Amount of the Class B-3 Reference Tranche;
  - f. the Acquisition Period Class Notional Amount of the Class B-3 Reference Tranche will be an amount equal to the greater of (i) zero and (ii) an amount equal to (x) the product of the Class B-3 Reference Tranche Allocation Percentage and the then-current Acquisition Balance minus (y) the Loan Acquisition Period Loss Amount.
3. On the Rate Recalculation Date, the Acquisition Period Class Notional Amount of a Reference Tranche shall be fixed as the Initial Class Notional Amount for such Reference Tranche, and as of the Premium Payment Date on the Rate Recalculation Date, the “Rate Recalculation Date Class Notional Amount” of each Class of Reference Tranche shall be a notional amount equal to:
  - a. the Initial Class Notional Amount of such Class of Reference Tranche, *minus*
  - b. 100% of the Stated Principal on such Premium Payment Date and all prior Premium Payment Dates, but only applied for the Class A Reference Tranche,

*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, (i) no Tranche Write-up Amount or Tranche Write-down Amount will be applied twice on the same Premium Payment Date, and (ii) the Rate Recalculation Date Class Notional Amount reflects the Loan Acquisition Period Loss Amounts, and the associated Tranche Write-up Amounts or Tranche Write-down Amounts up to and including the Rate Recalculation Date, as applicable.
4. For all Premium Payment Dates following the Rate Recalculation Date, the "Class Notional Amount" of each Class of Reference Tranche shall be a notional amount equal to:
- a. the Rate Recalculation Date 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 up to the Rate Recalculation Date; such that:
    - i. The Class A Reference Tranche is first reduced by 100% of the Stated Principal amounts from the Effective Date up to and including the Rate Recalculation Date.

*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, (i) no Tranche Write-up Amount or Tranche Write-down Amount will be applied twice on the same Premium Payment Date, and (ii) the Class Notional Amount reflects the Loan Acquisition Period Loss Amounts, the Stated Principal adjustments on the Rate Recalculation Date, and all associated Tranche Write-up Amounts or Tranche Write-down Amounts, as applicable, from the Effective Date.



5. 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 Covered Obligations, and in the case of determining modifications, the period from and including the 1<sup>st</sup> day of the calendar month immediately preceding the month in which such Premium Payment Date occurs through and including the last day of the calendar month immediately preceding the month in which such Premium Payment Date occurs;
  - b. in the case of full principal prepayments on the Covered Obligations, and for determining Underwriting 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 2<sup>nd</sup> Business Day of the calendar month immediately preceding the calendar month in which such Premium Payment Date occurs through and including the 2<sup>nd</sup> Business Day of the calendar month in which such Premium Payment Date occurs; and
  - c. in the case of determining delinquency status with respect to each Covered Obligation, the last day of the calendar month immediately preceding the calendar month in which such Premium Payment Date occurs; or
  - d. Such other period as the Insured may specify from time to time to conform to any updates to the Insured's operational processes or timelines for Mortgage Loans serviced in accordance with the Guide, provided that notice of such revision is included in a Payment Date Statement made available to the Insurer at least two calendar months prior to the First Premium Payment Date affected by such revision.

Notwithstanding the foregoing, for the avoidance of doubt, the reporting from the Insured to the Insurer, including future reports from the Calculation Agent, may include the information in Article VI(B)(5); however, the application of such reporting information to the balance of the Reference Tranches will be subject to the terms of Article VI(B)(2) through (4).

6. 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-3 Reference Tranche, based on its Class Notional Amount immediately prior to such Premium Payment Date,
- b. *second*, to the Class B-2 Reference Tranche, based on its Class Notional Amount immediately prior to such Premium Payment Date,



- c. *third*, to the Class B-1 Reference Tranche, based on its Class Notional Amount immediately prior to such Premium Payment Date,
- d. *fourth*, to the Class M-2 Reference Tranche, based on its Class Notional Amount immediately prior to such Premium Payment Date
- e. *fifth*, to the Class M-1 Reference Tranche, based on its Class Notional Amount immediately prior to such Premium Payment Date, and
- f. *sixth*, to the Class A Reference Tranche, but only in an amount equal to the excess, if any, of the remaining unallocated Tranche Write-down Amount for such Premium Payment Date over the Principal Loss Amount for such Premium Payment Date attributable to clause (a)(iii) or (b)(iv) of the definition of "Principal Loss Amount".

For the avoidance of doubt, (i) the allocation of Tranche Write-down Amounts to the Reference Tranches, and the order of priority, apply during the Loan Acquisition Period and on the Rate Recalculation Date, and (ii) with respect to each Premium Payment Date, the Class Notional Amount for the Class A 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.

#### 7. 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 Reference Tranche,
- b. *second*, to the Class M-1 Reference Tranche, based on its Class Notional Amount immediately prior to such Premium Payment Date,
- c. *third*, to the Class M-2 Reference Tranche, based on its Class Notional Amount immediately prior to such Premium Payment Date,
- d. *fourth*, to the Class B-1 Reference Tranche, based on its Class Notional Amount immediately prior to such Premium Payment Date,
- e. *fifth*, to the Class B-2 Reference Tranche, based on its Class Notional Amount immediately prior to such Premium Payment Date, and
- f. *sixth*, to the Class B-3 Reference Tranche, based on its Class Notional Amount immediately prior to such Premium Payment Date.

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)(7)(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, (i) 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, and (ii) the allocation of Tranche Write-up Amounts to the Reference Tranches, and the order of priority, apply during the Loan Acquisition Period and on the Rate Recalculation Date. The Insured does not anticipate that Overcollateralization Amounts, if any, in this transaction will be significant.

8. Allocation of Senior Reduction Amount and Subordinate Reduction Amount to the Reference Tranches
  - a. On each Premium Payment Date, on or following the Rate Recalculation 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 Reference Tranche,
    - ii. *second*, to the Class M-1 Reference Tranche, based on its Class Notional Amount immediately prior to such Premium Payment Date,
    - iii. *third*, to the Class M-2 Reference Tranche, based on its Class Notional Amount immediately prior to such Premium Payment Date,
    - iv. *fourth*, to the Class B-1 Reference Tranche, based on its Class Notional Amount immediately prior to such Premium Payment Date,
    - v. *fifth*, to the Class B-2 Reference Tranche, based on its Class Notional Amount immediately prior to such Premium Payment Date, and
    - vi. *sixth*, to the Class B-3 Reference Tranche, based on its Class Notional Amount immediately prior to such Premium Payment Date.
  - b. On each Premium Payment Date, on or following the Rate Recalculation Date, after allocation of the Tranche Write-down Amount or Tranche Write-up Amount, if any, for such Premium Payment Date as described above, and after allocation of the Senior Reduction Amount, 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 Reference Tranche, based on its Class Notional Amount immediately prior to such Premium Payment Date,
    - ii. *second*, to the Class M-2 Reference Tranche, based on its Class Notional Amount immediately prior to such Premium Payment Date,
    - iii. *third*, to the Class B-1 Reference Tranche, based on its Class Notional Amount immediately prior to such Premium Payment Date,



- iv. *fourth*, to the Class B-2 Reference Tranche, based on its Class Notional Amount immediately prior to such Premium Payment Date,
- v. *fifth*, to the Class B-3 Reference Tranche, based on its Class Notional Amount immediately prior to such Premium Payment Date, and
- vi. *sixth*, to the Class A 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 Preliminary Principal Loss Amount, the Preliminary Tranche Write-down Amount, the Preliminary Tranche Write-up Amount, and the Preliminary Class Notional Amount will be computed prior to the allocation of Modification Loss Amount. The Modification Loss Amount, if any, for such Premium Payment Date, will be allocated to the Reference Tranches in the following order of priority:
  - i. *first*, to the Class B-3 Reference Tranche based on its Preliminary Class Notional Amounts for such Premium Payment Date until the aggregate amount allocated to the Class B-3 Reference Tranche is equal to the aggregate of the Preliminary Class Notional Amounts of the Class B-3 Reference Tranche for such Premium Payment Date;
  - ii. *second*, to the Class B-2 Reference Tranche based on its Class Notional Amounts immediately prior to such Premium Payment Date, until the amount allocated to the Class B-2 Reference Tranche is equal to the Class B-2 Premium Payment for such Premium Payment Date;
  - iii. *third*, to the Class B-2 Reference Tranche based on its Preliminary Class Notional Amounts for such Premium Payment Date until the aggregate amount allocated to the Class B-2 Reference Tranche is equal to the aggregate of the Preliminary Class Notional Amounts of the Class B-2 Reference Tranche for such Premium Payment Date;
  - iv. *fourth*, to the Class B-1 Reference Tranche based on its 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 Premium Payment for such Premium Payment Date;
  - v. *fifth*, to the Class B-1 Reference Tranche based on its Preliminary Class Notional Amounts for such Premium Payment Date until the aggregate amount allocated to the Class B-1 Reference Tranche is equal to the aggregate of the Preliminary Class Notional Amounts of the Class B-1 Reference Tranche for such Premium Payment Date;
  - vi. *sixth*, to the Class M-2 Reference Tranche based on its Class Notional Amounts immediately prior to such Premium Payment Date, until the amount allocated to the Class M-2 Reference Tranche is equal to the Class M-2 Premium Payment for such Premium Payment Date;
  - vii. *seventh*, to the Class M-2 Reference Tranche based on its Preliminary Class Notional Amounts for such Premium Payment Date until the aggregate amount allocated to the Class M-2 Reference Tranche is equal to the aggregate of the Preliminary Class Notional Amounts of the Class M-2 Reference Tranche for such Premium Payment Date;
  - viii. *eighth*, to the Class M-1 Reference Tranche based on its 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 Premium Payment for such Premium Payment Date; and

- ix. *ninth*, to the Class M-1 Reference Tranche based on its Preliminary Class Notional Amounts for such Premium Payment Date until the aggregate amount allocated to the Class M-1 Reference Tranche is equal to the aggregate of the Preliminary Class Notional Amounts of the Class M-1 Reference Tranche for such Premium Payment Date.

With respect to each Premium Payment Date, the Class Notional Amount for the Class A Reference Tranche will be increased by the sum of amounts included in the first, third, fifth, seventh and ninth priorities above.

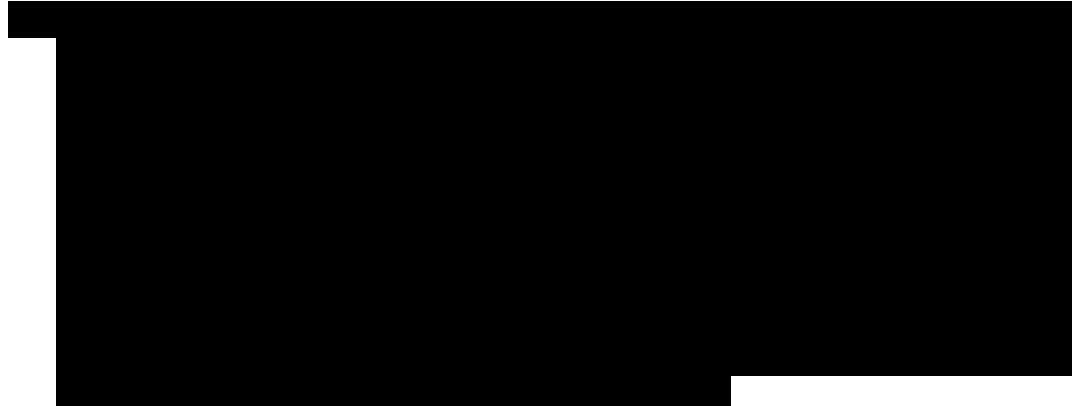
## 2. Allocation of Modification Gain Amounts to the Reference Tranches

- a. On each Premium Payment Date, on or prior to the Termination Date, the Preliminary Principal Loss Amount, the Preliminary Tranche Write-down Amount, the Preliminary Tranche Write-up Amount, and the Preliminary Class Notional Amount will be computed prior to the allocation of Modification Gain Amount. The Modification Gain Amount, if any, for such Premium Payment Date, will be allocated to the Reference Tranches in the following order of priority:
  - i. *first*, to the Class M-1 Reference Tranche based on its 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 Net Premium Payment on the Class M-1 Reference Tranche on all prior Premium Payment Dates;
  - ii. *second*, to the Class M-2 Reference Tranche based on its Class Notional Amounts immediately prior to such Premium Payment Date, until the amount allocated to the Class M-2 Reference Tranche is equal to the cumulative amount of unreimbursed Modification Loss Amounts allocated to reduce the Net Premium Payment on the Class M-2 Reference Tranche on all prior Premium Payment Dates;
  - iii. *third*, to the Class B-1 Reference Tranche based on its 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 Net Premium Payment on the Class B-1 Reference Tranche on all prior Premium Payment Dates;
  - iv. *fourth*, to the Class B-2 Reference Tranche based on its Class Notional Amounts immediately prior to such Premium Payment Date, until the amount allocated to the Class B-2 Reference Tranche is equal to the cumulative amount of unreimbursed Modification Loss Amounts allocated to reduce the Net Premium Payment on the Class B-2 Reference Tranche on all prior Premium Payment Dates;
  - v. *fifth*, to the Class B-3 Reference Tranche based on its Class Notional Amounts immediately prior to such Premium Payment Date, until the amount allocated to the Class B-3 Reference Tranche is equal to the cumulative amount of unreimbursed Modification Loss Amounts allocated to reduce the Net Premium Payment on the Class B-3 Reference Tranche on all prior Premium Payment Dates; and



- vi. *sixth*, to the most subordinate Classes of Reference Tranches outstanding based on its Class Notional Amounts immediately prior to such Premium Payment Date.

D. Premium Payments, 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 Insured shall pay the Insurer a Premium, which with respect to each Reference Tranche will be calculated prior to the application of the Modification Loss Amounts or Modification Gain Amounts for such Reference Tranche on such Premium Payment Date, 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 Article VI(D)(2)(a)-(b) and Article VI(D)(3) as follows:
  - a. For the Class M-1 Reference Tranche, the product of (i) the Class M-1 Reference Tranche Insured Percentage, (ii) the Class M-1 Reference Tranche Initial Annual Premium Rate until the Rate Recalculation Date, and thereafter the Final Annual Premium Rate, (iii) the Class Notional Amount of the Class M-1 Reference Tranche as of the immediately prior Premium Payment Date; provided, however, (x) that during the Loan Acquisition Period, the Acquisition Period Class Notional Amount of the Class M-1 Reference Tranche as of the Premium Payment Date will be used, and (y) that on the Rate Recalculation Date, the Rate Recalculation Date Class Notional Amount of the Class M-1 Reference Tranche will be used, and (iv) the number of full calendar months between that Premium Payment Date and the immediately prior Premium Payment Date divided by twelve (12);
  - b. For the Class M-2 Reference Tranche, the product of (i) the Class M-2 Reference Tranche Insured Percentage, (ii) the Class M-2 Reference Tranche Initial Annual Premium Rate until the Rate Recalculation Date, and thereafter the Final Annual Premium Rate, (iii) the Class Notional Amount of the Class M-2 Reference Tranche as of the immediately prior Premium Payment Date; provided, however, (x) that during the Loan Acquisition Period, the Acquisition Period Class Notional Amount of the Class M-2 Reference Tranche as of the Premium Payment Date will be used, and (y) that on the Rate Recalculation Date, the Rate Recalculation Date Class Notional Amount of the Class M-2 Reference Tranche will be used, and (iv) the number of full calendar months between that Premium Payment Date and the immediately prior Premium Payment Date divided by twelve (12).





3. For the avoidance of doubt, 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"). Accordingly, 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 Net Premium Payment 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. For the avoidance of doubt, any Tranche Write-down Amount 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 make each Net Premium Payment within twenty (20) Business Days following the Premium Payment Date of each month beginning in November 2022.

## 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, 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. 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, the Insurer's consent shall not 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 announces intentions to cease all underwriting operations;
  - c. the Insurer voluntarily ceases all underwriting operations;
  - d. the Insurer reinsures all, or substantially all, of its liability under this Policy, other than to an affiliate of the Insurer as of the Effective Date; provided, however, that any such affiliate is a duly licensed insurance company that has authority to reinsure this Policy and has an official rating by [REDACTED]
  - 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;
  - 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; or
  - i. [REDACTED]





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 (i) in the event of a Credit Rating Downgrade, the Insured must provide prior written notice to the Insurer of its intention to cancel within at least thirty (30) calendar days following the later of (x) the date on which the Insured receives notice of such Credit Rating Downgrade from the Insurer and (y) the date on which such Credit Rating Downgrade takes effect; and (ii) 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, except as set forth in Article VII(C)(11) and (12), 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. This Policy shall cancel automatically on a cut-off basis in the event 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 (any such event, an "Insolvency Event"). Such cancellation shall be effective as of the Premium Payment Date of the month in which the Insolvency Event occurs (after giving effect to any Premium and Claims payment due with respect to such Premium Payment Date). Except as set forth in Article VII(C)(11) and (12), 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.

3. In the event of a Credit Rating Downgrade, by any credit rating agency identified in the applicable Trust Supplement, the Insured may require that the Insurer deposit additional Eligible Assets into the Trust Account, as set forth in the applicable Trust Supplement. The deposit of such additional Eligible Assets at the request of the Insured pursuant to this Article VII(C)(3) shall be in lieu of any cancellation permitted under Article VII(C)(1)(i).
4. 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.
5. The Insured may also cancel this Policy in its entirety at any time in its sole discretion by its exercise of 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. 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 the Early Call Option shall be effective as of the Premium Payment Date when the Insured delivers to the Insurer written notice of such termination election.
6. The Insured may also cancel this Policy in its entirety, in its sole discretion, by providing written notice to the Insurer in the event that, at any time, the sum of the Class Notional Amounts of the Class A Reference Tranche, the Class M-1 Reference Tranche, the Class M-2 Reference Tranche, the Class B-1 Reference Tranche, the Class B-2 Reference Tranche and the Class B-3 Reference Tranche is less than 10% of the sum of the Initial Class Notional Amounts of the Class A Reference Tranche, the Class M-1 Reference Tranche, the Class M-2 Reference Tranche, the Class B-1 Reference Tranche, the Class B-2 Reference Tranche and the Class B-3 Reference Tranche. Such cancellation shall be effective as of the next Premium Payment Date following such notice.
7. In addition, this Policy shall cancel automatically as of the Premium Payment Date on which the 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) on any of the Class M-1 or Class M-2 Reference Tranches, as applicable, become zero (\$0). In the event that the 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) on the Class M-1 or Class M-2 Reference Tranches becomes zero (\$0) only with respect to either the Class M-1 or Class M-2 Reference Tranche, then the coverage under the Policy shall only be canceled with respect to that Reference Tranche with respect to which the Class Notional Amount becomes zero (\$0), as applicable, but the coverage shall remain in place for the other Insured Tranche(s).

8. 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(G). In the event that the Insurer attempts to cancel this Policy for any reason other than non-payment of Premium during the Loan Acquisition Period, then, prior to the application of any other rights and remedies available to it under this Policy, at law or in equity, the Insured shall first meet and discuss any issue with the Insurer within thirty (30) days of such event to cure such failure. If the parties are unable to resolve the issue within that time, the Insured may pursue all rights and remedies available to it under this Policy, at law or in equity.
9. 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.
10. 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.
11. 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), (2) or (4).
12. The parties hereby agree that if an Insolvency Event occurs and this Policy is cancelled in accordance with Article VII(C)(2) or is otherwise cancelled or rejected following such Insolvency Event, then the Insured shall calculate the Terminal Settlement Amount in accordance with Schedule 1 and provide notice of such Terminal Settlement Amount to the Insurer. If the Terminal Settlement Amount is positive, then the Insurer shall pay to the Insured the Terminal Settlement Amount. If the Terminal Settlement Amount is negative, then the Insured shall pay to the Insurer an amount equal to the absolute value of the Terminal Settlement Amount. The 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) the 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 Termination Date through and including the Maturity Date had this Policy not been cancelled or rejected following the occurrence of an Insolvency Event, (b) the 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 to the Insured under this Policy for the same amount of Premiums paid by the Insured hereunder in the event an Insolvency Event occurs prior to the Maturity Date and this Policy is cancelled or rejected, (c) the Terminal Settlement Amount is not intended to act as a penalty on either party and (d) the right of the applicable party to receive the 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 the Terminal Settlement Amount is positive, then the Insured shall have the right to withdraw Assets from the Trust Account to pay the Insured the Terminal Settlement

Amount to the extent the Insured does not receive the Terminal Settlement Amount when due under this Article VII(C)(11). For the avoidance of doubt, if the Terminal Settlement Amount is zero, then no payment shall be made by either the Insurer or the Insured.

13. If the Terminal Settlement Amount (or the absolute value thereof, as applicable) becomes payable pursuant to Article VII(C)(11), 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 within ten (10) Business Days following the Maturity Date. If the True-Up Amount is positive, then the Insured shall pay to the Insurer (or the Insurer's estate) an amount equal to such True-Up Amount within ten (10) Business Days following the delivery of notice of the True-Up Amount to the Insurer. If the True-Up Amount is negative, then the Insurer (or the Insurer's estate) shall 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 (or the Insurer's estate's) receipt of notice of the True-Up Amount. This Article VII(C)(12) shall survive termination of this Agreement until the obligations of the applicable party hereunder are satisfied.

- 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 a Covered Amount to the Insured shall be based only on the Premium Payment Dates. Any acceleration of the Premium Payment Dates shall not give rise to a corresponding acceleration of the Insurer's obligation to pay Covered Amounts hereunder, except as provided in Article VII(C)(11) and (12).
- 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 Page, 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 Page.

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 Page.

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 7 and 10 of the Declarations Page respectively are due and payable as specified in Items 7 and 10 of the Declarations Page. 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 the 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 the 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 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.

L. Confidentiality.

1. Either party may 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. Notwithstanding the foregoing, the Insurer will comply with the confidentiality provisions of Article VII(L)(2). Either party may 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.
2. The Insurer will keep strictly confidential all Mortgage Loan data of the Insured, including, without limitation, the Proxy Data Tape and the Mortgage Loan data provided by the Insured during the Loan Acquisition Period pursuant to Article V(A) and V(B) (the "Asset-Level Data"). The Insurer will use or permit the use of the Asset-Level Data solely in connection with its obligations under the Policy ("Permitted Purpose"). Without limiting the generality of the foregoing, the Insurer further agrees as follows:
  - (a) The Insurer will not disclose or permit the disclosure of any Asset-Level Data, except: (i) to the Insurer's employees, officers, directors, advisors, attorneys, accountants, contractors and consultants, managing general underwriters, managing general agents or those of the Insurer's parent, subsidiary or sister companies (collectively, "Representatives") who need to know such Asset-Level Data in connection with the Permitted Purpose and who have a legal, contractual or professional duty to maintain the confidentiality of the Asset-Level Data and use it only as permitted in this Article VII(L)(2); (ii) to reinsurers or retrocessionaires to whom the Insurer has ceded risk hereunder or with whom it is discussing a possible transaction with respect to ceding risk hereunder, provided that the Insured has consented to the disclosure to such parties in writing, which consent shall not be unreasonably withheld or delayed, and that such parties have a contractual duty to maintain the confidentiality of all Asset-Level Data pursuant to a confidentiality agreement containing confidentiality obligations that are not materially less restrictive than those contained in this Article VII(L)(2) or (iii) if any such data is required by Applicable Law, stock exchange rules or a Governmental Entity to be disclosed (after prior notice has been given to Freddie Mac, if practical).
  - (b) The Insurer will exercise at least the same degree of care to preserve the confidentiality of the Asset-Level Data that the Insurer exercises to protect its own confidential information, but in no event less than a reasonable degree of care.
  - (c) The Insurer will maintain reasonable safeguards to protect the security, confidentiality and integrity of the Asset-Level Data, including safeguards that are designed to prevent the unauthorized use, disclosure, destruction or





alteration of such data.

- (d) The Insurer's confidentiality obligations under this Article VII(L)(2) will not extend to Asset-Level Data to the extent that such data is publicly known at the time in question without a breach of this Agreement.
  - (e) The Insurer acknowledges that it has no ownership or other proprietary interest in the Asset-Level Data. The Insurer may collect, use and disclose quantitative data derived from, generated from, or based on the Asset-Level Data for analytics and other business purposes; provided, however, that all data collected, used, and disclosed will be in aggregate form only and will not identify the Insured as the source of such information.
  - (f) The Insurer agrees to comply with all federal, state, and local laws, rules, regulations, and orders applicable to the Insurer's use or disclosure of the Mortgage Loan data, including laws relating to the privacy or security of personally identifiable information. Without limiting the preceding sentence or the Insurer's other obligations under this Agreement, the Insurer agrees not to link or combine, or attempt to link or combine, the Asset-Level Data to or with other information (whether publicly available or not), or otherwise use the Asset-Level Data in any way for the purpose or with the result of identifying or attempting to identify any individual.
  - (g) The Insurer acknowledges that its breach of its obligations under this Article VII(L)(2) may result in immediate and irreparable injury that cannot be sufficiently remedied by money damages, in which case the Insured will be entitled to seek equitable relief, including injunctive relief and specific performance, without proof of actual damages.
  - (h) The Insurer acknowledges that it will be obligated to comply with the confidentiality and use terms required by the Calculation Agent in order to access Asset-Level Data made available by the Calculation Agent.
  - (i) The Insurer's obligations under this Article VII (L)(2) with respect to any particular Asset-Level Data will survive until the date that is two (2) years after the Termination Date.
- 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 signed in ink on paper or by an electronic signature. This Policy may also be signed 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. No Third Party Beneficiaries. Except as expressly provided herein, this Policy is made solely for the benefit of the Parties hereto. 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. 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.
- T. Included Provisions. 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 include provisions substantially similar to the provisions of this Article VII (A),(B),(C)(1) & (2),(D),(E),(I), (L), (M),(N),(O), (P) and (Q).

## 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 (or with respect to the Loan Acquisition Period, for purposes of calculating the Loan Acquisition Period Loss Amount) and any Covered Obligation, means the related mortgage rate less the related servicing fee rate.
2. "Acquired" or "Acquisition" means the Insured's securitization of a Mortgage Loan.
3. "Acquisition Balance" means the aggregate UPB of all Covered Obligations calculated as of the last Business Day of the month following the Acquisition Date (without regard to any Covered Pool Removals).



4. "Acquisition Date" means the date during the Loan Acquisition Period on which a Mortgage Loan is Acquired.
5. "Acquisition Period Class Notional Amount" has the meaning set forth in Article VI(B)(2).
6. "Actual Net Loss" has the meaning set forth in Schedule 6.
7. "Annual Premium Rate Scalar" has the meaning set forth in Schedule 2.
8. "Applicable Law" means any applicable order, law, statute, regulation, license, rule, ordinance, writ, injunction, directive, judgment, decree, principle of common law, constitution or treaty enacted, promulgated, issued, enforced or entered by any Governmental Entity, including any amendments thereto that may be adopted from time to time; provided, however, that for purposes of the Insurer's compliance with Article III(H), 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.
9. "Assets" has the meaning set forth in the Trust Agreement.
10. "Asset-Level Data" has the meaning set forth in Article VII(L)(2).
11. "Business Day" means a day other than (i) a Saturday or Sunday or (ii) a day on which the offices of the Insurer, Insured, the corporate trust offices of the Calculation Agent [REDACTED] or the banking institutions in the city of [REDACTED] are authorized or obligated by law or executive order to be closed.
12. "Calculation Agent" means U.S. Bank Trust Company National Association ("U.S. Bank"), or any such successor entity.
13. "Call Option Schedule" means the table included in Annex 1 corresponding to the applicable multiplier used for the Early Call Option Fee.
14. "Catch-up Payment" has the meaning set forth in Article VI(D)(1).
15. "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.
16. "Claim Refund" has the meaning set forth in Article II(J).
17. "Class" means a class of Reference Tranche.
18. "Class A Reference Tranche" means a Reference Tranche associated with the Covered Pool, with an Initial Class Notional Amount and an Initial Subordination and Credit Enhancement as set forth in Article VI(B)(3) and Annex 1 respectively.
19. "Class A Reference Tranche Allocation Percentage" means the percentage set forth in Annex 1, for the Class A Reference Tranche.
20. "Class B-1 Reference Tranche" means a Reference Tranche associated with the Covered Pool, with an Initial Class Notional Amount and an Initial Subordination and Credit Enhancement as set forth in Article VI(B)(3) and Annex 1 respectively.
21. "Class B-1 Reference Tranche Allocation Percentage" means the percentage set forth in Annex 1, for the Class B-1 Reference Tranche.



22. "Class B-2 Reference Tranche" means a Reference Tranche associated with the Covered Pool, with an Initial Class Notional Amount and an Initial Subordination and Credit Enhancement as set forth in Article VI(B)(3) and Annex 1 respectively.
23. "Class B-2 Reference Tranche Allocation Percentage" means the percentage set forth in Annex 1, for the Class B-2 Reference Tranche.
24. "Class B-3 Reference Tranche" means a Reference Tranche associated with the Covered Pool, with an Initial Class Notional Amount and an Initial Subordination and Credit Enhancement as set forth in Article VI(B)(3) and Annex 1 respectively.
25. "Class B-3 Reference Tranche Allocation Percentage" means the percentage set forth in Annex 1, for the Class B-3 Reference Tranche.
26. "Class M-1 Reference Tranche" means a Reference Tranche associated with the Covered Pool, with an Initial Class Notional Amount and an Initial Subordination and Credit Enhancement as set forth in Article VI(B)(3) and Annex 1 respectively.
27. "Class M-1 Reference Tranche Allocation Percentage" means the percentage set forth in Annex 1, for the Class M-1 Reference Tranche.
28. "Class M-2 Reference Tranche" means a Reference Tranche associated with the Covered Pool, with an Initial Class Notional Amount and an Initial Subordination and Credit Enhancement as set forth in Article VI(B)(3) and Annex 1 respectively.
29. "Class M-2 Reference Tranche Allocation Percentage" means the percentage set forth in Annex 1, for the Class M-2 Reference Tranche.
30. "Class Notional Amount" means the notional principal amount of aggregate UPB associated with each Class of Reference Tranche, established and adjusted in accordance with Article VI(B). The Initial Class Notional Amount associated with each Class of Reference Tranche will be calculated in accordance with Article VI(B)(3) and reported by the Insured to the Insurer and the Calculation Agent pursuant to Article V(B).
31. "CLTV" means combined loan-to-value, which with respect to each Covered Obligation, is a ratio, expressed as a percentage, obtained by dividing (a) the amount of all outstanding loans secured by the related Mortgaged Property known by the lender at origination by (b) the value of the Mortgaged Property. This term is also referred to as TLTV.
32. "Collateral Calculation Date" means the last Business Day of each calendar month, and which date is used to determine the Outstanding Collateral Amount and the Security Amount.
33. "Collateral Requirement" means that certain percentage established in accordance with the Trust Agreement and used to determine the amount of Eligible Assets the Insurer is required to deposit into the Trust Account in order to collateralize the Insurer's claims payment obligations hereunder, which such percentage is subject to change based on changes in certain financial strength ratings of the Insurer, all as established in accordance with the Trust Agreement.
34. "Covered Amount" means, with respect to a Loss, the amount set forth in Article I.
35. "Covered Obligation" has the meaning set forth in Article VI(A)(1).
36. "Covered Pool" has the meaning set forth in Item 3 of the Declarations Page.
37. "Covered Pool Additions" means the newly included Covered Obligations added to the Covered Pool during the Loan Acquisition Period.
38. "Covered Pool Removal" has the meaning set forth in Article VI(A)(5).



39. "Covered Pool Status" has the meaning set forth in Schedule 5.
40. "Covered Pool Status UPB" has the meaning set forth in Schedule 5.
41. "Covered Transaction" has the meaning assigned in Item 3 of the Declarations Page.
42. "Credit Event" means, with respect to any Premium Payment Date on or before the Termination Date (or with respect to the Loan Acquisition Period, for purposes of calculating the Loan Acquisition Period Loss Amount) and any Covered Obligation, the first to occur of any of the following events with respect to such Covered 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 Covered 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 Covered Obligation becoming a Reversed Credit Event Covered Obligation. For the avoidance of doubt, if a refinancing of a Covered Obligation under the Enhanced Relief Refinancing Program is completed, the replacement thereof in the Covered Pool with the resulting Enhanced Relief Refinance Covered Obligation will not constitute a Credit Event.
43. "Credit Event Amount" means, with respect to any Premium Payment Date (or with respect to the Loan Acquisition Period, for purposes of calculating the Loan Acquisition Period Loss Amount), the aggregate amount of the Credit Event UPBs of all Credit Event Covered Obligations for the related Reporting Period.
44. "Credit Event Covered Obligation" means, with respect to any Premium Payment Date (or with respect to the Loan Acquisition Period, for purposes of calculating the Loan Acquisition Period Loss Amount), any Covered Obligation with respect to which a Credit Event has occurred.
45. "Credit Event Net Gain" with respect to any Credit Event Covered 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 (for the avoidance of doubt, excluding any reduction in principal balance that resulted from an Enhanced Relief Refinance Covered Obligation replacing the corresponding original Covered Obligation in the Covered Pool), if any, on the related Credit Event Covered 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 Covered Obligation has been reported as a Credit Event Covered Obligation.
46. "Credit Event Net Loss" with respect to any Credit Event Covered 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 (for the avoidance of doubt, excluding any reduction in principal balance that resulted from an Enhanced Relief Refinance Covered Obligation replacing the corresponding original Covered Obligation in the Covered Pool), if any, on the related Credit Event Covered 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 Covered Obligation has been reported as a Credit Event Covered Obligation, over

(b) the related Net Liquidation Proceeds.

- 47. "Credit Event UPB" means, with respect to any Credit Event Covered 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 Covered Obligation.
- 48. "Credit Rating Downgrade" has the meaning set forth in Article VII(C)(1).
- 49. "Cumulative Net Loss Percentage" means, with respect to each Premium Payment Date after the Rate Recalculation 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 Covered Obligations in the Covered Pool as of the Rate Recalculation Date.
- 50. "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> |
|---|-------------------|
| November 2022 to October 2023.....                  | 0.10%             |
| November 2023 to October 2024.....                  | 0.20%             |
| November 2024 to October 2025.....                  | 0.30%             |
| November 2025 to October 2026.....                  | 0.40%             |
| November 2026 to October 2027.....                  | 0.50%             |
| November 2027 to October 2028.....                  | 0.60%             |
| November 2028 to October 2029.....                  | 0.70%             |
| November 2029 to October 2030.....                  | 0.80%             |
| November 2030 to October 2031.....                  | 0.90%             |
| November 2031 to October 2032.....                  | 1.00%             |
| November 2032 to October 2033.....                  | 1.10%             |
| November 2033 to October 2034.....                  | 1.20%             |
| November 2034 and thereafter.....                   | 1.30%             |

- 51. "Current Accrual Rate" with respect to each Premium Payment Date (or with respect to the Loan Acquisition Period, for purposes of calculating the Loan Acquisition Period Loss Amount) and any Covered 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%.
- 52. "Custom MI" means the following test, that if satisfied, determines that an Eligible Loan applies the Custom MI adjustment from the Table 3 in Schedule 2 for calculating the Loan-level Score. The Custom MI test is satisfied if:

(a) For Home Possible and Home Possible Advantage Loans

- (i) For an original loan-to-value ratio in the range of greater than 80% to and including 85%, the Mortgage Insurance Coverage % as reported according to Schedule 1 is less than 12%; or
- (ii) For an original loan-to-value ratio in the range of greater than 85% to and including 97%, the Mortgage Insurance Coverage % as reported according to Schedule 1 is less than 25%.



- (b) For HFA Advantage Loans
  - (i) For an original loan-to-value ratio in the range of greater than 80% to and including 85%, the Mortgage Insurance Coverage % as reported according Schedule 1 is less than 6%; or
  - (ii) For an original loan-to-value ratio in the range of greater than 85% to and including 90%, the Mortgage Insurance Coverage % as reported according Schedule 1 is less than 12%; or
  - (iii) For an original loan-to-value ratio in the range of greater than 90% to and including 95%, the Mortgage Insurance Coverage % as reported according Schedule 1 is less than 16%; or
  - (iv) For an original loan-to-value ratio in the range of greater than 95% to and including 97%, the Mortgage Insurance Coverage % as reported according Schedule 1 is less than 18%.
- (c) For all other Mortgage Loans
  - (i) For an original loan-to-value ratio in the range of greater than 80% to and including 85%, the Mortgage Insurance Coverage % as reported according to Schedule 1 is less than 12%; or
  - (ii) For an original loan-to-value ratio in the range of greater than 85% to and including 90%, the Mortgage Insurance Coverage % as reported according to Schedule 1 is less than 25%; or
  - (iii) For an original loan-to-value ratio in the range of greater than 90% to and including 95%, the Mortgage Insurance Coverage % as reported according to Schedule 1 is less than 30%; or
  - (iv) For an original loan-to-value ratio in the range of greater than 95% to and including 97%, the Mortgage Insurance Coverage % as reported according to Schedule 1 is less than 35%.

53. "Default Probability" has the meaning set forth in Schedule 5.

54. "Delinquency Test" means for any Premium Payment Date on and after the Rate Recalculation 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 (6<sup>th</sup>) Premium Payment Date after the Effective 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 Effective 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 Covered Obligations as of the preceding Premium Payment Date; exceeds (ii) the Principal Loss Amount for the current Premium Payment Date.

55. "Distressed Principal Balance" means for any Premium Payment Date on and after the Rate Recalculation Date, the sum, without duplication, of the UPB of Covered Obligations that meet any of the following criteria:


- (a) Covered Obligations that are reported as sixty (60) days or more delinquent;



- (b) Covered Obligations that are in foreclosure, bankruptcy, or REO status; or
  - (c) Covered Obligations that were modified in the twelve (12) months preceding the end of the related Reporting Period.
56. "Early Call Option" means the option held at the sole discretion of the Insured to cancel this Policy on a cut-off basis on any Premium Payment Date that is at least sixty (60) months after the Rate Recalculation Date according to the Call Option Schedule.
57. "Early Call Option Fee" has the meaning set forth in the Declarations Page.
58. "Effective Date" has the meaning set forth in the Declarations Page.
59. "Eligibility Criteria" has the meaning set forth in Article VI(A)(2).
60. "Eligible Assets" has the meaning set forth in the Trust Agreement.
61. "Eligible Loans" means Mortgage Loans Acquired by the Insured that satisfy the Eligibility Criteria and are available to be included in the Covered Pool.
62. "Enhanced Relief Refinance Program" means the Insured's high LTV ratio refinance program, effective October 1, 2017, designed to provide refinance opportunities to borrowers with existing insured Mortgage Loans who are current in their mortgage payments but whose LTV ratios exceed the maximum permitted for standard refinance products under the Guide.
63. "Enhanced Relief Refinance Program Criteria" with respect to a Covered Obligation, means that such Covered Obligation: (i) was originated on or after October 1, 2017, (ii) was originated at least 15 months prior to the date it was paid in full, (iii) had no 30-day delinquency in the six-month period immediately preceding the date it was paid in full, and no more than one 30-day delinquency in the 12-month period immediately preceding the date it was paid in full, and (iv) is secured by a Mortgaged Property with a current estimated property value that is reasonably believed by the Insured to result in eligibility under the Enhanced Relief Refinance Program.
64. "Enhanced Relief Refinance Program Release Date" with respect to any Covered Obligation, means the date on which such Covered Obligation meeting the Enhanced Relief Refinance Program Criteria is removed from the Covered Pool, which is the earlier of (i) the date the Insured is able to confirm whether the payment in full for such Covered Obligation was made in connection with the Enhanced Relief Refinance Program, and (ii) the date that is 180 days following such payment in full.
65. "Enhanced Relief Refinance Covered Obligation" with respect to any original Covered Obligation, means the corresponding Mortgage Loan that is created after such original Covered Obligation is refinanced under the Enhanced Relief Refinance Program.
66. "Final Annual Premium Rate" means the rate of Premium, expressed as a percentage, specified in Item 7 of the Declarations Page, multiplied by the Annual Premium Rate Scalar set forth in Schedule 2 attached hereto.
67. "Final Portfolio Risk Score" has the meaning set forth in Schedule 2.
68. "First Premium Payment" has the meaning set forth in Article VI(D)(1).
69. "Future Modeled Loss Amount" has the meaning set forth in Schedule 5.
70. "Future Premium" has the meaning set forth in Schedule 5.
71. "Future Premium Multiplier" has the meaning set forth in Schedule 5.





72. "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.
73. "Gross Future Modeled Loss Amount" has the meaning set forth in Schedule 5.
74. "Gross Insured Tranche Modeled Loss" has the meaning set forth in Schedule 5.
75. "Guide" means Freddie Mac Single Family Seller/Service Guide, as revised or amended from time to time, including any waivers granted pursuant to individual seller terms of business.
76. "HFA Advantage" has the meaning set forth in the Insurance Application.
77. "Home Possible" has the meaning set forth in the Insurance Application.
78. "Home Possible Advantage" has the meaning set forth in the Insurance Application.
79. "Initial Annual Premium Rate" means the rate of Premium, expressed as a percentage, specified in Item 7 of the Declarations Page.
80. "Initial Balance" means the aggregate UPB of the Covered Obligations as of the last day of the Loan Acquisition Period, less the aggregate UPB of all Covered Pool Removals as of the last day of the Loan Acquisition Period, as reported by the Insured to the Insurer and the Calculation Agent pursuant to Article V(B).
81. "Initial Class Notional Amount" has the meaning set forth in Article VI(B)(3).
82. "Initial Subordination and Credit Enhancement" means, in respect of a Class or Classes of Reference Tranches, an amount equal to the percentage of the Acquisition Balance of the Covered 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 as set forth in Annex 1.
83. "Insolvency Event" has the meaning set forth in Article VII(C)(2).
- 
85. "Insurance Application" means the document provided by the Insured to the Insurer prior to the Policy Period, as set forth in Exhibit C.
86. "Insured" means the entity named in Item 1 of the Declarations Page.
87. "Insured Percentage" means the percentage of coverage corresponding to each Reference Tranche specified in Item 6 of the Declarations Page.
88. "Insured Tranche" means either the Class M-1 Reference Tranche or Class M-2 Reference Tranche (and together, the "Insured Tranches").
89. "Insurer" means the entity named in Item 2 of the Declarations Page.
90. "Insurer's Jurisdiction" means the jurisdiction set forth in Item 2 of the Declarations Page.
91. "Knowledge", "Knowing" or "Known" means actual knowledge, after performing diligent inquiry.

92. "Liquidation Proceeds" means, with respect to any Credit Event Covered Obligation, all cash amounts (including sales proceeds, net of selling expenses), received in connection with the liquidation of such Credit Event Covered Obligation.
93. "Loan Acquisition Period" has the meaning set forth in Item 3 of the Declarations Page.
94. "Loan Acquisition Period Loss Amount" with respect to a Reporting Period within the Loan Acquisition Period means an amount equal to the excess, if any, of the Principal Loss Amount during such Reporting Period over the Principal Recovery Amount during such Reporting Period.
95. "Loan-level Score" has the meaning set forth in Schedule 2.
96. "Loss" has the meaning set forth in Article I.
97. "Loss Given Default" has the meaning set forth in Schedule 5.
98. "LTV" means loan-to-value, which is a ratio, expressed as a percentage, obtained by dividing (a) the total principal balance of a Mortgage Loan by (b) the value of the Mortgaged Property, as defined in the Guide, at origination.
99. "Major Servicing Defect" means with respect to each Premium Payment Date (or with respect to the Loan Acquisition Period, for purposes of calculating the Loan Acquisition Period Loss Amount) and any Covered Obligation for which the Insured has determined the existence of an Unconfirmed Servicing Defect, the occurrence of any of the following:
- (a) repurchase or make-whole payment by the related servicer resulting in a full recovery of losses incurred by the Insured during the related Reporting Period;
  - (b) the party responsible for the representations and warranties and/or servicing obligations or liabilities with respect to the Covered Obligation becomes subject to a bankruptcy, an insolvency proceeding or a receivership; or
  - (c) inappropriate cancellation of the mortgage insurance policy, provided that the related servicer has not reinstated the related policy or otherwise assumed the obligations of the related mortgage insurance company.
- Covered Obligations covered under servicing settlements will not result in Major Servicing Defects, excluding Covered Obligations for which (c) above applies.
100. "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.
101. "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.
102. "Maturity Date" has the meaning set forth in Item 9 of the Declarations Page.
103. "Maximum Covered Pool Size" has the meaning set forth in Item 3 of the Declarations Page.
104. "Minimum Credit Enhancement Test" means, with respect to any Premium Payment Date on and after the Rate Recalculation Date, a test that will be satisfied if the Subordinate Percentage is greater than or equal to the percentage set forth in Annex 1.
105. "Minimum Retention Percentage" means the percentage of credit losses retained by the Insured set forth in Annex 1.

106. "Minor Servicing Defect" means with respect to each Premium Payment Date (or with respect to the Loan Acquisition Period, for purposes of calculating the Loan Acquisition Period Loss Amount) and any Covered 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 payment 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 Covered Obligation as a result of such Unconfirmed Servicing Defect.

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

107. "Modification Event" means, with respect to any Covered Obligation, the occurrence of a principal forbearance, mortgage rate modification or Payment Deferral Event relating to such Covered Obligation, in each case as reported by the applicable servicer to the Insured during the related Reporting Period; provided, however, that, a Payment Deferral Event will be treated as a Modification Event only with respect to any Reporting Period during which the non-interest bearing forbore balance of the related Covered Obligation is reported as outstanding. For the avoidance of doubt, a refinancing of a Covered Obligation under the Enhanced Relief Refinance Program, and replacement thereof in the Covered Pool with the resulting Enhanced Relief Refinance Covered Obligation will not constitute a Modification Event; provided, however, an Enhanced Relief Refinance Covered Obligation that replaces a Covered Obligation in the Covered Pool and subsequently experiences a principal forbearance or mortgage rate modification relating to such Enhanced Relief Refinance Covered Obligation will constitute a Modification Event.

108. "Modification Excess" means, with respect to each Premium Payment Date (or with respect to the Loan Acquisition Period, for purposes of calculating the Loan Acquisition Period Loss Amount), any Covered Obligation that has experienced a Modification Event, the excess, if any, of:

- (a) one-twelfth of the Current Accrual Rate of such Covered Obligation multiplied by the interest bearing UPB of such Covered Obligation; over
- (b) one-twelfth of the Original Accrual Rate of such Covered Obligation multiplied by the UPB of such Covered Obligation.

109. "Modification Gain Amount" means, with respect to each Premium Payment Date (or with respect to the Loan Acquisition Period, for purposes of calculating the Loan Acquisition Period Loss Amount), the excess, if any, of the aggregate Modification Excess over the aggregate Modification Shortfall for such Premium Payment Date.

110. "Modification Loss Amount" means, with respect to each Premium Payment Date (or with respect to the Loan Acquisition Period, for purposes of calculating the Loan Acquisition Period Loss Amount), the excess, if any, of the aggregate Modification Shortfall over the aggregate Modification Excess for such Premium Payment Date.

111. "Modification Shortfall" means, with respect to each Premium Payment Date (or with respect to the Loan Acquisition Period, for purposes of calculating the Loan Acquisition Period Loss Amount), any Covered Obligation that has experienced a Modification Event, the excess, if any, of:

- (a) one-twelfth of the Original Accrual Rate of such Covered Obligation multiplied by the UPB of such Covered Obligation; over
- (b) one-twelfth of the Current Accrual Rate of such Covered Obligation multiplied by the interest bearing UPB of such Covered Obligation.

112. "Mortgage Insurance Credit Amount" means with respect to each Premium Payment Date (or with respect to the Loan Acquisition Period, for purposes of calculating the Loan Acquisition Period Loss Amount) and any Credit Event Covered Obligation, the amount that the Insured reports is payable under any effective mortgage insurance policy (or, if the related 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 Covered 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 in the related Reporting Period on such Credit Event Covered Obligation as contemplated under clause (c) of the definition of Principal Loss Amount and any subsequent recoveries in the related Reporting Period on such Credit Event Covered Obligation as contemplated under clause (b) of the definition of Principal Recovery Amount) that would otherwise result for such Credit Event Covered Obligation on such Premium 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 in the related Reporting Period under clause (c) of the definition of Principal Loss Amount (if the amount should have been lower) or a subsequent recovery in the related Reporting Period 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 treated as a subsequent recovery) in the related Reporting Period, and allocated as described under Article VI(B)(7). 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 Covered Obligation shall 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 shall be included as a component of Liquidation Proceeds.

113. "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.
114. "Mortgage Note" means a promissory note or other similar evidence of indebtedness.
115. "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.
116. "Mortgagor" means the Person who is named as the mortgagor on the Mortgage Note.
117. "Net Liquidation Proceeds" means, with respect to each Premium Payment Date (or with respect to the Loan Acquisition Period, for purposes of calculating the Loan Acquisition Period Loss Amount) and any Credit Event Covered Obligation, the sum of the related Liquidation Proceeds, any Mortgage Insurance Credit Amount (subject to the limitations set forth in the definition thereof), and any proceeds received from the related servicer in connection with a Minor Servicing Defect (except for those included in Modification Excess for such Credit Event Covered Obligation), 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 shall not be included in the Net Liquidation Proceeds.
118. "Net Premium Payment" has the meaning set forth in Article VI(D)(3).

119. "Original Accrual Rate" means, with respect to each Premium Payment Date (or with respect to the Loan Acquisition Period, for purposes of calculating the Loan Acquisition Period Loss Amount) and any Covered Obligation, the lesser of (i) the related Accounting Net Yield as of the Acquisition Date or the Enhanced Relief Refinance Program Release Date, as applicable; and (ii) the related mortgage rate as of the Acquisition Date or the Enhanced Relief Refinance Program Release Date, as applicable, minus 0.35%.

120. "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 Covered 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.

121. "Origination Rep and Warranty/ Servicing Breach Settlement Amount" means with respect to the Premium Payment Date in the 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 Covered 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 Covered Obligations that were Reversed Credit Event Covered 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 Covered 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; and

with respect to the Loan Acquisition Period, for purposes of calculating the Loan Acquisition Period Loss Amount, the lesser of:

- (e) the aggregate amount of Credit Event Net Losses of the Origination Rep and Warranty/ Servicing Breach Settlement Covered Obligations for the Loan Acquisition Period; and
- (f) the Origination Rep and Warranty/ Servicing Breach Settlement Loan Allocation Amount (Cap).



122. "Origination Rep and Warranty/Servicing Breach Settlement Covered Obligations" mean the Covered Obligations (including Credit Event Covered Obligations) that are covered by an Origination Rep and Warranty/Servicing Breach Settlement.
123. "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 Covered 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 Covered 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).
124. "Outstanding Collateral Amount" means, as of the applicable Collateral Calculation Date, the aggregate fair market value of the Eligible Assets held in the Trust Account with respect to this Policy.
125. "Overcollateralization Amount" has the meaning set forth in Article VI(B)(7).
126. "Payment Date Statement" means the monthly report prepared by the Calculation Agent as set forth in Exhibit A, and a similar report generated during the Loan Acquisition Period.
127. "Payment Deferral Event" with respect to any Covered Obligation, occurs when the applicable servicer approves the deferment of delinquent principal and interest to create a non-interest bearing forbore balance relating to such Covered Obligation with the intention of bringing the status of such Covered Obligation as current. For the avoidance of doubt, a Payment Deferral Event will be treated as a Modification Event only with respect to any Reporting Period during which the non-interest bearing forbore balance of the related Covered Obligation is reported as outstanding.
128. "Permitted Purpose" has the meaning set forth in Article VII(L)(2).
129. "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.
130. "Policy Limit of Liability" means the amount set forth in Item 5 of the Declarations Page as the maximum amount payable for all Covered Amounts under this Policy.
131. "Policy Period" means the period beginning with the Effective Date and ending on the Termination Date.
132. "Portfolio Score Ratio" has the meaning set forth in Schedule 2.
133. "Preliminary Portfolio Risk Score" has the meaning set forth in Schedule 2.
134. "Preliminary Class Notional Amount" of each Reference Tranche on any Premium Payment Date, is an amount 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. The Preliminary Class Notional Amount for each Premium Payment Date will be computed prior to the allocation of the Modification Loss Amount and the Modification Gain Amount.

135. "Preliminary Principal Loss Amount", is equal to the Principal Loss Amount computed without giving effect to clause (b)(iv) or clause (a)(iii) during the Loan Acquisition Period, as applicable, of the definition of Principal Loss Amount. The Preliminary Principal Loss Amount for each Premium Payment Date will be computed prior to the allocation of the Modification Loss Amount and the Modification Gain Amount.
136. "Preliminary Tranche Write-down Amount", is equal to the Tranche Write-down Amount computed using the Preliminary Principal Loss Amount instead of the Principal Loss Amount. The Preliminary Tranche Write-down Amount for each Premium Payment Date will be computed prior to the allocation of the Modification Loss Amount and the Modification Gain Amount.
137. "Preliminary Tranche Write-up Amount", is equal to the Tranche Write-up Amount computed using the Preliminary Principal Loss Amount instead of the Principal Loss Amount. The Preliminary Tranche Write-up Amount for each Premium Payment Date will be computed prior to the allocation of the Modification Loss Amount and the Modification Gain Amount.
138. "Premium" means the amounts payable from the Insured to the Insurer, as set forth in Item 7 of the Declarations Page.
139. "Premium Accrual Amount" has the meaning set forth in Article VI(D)(2).
140. "Premium Payment Date" means the twenty-fifth (25th) day of each calendar month (or, if such day is not a Business Day, on the next Business Day) commencing in the date set forth in Article VI(D)(5).
141. "Principal Loss Amount" means:
- (a) with respect to the Loan Acquisition Period, for purposes of calculating the Loan Acquisition Period Loss Amount, the sum of:
    - i. the aggregate amount of Credit Event Net Losses for all Credit Event Covered Obligations for the related Reporting Period; and
    - ii. the aggregate amount of court-approved principal reductions (*i.e.*, "cramdowns") on the Covered Obligations in the related Reporting Period; and
    - iii. amounts included in the *first*, *third*, *fifth*, *seventh* and *ninth* priorities under the allocation of Modification Loss Amounts set forth in Article VI(C)(1)(a) in the related Reporting Period and prior Reporting Periods if not previously included; and
    - iv. the aggregate amount of Credit Event Net Gains for all Reversed Credit Event Covered Obligations for the related Reporting Period.
  - (b) with respect to each Premium Payment Date on and after the Rate Recalculation Date, the sum of
    - i. the aggregate amount of Credit Event Net Losses for all Credit Event Covered Obligations for the related Reporting Period; and
    - ii. the aggregate amount of court-approved principal reductions (*i.e.*, "cramdowns") on the Covered Obligations in the related Reporting Period; and
    - iii. subsequent losses in the related Reporting Period on any Covered Obligation that became a Credit Event Covered Obligation on a prior Premium Payment Date; and
    - iv. amounts included in the *first*, *third*, *fifth*, *seventh*, and *ninth* priorities under the allocation of Modification Loss Amounts set forth in Article VI(C)(1)(a) in the related Reporting Period and prior Reporting Periods if not previously included; and
    - v. the aggregate amount of Credit Event Net Gains for all Reversed Credit Event Covered Obligations for the related Reporting Period.



provided, that any amounts included in the Principal Loss Amount for purposes of calculating the Loan Acquisition Period Loss Amount shall not also be included in the Principal Loss Amount with respect to any Premium Payment Date on and after the Rate Recalculation Date.

142. "Principal Recovery Amount" means:

- a. with respect to the Loan Acquisition Period, for purposes of calculating the Loan Acquisition Period Loss Amount, the sum of:
  - i. the aggregate amount of Credit Event Net Losses for all Reversed Credit Event Covered Obligations for the related Reporting Period;
  - ii. subsequent recoveries in the related Reporting Period on any Covered Obligation that became a Credit Event Covered Obligation on a prior Premium Payment Date;
  - iii. the aggregate amount of the Credit Event Net Gains of all Credit Event Covered Obligations for the related Reporting Period; and
  - iv. the Origination Rep and Warranty/ Servicing Breach Settlement Amount for such Premium Payment Date.
- b. with respect to each Premium Payment Date on and after the Rate Recalculation Date, means the sum of:
  - i. the aggregate amount of Credit Event Net Losses for all Reversed Credit Event Covered Obligations for the related Reporting Period;
  - ii. subsequent recoveries in the related Reporting Period on any Covered Obligation that became a Credit Event Covered Obligation on a prior Premium Payment Date;
  - iii. the aggregate amount of the Credit Event Net Gains of all Credit Event Covered Obligations for the related Reporting Period;
  - iv. the Origination Rep and Warranty/ Servicing Breach Settlement Amount for such Premium Payment Date; and
  - v. solely with respect to the Premium Payment Date that is on the Termination Date, the Projected Recovery Amount.

provided, that any amounts included in the Principal Recovery Amount for purposes of calculating the Loan Acquisition Period Loss Amount shall not also be included in the Principal Recovery Amount with respect to any Premium Payment Date on and after the Rate Recalculation Date.

143. "Projected Recovery Amount" means the fair value of the estimated amount of future subsequent recoveries on the Credit Event Covered 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.

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

145. "Proxy Data Tape" means the data tape provided by the Insured as set forth in Article II(J).

146. "Rate Recalculation Date" means the twenty-fifth (25th) calendar day in the calendar month following the calendar month in which the last day of the Loan Acquisition Period occurs; provided





that if such calendar day is not a Business Day, then the Rate Recalculation Date shall be the next occurring Business Day.

147. "Rate Recalculation Date Class Notional Amount" means the notional amount of aggregate UPB associated with each Class of Reference Tranche, established and adjusted in accordance with Article VI(B) for the Rate Recalculation Date only. The Initial Class Notional Amount associated with each Class of Reference Tranche will be calculated in accordance with Article VI(B)(3) and reported by the Insured to the Insurer and the Calculation Agent pursuant to Article V(B).
148. "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.
149. "Reference Tranche" has the meaning set forth in Article VI(B)(1).
150. "REO" means real estate owned, as the term is commonly understood in the mortgage industry.
151. "Reporting Period" has the meaning set forth in Article VI(B)(5).
152. "Representatives" has the meaning set forth in Article VII(L)(2).
153. "Reversed Credit Event Covered Obligation" means, with respect to any Premium Payment Date, a Covered Obligation formerly in the Covered Pool that became a Credit Event Covered 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.
154. "Security Amount" means, as of the applicable Collateral Calculation Date, an amount equal to:
- (a) The product of the (i) Insured Percentage for the Class M-1 Reference Tranche, (ii) applicable Collateral Requirement as of such date as set forth in Section 1 of the applicable Trust Supplement, and (iii) then-remaining, as applicable, Acquisition Period Class Notional Amount, Rate Recalculation Date Class Notional Amount, or Class Notional Amount as of such date for the Class M-1 Reference Tranche; plus
  - (b) The product of the (i) Insured Percentage for the Class M-2 Reference Tranche, (ii) applicable Collateral Requirement as of such date as set forth in Section 1 of the applicable Trust Supplement, and (iii) then-remaining, as applicable, Acquisition Period Class Notional Amount, Rate Recalculation Date Class Notional Amount, or Class Notional Amount as of such date for the Class M-2 Reference Tranche; plus
  - (c) The product of the (i) Insured Percentage for the Class B-1 Reference Tranche, (ii) applicable Collateral Requirement as of such date as set forth in Section 1 of the applicable Trust Supplement, and (iii) then-remaining, as applicable, Acquisition Period Class Notional Amount, Rate Recalculation Date Class Notional Amount, or Class Notional Amount as of such date for the Class B-1 Reference Tranche; plus
  - (d) The product of the (i) Insured Percentage for the Class B-2 Reference Tranche, (ii) applicable Collateral Requirement as of such date as set forth in Section 1 of the applicable Trust Supplement, and (iii) then-remaining, as applicable, Acquisition Period Class Notional Amount, Rate Recalculation Date Class Notional Amount, or Class Notional Amount as of such date for the Class B-2 Reference Tranche.
155. "Senior Percentage" means, with respect to any Premium Payment Date on and after the Rate Recalculation Date, the percentage equivalent of a fraction, the numerator of which is the Class Notional Amount of the Class A Reference Tranche immediately prior to such Premium Payment Date and the denominator of which is the aggregate UPB of the Covered Obligations in the Covered

Pool at the end of the previous Reporting Period.

156. "Senior Reduction Amount" means, with respect to any Premium Payment Date on and after the Rate Recalculation 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) 100% of Stated Principal for such Premium Payment Date; and
  - (ii) 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 Stated Principal for such Premium Payment Date; and
  - (ii) 100% of the Recovery Principal for such Premium Payment Date.

157. "Stated Principal" with respect to any Premium Payment Date means the sum of:

- (a) all monthly scheduled payments of principal due (whether with respect to the related Reporting Period or any prior Reporting Period) on the Covered Obligations in the Covered Pool and collected during the related Reporting Period, plus
- (b) all partial principal prepayments on the Covered Obligations collected during the related Reporting Period, plus
- (c) the aggregate UPB of all Covered Obligations that became Covered Pool Removals during the related Reporting Period, other than Credit Event Covered Obligations or any Reversed Credit Event Covered Obligations, plus
- (d) negative adjustments in the UPB of all Covered Obligations as the result of loan modifications or data corrections, plus
- (e) (1) subject to the satisfaction of certain conditions described in the definition of Covered Pool Removal permitting the replacement of original Covered Obligations with Enhanced Relief Refinance Covered Obligations, the excess, if any, of (i) the aggregate UPB of any original Covered Obligations refinanced under the Enhanced Relief Refinance Program and replaced in the Covered Pool by the corresponding Enhanced Relief Refinance Covered Obligations during the related Reporting Period, over (ii) the aggregate original UPB of the corresponding Enhanced Relief Refinance Covered Obligations, or (2) prior to the satisfaction of such conditions, zero, minus
- (f) (1) subject to the satisfaction of certain conditions described in the definition of Covered Pool Removal permitting the replacement of original Covered Obligations with Enhanced Relief Refinance Covered Obligations, the excess, if any, of (i) the aggregate UPB of any Enhanced Relief Refinance Covered Obligations, over (ii) the aggregate UPB of the related original Covered Obligations refinanced under the Enhanced Relief Refinance Program and replaced in the Covered Pool by the corresponding Enhanced Relief Refinance Covered Obligations during the related Reporting Period, or (2) prior to the satisfaction of such conditions, zero, minus
- (g) positive adjustments in the aggregate UPB of all Covered Obligations as the result of loan modifications, reinstatements into the Covered Pool of Covered Obligations that were previously removed from the Covered Pool in error, or data corrections.

In the event the sum of the amounts in clause (f) and (g) above exceeds the sum of the amounts in clauses (a) through (e) above, the sum of the amounts in clauses (a) through (g) above for the applicable Premium Payment Date will be deemed to be zero, and the Class Notional Amount for the Class A Reference Tranche will be increased by the amount that the sum of the amounts in

clauses (f) and (g) above exceeds the sum of the amounts in clauses (a) through (e) above. In the event that the Insured were ever to employ a policy that permitted or required principal forgiveness as a loss mitigation alternative that would be applicable to the Covered Obligations, any principal that may be forgiven with respect to a Covered Obligation will be treated as a negative adjustment in the UPB of such Covered Obligation pursuant to clause (d) above

158. "Subordinate Percentage" means, with respect to any Premium Payment Date on and after the Rate Recalculation Date, the percentage equal to 100% minus the Senior Percentage for such Premium Payment Date.
159. "Subordinate Reduction Amount" means, with respect to any Premium Payment Date on and after the Rate Recalculation Date, the sum of the Stated Principal and Recovery Principal for such Premium Payment Date, less the Senior Reduction Amount.
160. "Terminal Settlement Amount" has the meaning set forth in Schedule 5.
161. "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.
162. "TLTV" has the meaning set forth in the definition of CLTV in Article VIII.
163. "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.
164. "Tranche Future Premium" has the meaning set forth in Schedule 5.
165. "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.
166. "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.
167. "True-Up Amount" has the meaning set forth in Schedule 6.
168. "Trust Account" means the trust account established and maintained for the sole benefit of the beneficiary thereunder in order to secure performance of Insurers' obligations hereunder, pursuant to the terms of the Trust Agreement.
169. "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 execution of the Policy among the Insurer, as the grantor, the Insured, as the beneficiary, and the Bank of New York, as the trustee.
170. "Trust Supplement" has the meaning set forth in the base trust agreement.
171. "Unconfirmed Servicing Defect" means with respect to any Covered 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, Covered Obligations with minor technical violations, which in each case the Insured determines to be acceptable Covered Obligations, may not result in an Unconfirmed Servicing Defect.

172. "Unconfirmed Underwriting Defect" means with respect to any Covered 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 TOBs) with respect to such Covered Obligation, (ii) as of the origination date such Covered Obligation was secured by collateral that was inadequate or (iii) as of the origination date repayment in full on such Covered Obligation from the related Mortgagor could not be expected. For the avoidance of doubt, any Covered Obligations with minor technical violations or missing documentation, which in each case the Insured determines to be an acceptable Covered Obligation, will not result in an Unconfirmed Underwriting Defect.

173. "Underwriting Defect" means with respect to any Premium Payment Date and any Covered Obligation for which the Insured has determined the existence of an Unconfirmed Underwriting Defect, the occurrence of any of the following: (i) such Covered 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 Covered Obligation becomes subject to a bankruptcy, insolvency proceeding or a receivership.

174. "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.

175. "Write-up Excess" has the meaning set forth in Article VI(B)(7).

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



**EXHIBIT A**

**PAYMENT DATE STATEMENT**

*(Attached)*



**EXHIBIT B**

**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:

[REDACTED]

**EXHIBIT C**

**INSURANCE APPLICATION**

*(Attached)*



## SCHEDULE 1

### COVERED POOL DESIGNATION METHODOLOGY AND REPORTING

#### 1. Covered Pool Designation Methodology

Beginning in September 1, 2022, and ending on September 30, 2022, the Insured will determine if Mortgage Loans it Acquired during that calendar month satisfy the Eligibility Criteria and are available to be included in the Covered Pool; provided, however, that for the reporting during such month (i.e., the Loan Acquisition Report), the reporting will include the time period from the Effective Date to such reporting date. For the avoidance of doubt, the Covered Pool Additions are limited by the Maximum Covered Pool Size, as set forth in Item 3 of the Declarations Page and Annex 1.

#### 2. Reporting

After the Covered Pool Additions have been determined, the Insured will provide to the Insurer, within twenty-five (25) calendar days following the end of the month, in October 2022: (a) loan level detail for the Covered Pool Additions (comparable to the loan level detail provided in the sample report attached as Schedule 3), (b) a summary of the loan characteristics of all of the Mortgage Loans that meet the Eligibility Criteria Acquired by the Insured, and (c) a summary report, which will include the following items, for both Eligible Loans and Covered Pool Additions:

All of the following variables are weighted by the UPB at the time of Acquisition:

- Average Original Note Rate
- Average Original Loan-to-Value Ratio and Original Loan-to-Value Ratio Distribution
- Average FICO Score and FICO Score Distribution
- Average Debt-to-Income Ratio

All of the following variables are expressed as a percentage of the UPB of all Covered Pool Additions at the time of Acquisition, and as a percentage of the UPB of all Eligible Loans at the time of Acquisition:

- Single Borrower
- Investor Property
- Condo
- Second Home
- Product Type
- 3/4 Unit Properties
- Manufactured Housing
- Rate-Refinance
- Cash-Out Refinance
- First Time Homebuyer
- Origination Channel
- Lender Paid Mortgage Insurance
- Borrower Paid Mortgage Insurance
- Mortgage Insurance Coverage %
- Top 10 States





## SCHEDULE 2

### ANNUAL PREMIUM RATE SCALAR

The “Annual Premium Rate Scalar” means an amount calculated based on the following methodology:

- **Step 1:** Calculate the Preliminary Portfolio Risk Score of the Proxy Data Tape.
  1. The “Preliminary Portfolio Risk Score” is the aggregate risk score for the Proxy Data Tape, based on the weighted average loan-level risk score as provided in Table 1 through Table 8 (where the total loan-level multiplier is the “Loan-level Score”) for each loan included in the Proxy Data Tape.
  2. The Preliminary Portfolio Risk Score is 100%, and calculated as follows:
    - A. For each loan in the Proxy Data Tape, obtain the Loan-level Score by adding the applicable numbers in Table 1 through Table 8 below, based on applicable loan characteristics. For the avoidance of doubt and purely as an example, a loan with (i) a FICO of 640 to 659, and (ii) an 81 to 85 LTV, and (iii) is a Cash-out Refi, would have a Loan-Level Score of 5.875% (= 3.25% + 2.625%).
    - B. Calculate the Preliminary Portfolio Risk Score by:
      - (i) Multiplying the Loan-level Score for each Eligible Loan in the Proxy Data Tape by the UPB associated with such Eligible Loan in the Proxy Data Tape;
      - (ii) Aggregate the resulting products from step (i) above;
      - (iii) Divided the result of step (ii) above by the aggregate UPB of all Eligible Loans in the Proxy Data Tape.
- **Step 2:** As of the Rate Recalculation Date, calculate the Final Portfolio Risk Score for the Covered Pool using the methodology outlined in Step 1, except that the calculations in this Step 2 shall be applied to all Covered Obligations rather than Eligible Loans in the Proxy Data Tape.
- **Step 3:** Determine the Annual Premium Rate Scalar based on the following:
  1. Calculate the “Portfolio Score Ratio” by dividing the Final Portfolio Score by the Preliminary Portfolio Score.
  2. If the Portfolio Score Ratio is greater than 100.0%, then the Annual Premium Rate Scalar is the Portfolio Score Ratio; provided, however, that the maximum Annual Premium Rate Scalar cannot be more than 120.0%. For the avoidance of doubt and purely as an example, if the Preliminary Portfolio Risk Score was 1.00%, and the Final Portfolio Risk Score is 1.20% then the Portfolio Score Ratio is 120% (=  $(1.20 / 1.00) * 100$ ) and the Annual Premium Rate Scalar is 120%. As an additional example, if the Preliminary Portfolio Risk Score was 1.00%, and the Final Portfolio Risk Score is 1.30% then the Portfolio Score Ratio is 130% (=  $(1.30 / 1.00) * 100$ ) and the Annual Premium Rate Scalar is 120%, since the Annual Premium Rate Scalar cannot be more than 120.0%.
  3. If the Portfolio Score Ratio is less than 100.0%, then the Annual Premium Rate Scalar is the Portfolio Score Ratio; provided, however, that the minimum Annual Premium Rate Scalar cannot be less than 80.0%. For the avoidance of doubt and purely as an example, if the Preliminary Portfolio Risk Score was 1.00%, and the Final Portfolio Risk Score is 0.80%, then the Portfolio Score Ratio is 80% (=  $(.80 / 1.00) * 100$ ) and the Annual Premium Rate Scalar is 80%. As an additional example, if the Preliminary Portfolio Risk Score was 1.00%, and the Final Portfolio Risk Score is 0.70% then the Portfolio Score Ratio is 70% (=  $(0.70 / 1.00) * 100$ ) and the Annual Premium Rate Scalar is 80%, since the Annual Premium Rate Scalar cannot be less than 80.0%.
  4. If neither item 2 or 3 above apply, then no adjustment to the Premium will be made, and the Annual Premium Rate Scalar will be equal to 100%.



**Table 1: Loan-Level Score by FICO and LTV**

| OLTV    | LT 620 | 620-639 | 640-659 | 660-679 | 680-699 | 700-719 | 720-739 | GT 740 |
|---------|--------|---------|---------|---------|---------|---------|---------|--------|
| <= 60   | 0.500% | 0.500%  | 0.500%  | 0.000%  | 0.000%  | 0.000%  | 0.000%  | 0.000% |
| (60-70] | 1.500% | 1.500%  | 1.250%  | 1.000%  | 0.500%  | 0.500%  | 0.250%  | 0.250% |
| (70-75] | 3.000% | 3.000%  | 2.750%  | 2.250%  | 1.250%  | 1.000%  | 0.500%  | 0.250% |
| (75-80] | 3.000% | 3.000%  | 3.000%  | 2.750%  | 1.750%  | 1.250%  | 0.750%  | 0.500% |
| (80-85] | 3.250% | 3.250%  | 3.250%  | 2.750%  | 1.500%  | 1.000%  | 0.500%  | 0.250% |
| (85-90] | 3.250% | 3.250%  | 2.750%  | 2.250%  | 1.250%  | 1.000%  | 0.500%  | 0.250% |
| (90-95] | 3.250% | 3.250%  | 2.750%  | 2.250%  | 1.250%  | 1.000%  | 0.500%  | 0.250% |
| (95-97] | 3.750% | 3.500%  | 2.750%  | 2.250%  | 1.500%  | 1.500%  | 1.000%  | 0.750% |

**Table 2: Cash-Out Refi Loan-Level Score**

| OLTV    | LT 620 | 620-639 | 640-659 | 660-679 | 680-699 | 700-719 | 720-739 | GT 740 |
|---------|--------|---------|---------|---------|---------|---------|---------|--------|
| <= 60   | 1.625% | 0.625%  | 0.625%  | 0.625%  | 0.375%  | 0.375%  | 0.375%  | 0.375% |
| (60-70] | 2.625% | 1.625%  | 1.625%  | 1.125%  | 1.125%  | 1.000%  | 1.000%  | 0.625% |
| (70-75] | 2.625% | 1.625%  | 1.625%  | 1.125%  | 1.125%  | 1.000%  | 1.000%  | 0.625% |
| (75-80] | 3.125% | 3.125%  | 2.625%  | 1.875%  | 1.750%  | 1.125%  | 1.125%  | 0.875% |
| (80-85] | 3.125% | 3.125%  | 3.125%  | 3.125%  | 3.125%  | 3.125%  | 3.125%  | 3.125% |
| (85-90] | 3.125% | 3.125%  | 3.125%  | 3.125%  | 3.125%  | 3.125%  | 3.125%  | 3.125% |
| (90-95] | 3.125% | 3.125%  | 3.125%  | 3.125%  | 3.125%  | 3.125%  | 3.125%  | 3.125% |
| (95-97] | 3.125% | 3.125%  | 3.125%  | 3.125%  | 3.125%  | 3.125%  | 3.125%  | 3.125% |

**Table 3: Custom MI Loan-Level Score**

| OLTV    | LT 620 | 620-639 | 640-659 | 660-679 | 680-699 | 700-719 | 720-739 | GT 740 |
|---------|--------|---------|---------|---------|---------|---------|---------|--------|
| (80-85] | 2.000% | 1.750%  | 1.250%  | 0.750%  | 0.125%  | 0.125%  | 0.125%  | 0.125% |
| (85-90] | 2.250% | 2.000%  | 1.750%  | 1.250%  | 0.750%  | 0.750%  | 0.625%  | 0.375% |
| (90-95] | 2.500% | 2.250%  | 2.000%  | 1.750%  | 0.875%  | 0.875%  | 0.875%  | 0.500% |
| (95-97] | 3.000% | 2.750%  | 2.375%  | 2.125%  | 1.750%  | 1.250%  | 1.250%  | 1.000% |

**Table 4: Second Lien Loan-Level Score**

| OLTV   | OCLTV | FICO   |        |
|--------|-------|--------|--------|
|        |       | < 720  | >= 720 |
| <= 75% | <= 80 | 0.375% | 0.375% |
| <= 65% | 80-95 | 0.875% | 0.625% |
| 65-75  | 80-95 | 1.125% | 0.875% |
| 75-95  | 75-95 | 1.375% | 1.125% |



**Table 5: Investor Property Loan-Level Score**

|                                |        |
|--------------------------------|--------|
| Investor Property (OLTV <=75)  | 2.125% |
| Investor Property (OLTV 75-80) | 3.375% |
| Investor Property (OLTV > 80)  | 4.125% |

**Table 6: Multi-Unit Property Loan-Level Score**

|                             |        |
|-----------------------------|--------|
| Multi-Unit 2                | 1.000% |
| Multi-Unit 3/4 (OLTV <= 80) | 1.000% |
| Multi-Unit 3/4 (OLTV 80-85) | 1.500% |

**Table 7: Manufactured Home Loan-Level Score**

|                   |        |
|-------------------|--------|
| Manufactured Home | 0.500% |
|-------------------|--------|

**Table 8: Condo Loan-Level Score**

|                    |        |
|--------------------|--------|
| Condo (OLTV > 75%) | 0.750% |
|--------------------|--------|



**SCHEDULE 3****LOAN LEVEL DETAIL SAMPLE REPORT**

The loan level detail sample report, while subject to change, will be comparable to the loan level detail provided in Freddie Mac reference pool disclosure files, a representative sample of which is currently accessible at:

[http://www.freddiemac.com/creditriskofferings/docs/reference\\_pool\\_disclosure\\_guide.pdf](http://www.freddiemac.com/creditriskofferings/docs/reference_pool_disclosure_guide.pdf)



SCHEDULE 4

FINAL ANNUAL PREMIUM RATE

Policy Number: [REDACTED]

Rate Recalculation Date: October 25, 2022

Maturity Date: April 25, 2025

Initial Aggregate Covered Pool Size as of Rate Recalculation Date: \$14,093,583,886

Rate Recalculation Date Class Notional Amount:

|                                 |                |
|---------------------------------|----------------|
| A. Class M-1 Reference Tranche: | \$2,811,669.99 |
| B. Class M-2 Reference Tranche: | \$2,142,224.75 |

Annual Premium Rate Scalar and Final Annual Premium Rate:

**ACIS 2022-AFH2 Premium Rate Illustration**



**SCHEDULE 5**

**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 Covered Pool based on the Payment Date Statement as of the month in which the Insolvency Event occurred, such that all Covered Obligations’ status (Current, Delinquent up to 90 days, Delinquent 91 to 180 days, Delinquent 181 to 360 days, Delinquent more than 360 days) (the “Covered Pool Status”) are identified and the respective UPB of each category of Covered Pool Status is aggregated respectively (the “Covered Pool Status UPB”).
  - b. Obtain the probability of default (the “Default Probability”) value from the Schedule 5A table for each category of Covered Pool Status.
  - c. Obtain the loss given default multiplier (the “Loss Given Default”) that applies to each category of Covered Pool Status based on Schedule 5A.
  - d. Calculate the “Gross Future Modeled Loss Amount,” which is the sum of the following product for each of the five (5) categories of Covered Pool Status: (i) the applicable Covered 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 and (ii) the applicable Insured Percentage.
2. Future Premium calculation
  - a. For each Insured Tranche, obtain the “Future Premium Multiplier” from Schedule 5A.
  - b. For each Insured Tranche, obtain the Premium paid 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 5A**

**TERMINAL SETTLEMENT AMOUNT CALCULATION TABLES**

**DEFAULT PROBABILITY AND LOSS GIVEN DEFAULT**

**Future Modeled Loss Amount Calculation**

|                           | i                       | X | ii                     | X | iii                | = |                                  |
|---------------------------|-------------------------|---|------------------------|---|--------------------|---|----------------------------------|
| Covered Pool Status       | Covered Pool Status UPB |   | Probability of Default |   | Loss Given Default |   | Gross Future Modeled Loss Amount |
| Current                   |                         |   |                        |   |                    |   |                                  |
| Delinquent up to D90      |                         |   |                        |   |                    |   |                                  |
| D91 to D180               |                         |   |                        |   |                    |   |                                  |
| D181 to D360              |                         |   |                        |   |                    |   |                                  |
| Delinquent more than D360 |                         |   |                        |   |                    |   |                                  |

**FUTURE PREMIUM MULTIPLIER**

| <b>Tranche Multiples</b>   |              |    |
|--|--------------|----|
| <b>Future Premium Multiplier by Counterparty Default Time Frame*</b> |              |    |
| Time Frame   | ACIS Tranche |    |
|  | 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 6**

**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 Insurer (or the Insurer’s estate) to the Insured and permitted to be retained by the Insurer, minus (y) the result of the actual Losses that would have been payable by the Insurer under this Policy during the period from but excluding the Termination Date through and including the Maturity Date, minus the actual Premium that would have been payable by the Insured during the period from but excluding the Termination Date through and including the Maturity Date, in each case, assuming this Policy 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 Insurer (or the Insurer’s estate) and permitted to be retained by the Insured was \$20 million, and the Actual Net Loss amount is \$35 million, then the Insurer (or the Insurer’s estate) shall pay the Insured \$15 million;
- b. if the Terminal Settlement Amount paid by the Insurer (or the Insurer’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 Insurer (or the Insurer’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 Insurer (or the Insurer’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 Insurer (or the Insurer’s estate) shall pay the Insured \$15 million.

