

[REDACTED]

**Aggregate Excess of Loss Credit Insurance Policy Declarations Page**

**Policy Number:** [REDACTED]

**Insured Deal Number:** CIRT LR FE 2019-1

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

**Effective Date:** 12:00 A.M. Eastern Time, June 1, 2019

**Termination Date:** 11:59 P.M. Eastern Time, November 30, 2029

**Insured:** Federal National Mortgage Association, also known as Fannie Mae, a government-sponsored enterprise chartered by the U.S. Congress


**Mailing Address:** 1100 15<sup>th</sup> Street, NW  
Washington, DC 20005

**Insurer:** [REDACTED]

**Insurance Structure:** Aggregate excess of loss credit insurance.

**Fill-up Period:** July 1, 2019 through June 30, 2020 (the "**Last Day of the Fill-up Period**").

**Covered Loans:** A portfolio of fixed rate Residential mortgage loans meeting the Eligibility Criteria (i) Delivered to Insured between the following dates January 1, 2018 and August 1, 2018, as initially identified in the first Set-Up File (the "**Initial Pool**") and (ii) to be Delivered to Insured during the Fill-up Period (the "**Fill-up Pool**"), as selected by the Insured in its sole discretion and identified in the Set-up Files. Covered Loans shall also include any loan that refinances a loan in the Initial Pool or the Fill-up Pool which refinance loan was accomplished through the Insured's High Loan-to-Value Refinance Option and was acquired by the Insured prior to the Termination Date of this Policy (a "High LTV Refi"), and the Eligibility Criteria shall not apply to such High LTV Refis as they are added to the portfolio.

<b>Initial Pool Total Initial Principal Balance:</b>	\$599,904,560.35
<b>Initial Pool Number of Loans:</b>	3,675
<b>Fill-Up Pool Total Initial Principal Balance:</b>	The aggregate unpaid principal balance of the Covered Loans in the Fill-up Pool as set forth in the related Set-up Files, but shall not exceed \$1,150,000,000.
<b>Total Initial Principal Balance:</b>	The aggregate Initial Pool Total Initial Principal Balance plus the Fill-up Pool Total Initial Principal Balance.
<b>Limit of Liability:</b>	The product of the Limit of Liability Percentage and the Total Initial Principal Balance, as determined from time to time, and at any time; provided such amount shall be finally determined at the time the Final Set-up File is made available, subject to any further adjustments provided for in the Policy.
<b>Limit of Liability Percentage:</b>	Eight and eighty hundredths percent (8.80%)
<b>Insurer's Deal Percentage:</b>	
<b>Insurer's Limit of Liability:</b>	The product of a) the Limit of Liability Percentage, multiplied by b) the Insurer's Deal Percentage, multiplied by c) by the Total Initial Principal Balance, as determined from time to time, and at any time; provided that such amount shall be finally determined at the time the Final Set-up File is made available, subject to any further adjustment provided for in this Policy.
<b>Aggregate Retention:</b>	The product of the Aggregate Retention Percentage and the Total Initial Principal Balance, as determined from time to time, and at any time; provided such amount shall be finally determined at the time the Final Set-up File is made available, subject to any further adjustments provided for in the Policy.
<b>Aggregate Retention Percentage:</b>	Two and one-half percent (2.50%).
<b>Optional Policy Cancellation:</b>	On or after sixty-six (66) months after the Effective Date, the Insured may cancel this Policy upon making payment to the Insurer equal to the following: (i) the product of (a) the Total Current Principal Balance, multiplied by (b) the Monthly Premium Rate, multiplied by (c) the number of months remaining before the Termination Date as stated on the Declarations Page, multiplied


by (ii) the factor of one fifth (0.20), multiplied by (d) the Insurer's Deal Percentage. The Insured shall give prior written notice to the Insurer upon electing this action and when the cancellation shall be effective. The cancellation date in such written notice shall become the Termination Date of this Policy, and the Insured shall make the required payment within thirty (30) days of providing the written notice.

- Currency:** United States of America Dollars.
- Monthly Premium:** The Monthly Premium due and payable under this Policy shall be a monthly premium payable in arrears. The Monthly Premium shall be calculated as the sum of the products of i) the Monthly Premium Rate, multiplied by ii) the Current Principal Balance of each Covered Loan, multiplied by iii) the Insurer's Deal Percentage.
- Monthly Premium Rate:** The Monthly Premium Rate shall be four hundred and eight ten thousandths of one percent (0.0408%). However, if the Weighted Average Actual Risk Factor, as determined after the Final Set-up File is made available and based on the Covered Loans as presented in the Set-up Files, is greater or less than the Baseline Risk Factor, the Monthly Premium Rate shall for purposes of all future payments of the Monthly Premium be equal to the Adjusted Monthly Premium Rate, and any prior payments of Monthly Premium shall be subject to a Monthly Premium Adjustment Payment, payable by the Insurer or the Insured, as applicable, not later than the last day of the month in which the Final Set-up File is made available.
- Weighted Average Actual Risk Factor:** The Weighted Average Actual Risk Factor shall have meaning given therefor in Exhibit C to the Policy.
- Baseline Risk Factor:** The Baseline Risk Factor shall be five and six hundred and seventy-two thousandths percent (5.672%).
- Monthly Premium Adjustment Payment:** The Monthly Premium Adjustment Payment shall have the meaning given therefor in Exhibit C to the Policy.
- Adjusted Monthly Premium Rate:** The Adjusted Monthly Premium Rate shall have the meaning given therefor in Exhibit C to the Policy.

**Eligibility Criteria:**

- (a) Each Covered Loan met the requirements of the Selling Guide, or any variances thereto granted in writing by the Insured prior to delivery, at the time it was Delivered

to the Insured. The Insured makes no representation as to which variances, if any, apply to individual Covered Loans;

- (b) Each Covered Loan is a fully amortizing, fully documented, fixed-rate, first lien mortgage loan, which has an original term of no more than thirty (30) years and was secured by Residential Property located in the United States, including the District of Columbia, Puerto Rico, the U.S. Virgin Islands or Guam on its origination date;
- (c) Each Covered Loan in the Initial Pool was originated between April 1, 2017 and August 31, 2018
- (d) Each Covered Loan in the Fill-up Pool was originated between July 1, 2018 and June 30, 2020;
- (e) Each Covered Loan in the Initial Pool was Delivered to the Insured between January 1, 2018 and August 31, 2018
- (f) Each Covered Loan in the Fill-up Pool was Delivered between July 1, 2019 and June 30, 2020;
- (g) No Covered Loan had an original loan-to-value ratio that (1) is eighty percent (80%) or less, or (2) is more than ninety-seven percent (97%);
- (h) No Covered Loan had an original CLTV that is more than one hundred and five percent (105%);
- (i) No borrower under a Covered Loan had a subordinate mortgage loan secured by the same property as the Covered Loan other than a Community Second Loan;
- (j) The representative credit score used to originate each Covered Loan was six hundred twenty (620) or greater, or if such Covered Loan did not have a representative credit score used for origination, it will be considered to have a representative credit score of six hundred twenty (620) ("No Fico Loans");
- (k) A Covered Loan may have been up to sixty (60) days delinquent, provided that such Covered Loan was cured and performed for twelve (12) months prior to the Effective Date and the Covered Loan is current as of the Effective Date;
- (l) No Covered Loan had an original debt-to-income ratio in excess of fifty percent (50%);
- (m) Each Covered Loan (i) shall be a risk sharing mortgage loan originated by  

- (n) Each Covered Loan does not have primary mortgage guaranty insurance; and

- (o) Until the applicable Release Date, no Covered Loan was four (4) full monthly payments past due, measured by the last paid installment; provided, however, if a Covered Loan is one (1) month or more delinquent on the Release Date, such loan shall continue to be a Covered Loan until and if the delinquency existing on the Release Date becomes a four (4) full monthly payments past due, measured by the last paid installment. The "Release Date" means as to a Covered Loan, the first (1<sup>st</sup>) day of the thirteenth (13<sup>th</sup>) calendar month following the month in which the Covered Loan was Delivered to the Insured.
- (p) In addition, the following limitations shall apply:
- i. Not more than thirty-five percent (35%) of loans insured under this Policy, as measured by the Total Initial Principal Balance, shall have debt-to-income ratios in excess of forty-five percent (45.00%);
  - ii. Not more than thirty percent (30%) of loans insured under this Policy, as measured by the Total Initial Principal Balance, shall have credit scores of less than six hundred eighty (680); and
  - iii. Not more than fifteen hundredths of one percent (0.15%) of loans insured under this Policy, as measured by the Total Initial Principal Balance, shall be No Fico Loans.

**Policy All-Inclusive:**

This Policy is comprised of this Declarations Page and the various terms and provisions attached to the Policy as of the Effective Date.

(Signature Page Follows)

IN WITNESS HEREOF, each party hereto has caused this Policy to be executed on its behalf by its duly authorized representative as of the date(s) specified below:

[REDACTED]

By: [REDACTED]

Name: [REDACTED]

Date: [REDACTED]

**Federal National Mortgage Association**

By: [REDACTED]

Name: [REDACTED]

Date: [REDACTED]

**Aggregate Excess of Loss Credit Insurance Policy**

**TABLE OF CONTENTS**

	<b>Page</b>
I. INSURING AGREEMENT .....	8
II. REPRESENTATIONS AND WARRANTIES OF THE INSURER.....	8
III. REPRESENTATIONS AND WARRANTIES OF THE INSURED.....	10
IV. LIMITATION OF LIABILITY .....	11
V. CLAIMS AND REPORTING .....	13
VI. CALCULATION OF LOSS.....	14
VII. LOSS ADJUSTMENTS .....	15
VIII. CANCELLATION.....	16
IX. MONTHLY PREMIUM.....	17
X. REDUCTION UNDER QUOTA SHARE CONTRACT .....	18
XI. EXCLUSIONS.....	19
XII. GENERAL CONDITIONS.....	19
XIII. DEFINITIONS.....	21

**Exhibit A: Form of Monthly Servicing Report/Notice of Claim**

**Exhibit B: Loss Calculation Example**

**Exhibit C: Monthly Premium Rate Adjustment**

## **Aggregate Excess of Loss Credit 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 Monthly Premium stated in the Declarations Page 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 stated in the Declarations Page, to pay Loss to the Insured to the extent and in the manner set forth herein.

### **I. INSURING AGREEMENT**

- (a) This Policy provides coverage for [REDACTED] of the Aggregate Losses of the Insured in excess of the Aggregate Retention of the Insured on Covered Loans that Default during the Policy Period, subject to the Insurer's Limit of Liability and all other terms, conditions and limitations of this Policy.
- (b) Notwithstanding the provisions of Article I.(a) above, with regard to any Loss(es) owed to the Insured by the Insurer, in the event that the Insured is paid directly by any reinsurer under the Quota Share Contract, or if the Insured were to draw down upon any trust under which the Insured is a beneficiary or co-beneficiary with regard to this Policy, then, only and solely to the extent of any such Loss(es) so received by the Insured, the Insurer is relieved of all corresponding responsibilities and liability to the Insured under this Policy for payment of such Loss(es).

### **II. REPRESENTATIONS AND WARRANTIES OF THE INSURER**

The Insurer represents and warrants as follows:

- (a) The Insurer is an insurance company duly organized, validly existing and in good standing under the laws of [REDACTED] and has all requisite company power and authority to own and lease its properties and to carry on its business as conducted by it.
- (b) The Insurer has taken all corporate action required to authorize the execution, delivery and performance of this Policy, and the performance of its obligations thereunder, and has received all necessary legal and regulatory approvals for it to execute, deliver and perform under this Policy.
- (c) The Insurer has the corporate power and authority to execute and deliver, and perform its obligations under this Policy.
- (d) The Insurer has secured, at the Effective Date, reinsurance coverage under the Quota Share Contract for one hundred percent (100%) of its liabilities under this Policy with Reinsurers. Any changes to the participation percentages of the Reinsurers under the Quota Share Contract, including the addition of any new reinsurers, after the Effective Date must be approved in writing by the Insured.
- (e) The Insurer shall obtain written representations and warranties from the Reinsurers substantially similar to those set forth in this Article II.(b), (c), (f), (g), (i)



and (j), and substantially similar to those set forth in this Article II.(a) and (h) as to the respective jurisdiction of organization of each of the Reinsurers.

- (f) This Policy, when executed and delivered shall 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 shall 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 authority 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 shall 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 shall use its best efforts to remain, in compliance at all times and in all material respects with all Applicable Law, with the conditions attached to its license and with any directions to the Insurer issued by the [REDACTED]
- (i) There are no pending or, to Insurer's knowledge, threatened actions, suits, investigations or proceedings ("**Proceedings**") by or against the Insurer which are material to its business, at law or in equity or otherwise before any court, tribunal, agency, official, arbitrator or other governmental authority and the Insurer has not been the subject of any such Proceedings in the last two (2) years, other than to the extent that such Proceedings that are considered part of the normal operations of an insurance or a reinsurance company.
- (j) 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 Policy and the transactions hereunder. The Insurer has conducted its own independent review and analysis of the underwriting risk and acknowledges and agrees that the Insured has provided the Insurer with sufficient information for this purpose. In entering into this Policy, the Insurer has relied solely upon its own investigation and analysis, and the Insurer acknowledges and agrees that, except for representations and warranties of the Insured expressly provided in Article III. (Representations and Warranties of the Insured), 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 projections, estimates or any other forward looking forecasts) provided or otherwise made available to the Insurer.

### III. REPRESENTATIONS AND WARRANTIES OF THE INSURED

In accepting this Policy, the Insured hereby agrees, represents and warrants the following to the Insurer as of the Effective Date, or as otherwise specified below in clause (b):

- (a) Statements and information with respect to any Covered Loan are true, correct and complete in all material respects.
- (b) As of the date it is Delivered, each Covered Loan meets the Eligibility Criteria.
- (c) Each Covered Loan will be serviced in accordance with the Servicing Guide.
- (d) It has not withheld any information that would reasonably affect the decision of an insurer of risks similar to the risk under the Policy, and it has no knowledge of any circumstance related to the origination, underwriting or servicing of the Covered Loans which could give rise to or increase the likelihood of a loss to such insurer at any time during the term of the Policy.
- (e) It is duly organized, validly existing and in good standing under the laws of the United States.
- (f) It has taken all actions required to authorize the execution, delivery and performance hereunder.
- (g) It is accepting delivery of the Policy in [REDACTED]
- (h) The Policy, when executed and delivered, will constitute a legal, valid and binding obligation of the Insured as to its obligations hereunder, 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.
- (i) The execution and delivery by the Insured of the Policy, and the performance by the Insured under the Policy, do not and will not require the Insured to possess, obtain, make, provide or deliver any consent, waiver, approval, license, permit, order, designation or authorization of, notice to, or registration, filing, qualification or declaration with, any governmental authority or other Person, other than (1) any of which have been unconditionally obtained or effected (as appropriate) and are in full force and effect or (2) any of which the failure to possess, obtain, make, provide or deliver do not or will not, individually or together with any one or more such other failures, result in the Insurer incurring any liability, or have a material adverse effect on (x) the ability of the Insured to perform and comply with its respective obligations under the Policy, or (y) the consummation of the transactions contemplated under the Policy.
- (j) To the best of the Insured's knowledge, the historical loss and loan information was accurate at the time provided.

#### IV. LIMITATION OF LIABILITY

- (a) The total liability of the Insurer for Aggregate Losses under this Policy shall in no event exceed the Insurer's Limit of Liability.
- (b) Each payment of a Loss by the Insurer in discharge of its obligations under this Policy, and other scheduled payments of Loss owed by Insurers that have written other insurance policies for the pool of loans specified on the Declarations Page of this Policy, if any, shall be credited against the Limit of Liability, and the result shall be the Remaining Limit of Liability as of the date of such payment.
- (c) If, after the Effective Date, a Covered Loan is identified as failing to meet the Eligibility Criteria, such loan shall be excluded from coverage pursuant to Article XI.(b) (Exclusions). Such loan shall be treated as if it had paid-off, the Total Current Principal Balance shall be reduced accordingly, and any Loss previously paid in connection with such loan shall be returned by the Insured to the Insurer.
- (d) At sixteen (16) months after the Effective Date and for each month thereafter up to, but not including, the twenty-eighth (28th) month, the Remaining Limit of Liability shall automatically be reduced to the lesser of:
  - i. the Remaining Limit of Liability at such date, or
  - ii. the greater of:
    - 1. one hundred and fifteen percent (115%) of the sum of the Limit of Liability Percentage multiplied by the then Total Current Principal Balance of all active (i.e., current and delinquent) Covered Loans plus the Limit of Liability Percentage multiplied by the unpaid principal balance as of the date of Default of all Liquidated Covered Loans, or
    - 2. five hundred fifty percent (550%) of the then Total Current Principal Balance of all seriously delinquent (i.e., three (3) months or more past due) Covered Loans plus five hundred fifty percent (550%) of the unpaid principal balance as of the date of Default of all Liquidated Covered Loans.

As such, at sixteen (16) months after the Effective Date and for each month thereafter up to, but not including, the twenty-eighth (28th) month, the Limit of Liability shall also be reduced to the Remaining Limit of Liability at such date, after applying the reduction specified in this Article IV.(d) plus Aggregate Losses in excess of the Aggregate Retention as reduced by any applicable Quota Share Reduction.

- (e) At twenty-eight (28) months after the Effective Date and for each month thereafter up to, but not including, the fortieth (40th) month, the Remaining Limit of Liability shall automatically be reduced to the lesser of:
  - i. the Remaining Limit of Liability at such date, or

- ii. the greater of:
  - 1. the Limit of Liability Percentage multiplied by the then Total Current Principal Balance of all active (i.e., current and delinquent) Covered Loans plus the Limit of Liability Percentage multiplied by the unpaid principal balance as of the date of Default of all Liquidated Covered Loans, or
  - 2. four hundred twenty-five percent (425%) of the then Total Current Principal Balance of all seriously delinquent (i.e., three (3) months or more past due) Covered Loans plus four hundred twenty-five percent (425%) of the unpaid principal balance as of the date of Default of all Liquidated Covered Loans.

As such, at twenty-eight (28) months after the Effective Date and for each month thereafter up to, but not including, the fortieth (40th) month, the Limit of Liability shall also be reduced to the Remaining Limit of Liability at such date, after applying the reduction specified in this Article IV.(e) plus Aggregate Losses in excess of the Aggregate Retention as reduced by any applicable Quota Share Reduction.

- (f) At forty (40) months after the Effective Date and for each month thereafter up to, but not including, the sixty-fourth (64th) month, the Remaining Limit of Liability shall automatically be reduced to the lesser of:

- i. the Remaining Limit of Liability at such date, or

- ii. the greater of:

- 1. the Limit of Liability Percentage multiplied by the then Total Current Principal Balance of all active (i.e., current and delinquent) Covered Loans plus the Limit of Liability Percentage multiplied by the unpaid principal balance as of the date of Default of all Liquidated Covered Loans, or
- 2. three hundred percent (300%) of the then Total Current Principal Balance of all seriously delinquent (i.e., three (3) months or more past due) Covered Loans plus three hundred percent (300%) of the unpaid principal balance as of the date of Default of all Liquidated Covered Loans.

As such, at forty (40) months after the Effective Date and for each month thereafter up to, but not including, the sixty-fourth (64th) month, the Limit of Liability shall also be reduced to the Remaining Limit of Liability at such date, after applying the reduction specified in this Article IV.(f) plus Aggregate Losses in excess of the Aggregate Retention as reduced by any applicable Quota Share Reduction.

- (g) At sixty-four (64) months after the Effective Date and for each month thereafter, the Remaining Limit of Liability shall automatically be reduced to the lesser of:

- i. the Remaining Limit of Liability at such date, or

- ii. the greater of:
  - 1. the Limit of Liability Percentage multiplied by the then Total Current Principal Balance of all active (i.e., current and delinquent) Covered Loans plus the Limit of Liability Percentage multiplied by the unpaid principal balance as of the date of Default of all Liquidated Covered Loans, or
  - 2. two hundred percent (200%) of the then Total Current Principal Balance of all seriously delinquent (i.e., three (3) months or more past due) Covered Loans plus two hundred percent (200%) of the unpaid principal balance as of the date of Default of all Liquidated Covered Loans.

As such, at sixty-four (64) months after the Effective Date and for each month thereafter, the Limit of Liability shall also be reduced to the Remaining Limit of Liability at such date, after applying the reduction specified in this Article IV.(g), plus Aggregate Losses in excess of the Aggregate Retention as reduced by any applicable Quota Share Reduction. In no event shall the Limit of Liability be reduced pursuant to this Article IV.(g) following the Termination Date.

- (h) Notwithstanding any other provision of this Policy to the contrary, the Insurer shall have no liability to pay any Loss once the Aggregate Losses paid by the Insurer equal the Insurer's Limit of Liability. The Insured shall be solely responsible for any Losses that would otherwise exceed the Limit of Liability.

## **V. CLAIMS AND REPORTING**

- (a) For the Initial Pool, as of the Effective Date and, as to the Fill-up Pool, following the Last Day of the Fill-up Period, the Insured shall make available to the Insurer monthly a Notice of Claim. Where the Insured wishes to file a Claim, such monthly Notice of Claim on a Covered Loan shall be made available within one hundred fifty (150) calendar days of (i) for a Covered Loan in the Initial Pool, the end of the month in which a related REO Sale or Third Party Sale occurs and (ii) for a Covered Loan in the Fill-up Pool, the later of the Last Day of the Fill-up Period and the end of the month in which a related REO Sale or Third-Party Sale occurs; provided, however, the Insurer shall have no obligation to make payment for Loss on a Notice of Claim until the Aggregate Retention has been exceeded. The Insured's failure to provide a Notice of Claim within the foregoing described periods shall not relieve the Insurer of its obligations under this Policy, provided that such late notice does not prejudice the Insurer in any material way.
- (b) The Insured shall provide written notice to the Insurer that the Aggregate Retention has been exceeded, and thereafter the Insurer shall submit payment for Loss as presented in the Notice of Claim on a Covered Loan within eleven (11) Business Days of its receipt of the Notice of Claim, and such date shall be the "Claim Due Date".
- (c) In the event the Insurer does not pay the Loss by the Claim Due Date, it shall pay interest on the Loss calculated as follows: 1) if the Loss is paid on or before the sixtieth (60<sup>th</sup>) day following the Claim Due Date, the Net Interest Rate due upon

the Covered Loan, commencing on and including the day immediately following the Claim Due Date up to but excluding the date on which the Loss is paid; or 2) if the Loss is paid after the sixtieth (60<sup>th</sup>) day following the Claim Due Date, the Net Interest Rate due upon the Covered Loan, commencing on and including the day immediately following the Claim Due Date up to and including the sixtieth (60<sup>th</sup>) day following the Claim Due Date, plus the sum of the Net Interest Rate due upon the Covered Loan and ten percent (10.00%), commencing on and including the day immediately following the sixtieth (60<sup>th</sup>) day following the Claim Due Date up to but excluding the date on which the Loss is paid.

- (d) As a matter of routine reporting during the Policy, by the last business day of the month the Insured shall provide the Insurer with the Monthly Servicing Report, which shall be updated and cover activity during the month that is two months prior to the publication of the Monthly Servicing Report.

## **VI. CALCULATION OF LOSS**

- (a) Once a Property securing a Covered Loan, or a delinquent Covered Loan itself that is twelve (12) months or more past due, has been sold by, or with the approval of, the Insured, the Loss shall be calculated as the sum of:
- i. the Default Amount, and
  - ii. interest at the Net Interest Rate computed on the Default Amount from the date of Default until the date of the Third-Party Sale or REO Sale, provided, however, that in no event shall the time for which accumulated delinquent interest is included in the Loss exceed forty five (45) months, and
  - iii. the amount of Advances paid by the Insured prorated (based on the number of days) through the date the Claim is provided in the Monthly Servicing Report,
- less
- iv. the amount of all rents and other payments (excluding proceeds of hazard and/or homeowner's insurance) collected or received by the Insured, prior to the date the Claim is provided in the Monthly Servicing Report, and that the Insured is entitled to retain, which are derived from or in any way related to the Property, and
  - v. the amount of cash remaining in any escrow account as of the last payment date, if such cash secures the debt, and
  - vi. the amount of cash to which the Insured has retained the right of possession as security for the Covered Loan and all sums as to which the Insured has the right of set-off, and
  - vii. the amount paid by the hazard insurer under applicable hazard and/or homeowner's coverage policies, which has not been applied to the cost of restoring and repairing the Property or which has not been applied to the payment of the Covered Loan, and

- viii. the net proceeds of the Third-Party Sale or REO Sale, consisting of the gross sales price less all reasonable and necessary costs incurred in obtaining and closing the sale, and
  - ix. the amount of any indemnification or make-whole proceeds paid to the Insured by a Servicer or party otherwise responsible to the Insured in connection with a Covered Loan.
- (b) An example of the Loss calculation is provided in Exhibit B of this Policy.
  - (c) In the event that part or all of the Property is taken by eminent domain, condemnation or by any other proceedings by a federal, state or local governmental unit or agency, the Insured shall require that the Borrower apply the maximum permissible amount of compensation awarded to reduce the unpaid principal balance of the Covered Loan in accordance with Applicable Law and the terms of the Covered Loan.
  - (d) Notwithstanding any other provision of this Policy to the contrary, the Insurer shall have no liability to pay any Loss unless and until the Aggregate Losses exceed the Aggregate Retention as specified in the Declarations Page. The Insured shall be solely responsible for Loss until Aggregate Losses exceed the Aggregate Retention.

## **VII. LOSS ADJUSTMENTS**

- (a) Indemnification Proceeds. Before the Termination Date, if the Insured is paid any indemnification or make-whole proceeds by a Servicer or party otherwise responsible to the Insured in connection with a Covered Loan after the Insurer has paid a Loss on such Covered Loan, the Insured shall pay to the Insurer such proceeds. All such proceeds paid to the Insurer shall reduce Aggregate Losses.
- (b) Collection Activities.
  - i. In connection with a Covered Loan where a Notice of Claim is provided in the Monthly Servicing Report by the Insured pursuant to Article V.(a) (Claims and Reporting) prior to the date the Aggregate Retention has been exceeded, any amounts received by the Insured as a result of Collection Activities shall be retained by the Insured and all such proceeds shall reduce Aggregate Losses.
  - ii. In connection with a Covered Loan where a Notice of Claim is provided in the Monthly Servicing Report by the Insured pursuant to Article V.(b) (Claims and Reporting) after the Aggregate Losses exceed the Aggregate Retention, any amounts received by the Insured as a result of Collection Activities shall be for the benefit of the Insurer and be paid to the Insurer, net of any third-party expenses incurred by the Insured to receive such amounts or the right to receive such amounts. For purposes of this Article VII.(b)(ii), the Insured shall apply its same standards as it would apply in the normal course of Collection Activities pursuant to Article VII.(b)(i) above. All such amounts paid by the Insured to the Insurer before the later of (x) the date of payment by the Insurer of the final Loss

eligible to be paid under this Policy, or (y) the Termination Date, shall reduce Aggregate Losses.

- (c) Termination Date. For purposes of Article VII.(b)(ii) above, the occurrence of a Termination Date shall not affect the Insured's obligation to pay such amounts to the Insurer.

## **VIII. CANCELLATION**

- (a) This Policy shall automatically cancel on the Termination Date unless cancelled earlier in accordance with Article VIII.(b) through (f) below. Within sixty (60) days following the Termination Date:
  - i. if the Insured determines that the Aggregate Retention has not been exceeded and would not be exceeded if the Total Current Principal Balance of all Covered Loans then in Default were added to the Aggregate Losses, then this Policy shall cancel on the Termination Date and the Insurer shall not be liable for any payment of Loss;
  - ii. if the Insured determines that the Aggregate Retention has not been exceeded, but would be exceeded if the Total Current Principal Balance of all Covered Loans then in Default were added to the Aggregate Losses, then such Covered Loans in Default shall remain covered under this Policy until the earlier of the date such Covered Loans are no longer in Default or become Liquidated Covered Loans, and the Insurer shall continue to pay Losses in connection with such Liquidated Covered Loans without further payment of premium by the Insured;
  - iii. if the Insured determines that the Aggregate Retention has been exceeded, then all Covered Loans then in Default shall remain covered under this Policy until the earlier of the date such Covered Loans are no longer in Default or become Liquidated Covered Loans, and the Insurer shall continue to pay Losses in connection with such Liquidated Covered Loans without further payment of premium by the Insured; and
  - iv. the Insured will notify the Insurer whether subclause (a)i., (a)ii., or (a)iii. above applies.
- (b) The Insurer may cancel this Policy in the event of non-payment of Monthly Premium if the Monthly Premium has not been paid pursuant to Article IX. (Monthly Premium). In such case, the Insurer may cancel this Policy by providing written notice to the Insured stating when the cancellation shall be effective but in no case less than thirty (30) days from the missed Monthly Premium due date. The cancellation date in such written notice shall become the Termination Date of the Policy. If the Insured pays the Monthly Premium on or before the effective date of the cancellation, this Policy shall continue in full force and effect.
- (c) The Insured may cancel this Policy upon: (i) the insolvency of the Insurer or the Insurer having been placed into bankruptcy, liquidation, rehabilitation, receivership, supervision, administration, conservation, winding-up or under a scheme of arrangement or similar proceedings (whether voluntary or involuntary),



or proceedings having been instituted against the Insurer, for the appointment of a receiver, liquidator, rehabilitator, supervisor, administrator, conservator or trustee in bankruptcy, or other agent known by whatever name, to take possession of its assets or control of its operations, or any similar proceeding has been commenced with respect to the Insurer unless, in each case, such proceeding is involuntary and is controverted within ten (10) calendar days and is dismissed within thirty (30) calendar days, of commencement or such proceeding; (ii) a breach in any material respect by the Insurer of any representation or warranty provided in Article II. (Representations and Warranties of the Insurer) or a breach in any material respect of any covenant or agreement of the Insurer contained herein; (iii) the receipt by the Insurer of a cease and desist order or any similar order from a regulatory authority that it ceases and desist in writing all or part of its business; or (iv) material non-compliance by the Insurer with the terms of this Policy. The Insured shall give written notice to the Insurer stating the grounds for such action and when the cancellation shall be effective. The cancellation date in such written notice shall become the Termination Date of this Policy.

- (d) The Insured may cancel this Policy if the Total Current Principal Balance is reduced to no more than ten percent (10.00%) of the Total Initial Principal Balance. The Insured shall give written notice to the Insurer upon electing this action and when the cancellation shall be effective. The cancellation date in such written notice shall become the Termination Date of this Policy.
- (e) The Insured may cancel this Policy under the terms of the Optional Policy Cancellation as specified on the Declarations Page.
- (f) This Policy shall automatically cancel if the Remaining Limit of Liability at any monthly reporting period is zero dollars (\$0.00), subject to adjustment pursuant to Article VII.(a) (Loss Adjustments), and the Insured shall not then be liable for any Monthly Premium, except for outstanding amounts that may have accrued prior to that time and may still be owed thereafter.
- (g) Under all cancellation provisions in Article VIII.(a) through (c) above, the Insured shall not be liable for any Monthly Premium that may accrue after the Termination Date, and the Insurer shall not be liable for any Loss on Covered Loans that Default after the Termination Date. (For the avoidance of doubt, with respect to situations described under Article VIII.(a) through (c) above, the Insured shall remain liable to pay any Monthly Premium that accrues prior to, but is not payable until after, the Termination Date.) Under all cancellation provisions in Article VIII.(d) and (e) above, the Insured shall not be liable for any Monthly Premium that may accrue after the Termination Date, and the Insurer shall only be liable to pay Claims filed by the Insured prior to the Termination Date. (For the avoidance of doubt, with respect to situations described under Article VIII.(d) and (e) above, the Insurer shall not be liable for Loss on Covered Loans that are in Default as of the Termination Date but for which the Insured has not filed a Claim.)

## **IX. MONTHLY PREMIUM**

The initial Monthly Premium due and payable under this Policy shall be calculated as specified on the Declarations Page of this Policy, and the Insured will make its best effort to pay the initial Monthly Premium in respect of each Covered Loan (i) in the Initial Pool, by the last day of the

month for which it is due and (ii) in the Fill-up Pool, not later than last day of the month following the month in which such Covered Loan was Delivered. Thereafter, each subsequent Monthly Premium shall be paid by the last day of the month for which it is due. For example, the initial Monthly Premium as well as the first subsequent Monthly Premium due for Covered Loans in the Initial Pool shall be paid by July 31, 2019. The initial Monthly Premium as well as the first subsequent Monthly Premium due for Covered Loans in the Fill-up Pool Delivered in July 2019, as well as the second subsequent Monthly Premium for Covered Loans in the Initial Pool shall be paid by August 31, 2019. The initial Monthly Premium as well as the first subsequent Monthly Premium due for Covered Loans in the Fill-up Pool Delivered in August 2019, the second subsequent Monthly Premium for Covered Loans in the Fill-up Pool Delivered in July 2019, as well as the third subsequent Monthly Premium for Covered Loans in the Initial Pool, shall be paid by September 30, 2019. The Monthly Premium Rate and the Monthly Premium due in respect of certain months during the Fill-up Period may be subject to adjustment as provided in Exhibit C of this Policy. The Insured's obligation to pay Monthly Premium on a Covered Loan ceases on the last day of the month in which such loan becomes a Liquidated Covered Loan.

#### **X. REDUCTION UNDER QUOTA SHARE CONTRACT**

Notwithstanding any other provision of this Policy to the contrary, in the event of a Quota Share Reduction to which the Insured has given its written consent, the Limit of Liability, the Remaining Limit of Liability, the Aggregate Retention, Losses on Covered Loans, and the Monthly Premium will each be revised as follows:

- (a) the Limit of Liability will be revised to equal the Limit of Liability on the date prior to the Reinsurer Reduction Date less the product of the Quota Share Reduction Percentage and the Remaining Limit of Liability on the date prior to the Reinsurer Reduction Date.
- (b) the Remaining Limit of Liability will be revised to equal the Remaining Limit of Liability on the date prior to the Reinsurer Reduction Date less the product of the Quota Share Reduction Percentage and the Remaining Limit of Liability on the date prior to the Reinsurer Reduction Date.
- (c) the Aggregate Retention will be revised to equal the Aggregate Retention on the date prior to the Reinsurer Reduction Date less the product of the Quota Share Reduction Percentage and the Remaining Aggregate Retention on the date prior to the Reinsurer Reduction Date.
- (d) where the Insurer pays a Loss on and after the Reinsurer Reduction Date, the Loss as otherwise calculated pursuant to Article VI.(b) (Calculation of Loss) will be reduced in the same proportion as the Quota Share Reduction.
- (e) the Monthly Premium will be reduced prospectively in the same proportion as the Quota Share Reduction as respects any month beginning with the month in which the Reinsurer Reduction Date occurs. The Reinsurer Reduction Date may only occur on the first calendar day of a month.
- (f) For avoidance of doubt, as examples:
  - i. where the Limit of Liability is \$300,000,000, Aggregate Retention is \$50,000,000, and Aggregate Losses totaled \$30,000,000, and the Quota

Share Reduction results in the Limit of Liability being reduced to seventy-five percent (75%), as of the Reinsurer Reduction Date the Aggregate Retention would be revised to \$45,000,000 ( $\$50,000,000 - [25\% \times \$20,000,000]$ ), the Limit of Liability would be revised to \$225,000,000 ( $\$300,000,000 - [25\% \times \$300,000,000]$ ), and the Remaining Limit of Liability would be revised to \$225,000,000 ( $[\$300,000,000 - \$0] - 25\% \times [\$300,000,000 - \$0]$ );

- ii. where the Limit of Liability is \$300,000,000, Aggregate Retention is \$50,000,000, and Aggregate Losses totaled \$80,000,000, and the Quota Share Reduction results in the Limit of Liability being reduced to seventy-five percent (75%), as of the Reinsurer Reduction Date the Aggregate Retention would be unchanged (\$50,000,000), the Limit of Liability would be revised to \$232,500,000 ( $\$300,000,000 - [25\% \times \$270,000,000]$ ), and the Remaining Limit of Liability would be revised to \$202,500,000 ( $[\$300,000,000 - \$30,000,000] - 25\% \times [\$300,000,000 - \$30,000,000]$ ).

In the event of any such Quota Share Reduction during the Fill-up Period, any further adjustments to the Limit of Liability, the Remaining Limit of Liability, the Aggregate Retention, Losses on Covered Loans or the Monthly Premium resulting from the publication of additional Set-up Files shall appropriately take into account any adjustment pursuant to this Article, as reasonably determined by the Insured.

## XI. EXCLUSIONS

The Insurer shall not be liable for any Loss in connection with a Covered Loan:

- (a) having a date of Default prior to the Effective Date of this Policy or that goes into Default after the Termination Date; or
- (b) that does not satisfy the Eligibility Criteria.

## XII. GENERAL CONDITIONS

- (a) **Arbitration** - Unless prohibited by Applicable Law, any controversy or dispute, including any Claim made under this Policy, arising out of or relating to this Policy, may, upon the mutual consent of all parties to the dispute, be settled by binding arbitration in accordance with the rules of the American Arbitration Association deemed most appropriate by such association. If this remedy is elected by all parties to the dispute, then the decision of the arbitrator shall be final and binding on all the parties and shall be enforceable in any court of competent jurisdiction in the United States of America.
- (b) **Suit** –
  - i. Each of the parties to this Policy consents to the sole and exclusive jurisdiction of the courts of [REDACTED] and/or the federal courts sitting in [REDACTED], in the case of any dispute or other matter arising under this Policy which is not disposed of with finality under Article XII.(a). No suit or action for recovery of any Loss under this Policy shall be sustained in favor of the Insured in any court of

law or equity unless the Insured has materially complied with the terms and conditions of this Policy, except a suit or action where the issue is whether the Insured materially complied with the terms and conditions of this Policy or what was required to do so, and unless the suit or action in equity is commenced within three (3) years, or such longer period of time as may be permitted by Applicable Law, after (i) the Claim has been presented to the Insurer or (ii) the date on which the cause of action accrued, whichever is earlier. No suit or action on the Insurer's disposition of a Claim or Loss may be brought against the Insurer until sixty (60) days have elapsed from the Claim Due Date. The parties to this Policy expressly waive the right to a jury trial.

- ii. If a dispute arises concerning a Covered Loan and involves either the Property or the Insured, the Insurer has the right to protect its interest by defending any action arising from such dispute, even if the allegations involved are groundless, false or fraudulent. The Insurer is not required to defend any lawsuit involving the Insured, the Property, or a Covered Loan. The Insurer and the Insured shall each bear its own costs and expenses for any litigation under this Article XII.(b).
- (c) **Parties in Interest** – This Policy shall be binding upon and inure to the benefit of the Insurer and its successors and assigns and the Insured and its successors and such assigns as may be permitted by the Insurer. Neither the Borrower, nor the Servicer, nor any successor owner of a Property, nor any other Person is included or intended as a third-party beneficiary to this Policy.
- (d) **Governing Law; Conformity to Statute** – This Policy shall be governed by, and construed and enforced in accordance with, the laws of [REDACTED] (excluding the conflict of laws rules). Any provision of this Policy that is in conflict with the law of that jurisdiction is amended by this Article XII.(d) to conform to the minimum requirements of that law.
- (e) **Reserved.**
- (f) **Duty of Cooperation; Access to Records** – The Insured and the Insurer shall cooperate in good faith with one another in the administration of this Policy, including the resolution of any disputes arising under this Policy. Upon reasonable notice from the Insurer, the Insured shall provide access to its non-privileged records that pertain to this Policy for purposes of allowing the Insurer to obtain information related to any Covered Loan and the Insured's handling thereof under this Policy. "Non-privileged" as used herein means records not subject to the Attorney-Client Privilege or the Attorney Work Product Doctrine in accordance with Applicable Law. For any privileged documents or information withheld, the Insured shall, in consultation with the Insurer, take steps as reasonably necessary to provide the Insurer with the information it reasonably requires to evaluate its obligations and/or potential exposure under this Policy without causing a loss of such privilege.
- (g) **Electronic Data** – The Insurer and the Insured agree that each may originate, maintain, and share information, documents or other data (in this Article XII.(g) referred to as "data") as electronic records using electronic media generally

accepted as usual and customary for business records (e.g., e-mail, secure web-portals) and that such data are as acceptable for all purposes under this Policy as data maintained in printed or written form, so long as the data is not denied legal effect or enforceability solely because it is in electronic form. Notices required by this Policy may be sent by electronic means and if so sent shall have the same effect as if sent in paper form.

- (h) **Non-Public Personally Identifiable Information** – Any disclosure of Non-Public Personally Identifiable Information shall comply with all state and federal statutes and regulations governing the disclosure of Non-Public Personally Identifiable Information. Disclosing or using such information for any purpose not authorized by Applicable Law is expressly forbidden without the prior written consent of the Insured.
- (i) **Public Statements** – The Insurer consents to the public disclosure of any or all terms of this Policy. The Insurer further agrees that it will not make any public statements, including press releases, about this Policy without the prior written approval of the Insured unless required by law or regulation, in which case the Insurer will give the Insured written notice no less than three (3) days in advance of such disclosure.
- (j) **Amendments; No Waiver; Rights and Remedies** –
  - i. No condition or requirement of this Policy shall be deemed waived, modified or otherwise compromised unless that waiver, modification or compromise is stated in a writing properly executed by the party so waiving. Each of the conditions and requirements of this Policy is severable, and a waiver, modification or compromise of one shall not be construed as a waiver, modification or compromise of any other.
  - ii. No right or remedy of the Insurer provided for by this Policy shall be exclusive of, or limit, any other rights or remedies set forth in this Policy or otherwise available to the Insurer at law or equity.
  - iii. This Policy shall not be altered, modified or amended without the prior written consent of the Insurer and the Insured.

### **XIII. DEFINITIONS**

**Advances** – means those amounts paid by the Insured and related to the Covered Loan or Property for the following: (i) normal and customary hazard and/or homeowner's insurance premiums; (ii) taxes, assessments and other public charges imposed on the Property; (iii) solely in instances of Default, commercially reasonable and necessary expenses for protection and preservation of the Property; (iv) condominium fees, homeowner association dues and other pro-rated portions of shared fees related to the common areas attendant to the Property, to the extent ascertainable and necessary to maintain the priority of the first lien; (v) if the Covered Loan is secured by a Cooperative Property, maintenance fees, cooperative association dues and other pro-rated portions of shared fees related to the common areas attendant to the Cooperative Property, to the extent ascertainable; (vi) commercially reasonable and necessary expenses to complete a foreclosure alternative (e.g., a short sale or deed-in-lieu of foreclosure), including any

incentives paid to the Borrower (e.g., the Insured's "Cash for Keys") and/or to the Servicer to facilitate such alternative; and (vii) commercially reasonable and necessary expenses to complete foreclosure, eviction and Deficiency Judgment proceedings, as appropriate, including court costs and actual attorney's fees.

**Aggregate Losses** – means, as of any particular date, the sum of all Losses with respect to fully completed Notices of Claim provided by the Insured on individual Covered Loans from the Effective Date to such particular date.

**Aggregate Retention** – means the amount of Aggregate Losses that shall be retained by the Insured before receiving insurance benefits under this Policy, as specified in the Declarations Page of this Policy. The Aggregate Retention shall be calculated by multiplying the Aggregate Retention Percentage by the Total Initial Principal Balance, as determined from time to time, and at any time; provided that such amount shall be finally determined at the time the Final Set-up File is made available, subject to any further adjustment provided for herein.

**Aggregate Retention Percentage** – means the percentage specified as such on the Declarations Page of this Policy.

**Applicable Law** – means any controlling: (i) federal, state, local, or foreign law, statute ordinance, or common law; or (ii) rule, regulation, directive, judgment, order, writ, injunction, ruling, decree, arbitration award, agency requirement, license, or permit of any governmental authority.

**Appraisal** – means an appraisal or alternative method of valuation (such as an automated valuation model or AVM) used to determine the market value of a Property that complies with: (i) the valuation requirements of the Insured if the Covered Loan was required to be originated in compliance with the valuation requirements of the Insured; or (ii) customary mortgage loan origination practices that are acceptable to the Insurer if the Covered Loan was not required to be originated in compliance with the valuation requirements of the Insured.

**Borrower** – means any Person required to repay the debt obligation created pursuant to the Covered Loan. The Borrower may be more than one Person, and the term shall include any co-signer or guarantor of the Covered Loan.

**Business Day** – means any day that the Insurer is normally scheduled to be open for business.

**Claim** – means the request to receive insurance benefits of this Policy filed in accordance with, and containing all information required by the Insurer pursuant to, Article V. (Claims and Reporting).

**Claim Due Date** – means the definition given to that term in Article V.(b) (Claims and Reporting).

**CLTV** – means, where a borrower on a Covered Loan also has a Community Second Loan, the combined loan-to-value ratio calculated as (i) the sum of (a) the original loan amount of the Covered Loan plus (b) the original principal balance of the Community

Second Loan, divided by (ii) the lesser of the sales price or the appraised value, determined in accordance with the Insured's guidelines, of the relevant property.

**Collection Activities** – means activities pursued after Default for the purpose of mitigating Losses by obtaining funds from Borrowers. Such activities include, without limitation: i) Borrower contributions in connection with a pre-foreclosure sale of a Property or the acceptance by the Insured of a deed to the Property in lieu of foreclosure; ii) non-judicial efforts to pursue deficiencies against Borrowers after foreclosure; and iii) judicial efforts to pursue Deficiency Judgments against Borrowers after foreclosure.

**Community Second Loan** – means a subsidized second mortgage typically made by a federal, state, or local government agency, a nonprofit organization, a regional Federal Home Loan Bank under one of its affordable housing programs, a federally recognized Native American tribe and its sovereign instrumentalities, or an employer.

**Cooperative Property** – means a residential unit ownership of which is evidenced by ownership or membership in a cooperative housing corporation and the lease of such unit by the corporation to the stockholder or member, who shall be the Borrower.

**Covered Loan** – means any note or other evidence of indebtedness and the indebtedness it evidences, together with the mortgage, bond, deed of trust, or other instrument securing said indebtedness, that satisfies the Eligibility Criteria.

**Current Principal Balance** – means the unpaid principal balance of a Covered Loan as of the day immediately preceding the first (1st) day of the month for which the subsequent Monthly Premium is due and as reported in the applicable Monthly Servicing Report. For the avoidance of doubt, the unpaid principal balance of any Liquidated Covered Loan is excluded for purposes of calculating the subsequent Monthly Premium.

**Declarations Page** – means the cover pages of this Policy, signed by the Insurer, which extends the coverage indicated therein on the Covered Loans, subject to the terms, conditions, and limitations of this Policy.

**Default** – means the failure by a Borrower to pay when due a non-accelerated amount equal to or greater than one (1) regular scheduled payment due under the terms of a Covered Loan or the failure by a Borrower to pay all amounts due under a Covered Loan after the exercise by the Insured of the "due on sale" provision of such Covered Loan. Default does not mean any non-monetary default or violation of any other term or condition of the Covered Loan that would allow for acceleration of the debt or foreclosure or other action to realize upon the security provided by the Covered Loan. A Covered Loan is deemed to be in Default for the period for which, as of the close of business on the installment due date, a scheduled installment payment has not been made, as reported on the Monthly Servicing Report. For example, a Covered Loan is "four (4) months in Default" if the monthly installments due on January 1, February 1, March 1, and April 1 remain unpaid as of the close of business on April 1.

**Default Amount** – means the unpaid principal balance of a Covered Loan on the date of Default, excluding penalties. However, such amount does include: a) amounts added to such balance, if any, as a result of Negative Amortization or Modification; b) adding back any principal forgiveness amount that was subtracted as a result of Modification; and c) the amount, if any, that was discharged in a Chapter 13 bankruptcy "cramdown."

**Deficiency Judgment** – means a court judgment imposing personal liability on the Borrower for the unpaid amount remaining under the terms of a Covered Loan when the proceeds of a foreclosure sale of the Property securing the Covered Loan were insufficient to fully satisfy the outstanding debt.

**Delivered** – means, as used in the Selling Guide, a lender's sale of a mortgage loan to the Insured that the Insured conveys to a mortgage-backed security ("MBS") trust under the terms of the Insured's MBS program, or a lender's sale of a whole mortgage loan to the Insured that the Insured holds in its portfolio and may include in a later MBS pool that it forms.

**Effective Date** – means the date on which coverage under this Policy becomes effective as specified on the Declarations Page of this Policy.

**Eligibility Criteria** – means those conditions of coverage applicable to each Covered Loan as specified on the Declarations Page of this Policy.

**Exclusions** – mean those exclusions from coverage set forth in Article XI. (Exclusions).

**Fill-up Period** – means the period of time identified on the Declarations Page of this Policy.

**Fill-up Pool** – has the meaning set forth in the term "Covered Loans" described on the Declarations Page of this Policy.

**Fill-up Pool Total Initial Principal Balance** – has the meaning set for on the Declarations Page of this Policy

**Final Set-up File** – means the Set-up File made available to the Insurer two (2) months following the end of the Fill-Up Period covering the Initial Pool and the Fill-up Pool.

**Initial Pool** - has the meaning set forth in the term "Covered Loans" described on the Declarations Page of this Policy.

**Initial Pool Total Initial Principal Balance** – means the amount identified on the Declaration Page of this Policy.

**Initial Principal Balance** – means (i) as to the Covered Loans in the Initial Pool, the unpaid balance of a Covered Loan as of the Effective Date and (ii) as to Covered Loans in the Fill-up Pool, the unpaid principal balance of such Covered Loan as set forth in the Set-up File in which such loan is initially designated as a Covered Loan.

**Insured** – means the Insured identified on the Declarations Page of this Policy.

**Insurer** – means the Insurer identified on the Declarations Page of this Policy.

**Insurer's Deal Percentage** – means the percentage specified as such on the Declarations Page of this Policy.

**Insurer's Limit of Liability** – means the maximum amount of Aggregate Losses exceeding the Aggregate Retention, for which the Insurer is responsible under this Policy.



The Insurer's Limit of Liability shall be calculated as the product of a) the Limit of Liability Percentage multiplied by b) the Insurer's Deal Percentage, multiplied by c) the Total Initial Principal Balance, as determined from time to time, and at any time; provided that such amount shall be finally determined at the time the Final Set-up File is made available, subject to any further adjustment provided for in this Policy.

**Limit of Liability** - means the maximum amount of Aggregate Losses, exceeding the Aggregate Retention, insured under all insurance policies for the pool of loans specified on the Declarations Page of this Policy. The Limit of Liability shall initially be calculated by multiplying the Limit of Liability Percentage by the Total Initial Principal Balance, as determined from time to time, and at any time; provided that such amount shall be finally determined at the time the Final Set-up File is made available, subject to any further adjustment provided for in this Policy.

**Limit of Liability Percentage** - means the percentage specified as such on the Declarations Page of this Policy.

**Liquidated Covered Loan** – means a Covered Loan in Default where title to the Property securing such loan was transferred via foreclosure, deed-in-lieu of foreclosure or a Third-Party Sale and where a Claim has not yet been filed or where a Claim has been filed and is pending settlement. For avoidance of doubt, a Liquidated Covered Loan does not include any such loan where a Claim has been filed and settled. The date of any such title transfer shall be reported by the Insured in the Monthly Servicing Report.

**Loss** – means the liability of the Insurer with respect to a Covered Loan as calculated in Article VI. (Calculation of Loss), subject to the terms, conditions, and limitations of this Policy.

**Loss-on-Sale Calculation** – means the method of calculating the Loss pursuant to Article VI. (Calculation of Loss).

**LTV** – means the loan-to-value ratio calculated as (i) the sum of (a) the original loan amount of the Covered Loan divided by (ii) the lesser of the sales price or the appraised value, determined in accordance with the Insured's guidelines, of the relevant property.

**Mixed-Use Property** – means a dwelling that features distinct functional use for both residential and commercial business purposes including, for example but not limited to, a two-story structure in which one floor serves as a commercial business (e.g., shop, office space, etc.) and the other floor serves as residential space for the owner of the dwelling and the commercial business.

**Modification** - means any change, unless such change is prescribed in the loan documents, to the: a) amount of indebtedness (for example, capitalization of interest arrearages); b) interest rate; c) interest rate adjustment period; or d) use of escrow funds or other funds of a Covered Loan. For the avoidance of doubt, Modification shall not include amounts solely related to i) principal forgiveness, ii) the extension of the term of amortization schedule of a Covered Loan, or iii) High LTV Refis.

**Monthly Premium** – means the amount to be paid by the Insured to the Insurer for the coverage afforded by this Policy, as specified on the Declarations Page of this Policy.

**Monthly Premium Rate** – means the premium rate so specified on the Declarations Page of this Policy to be used in computing the Monthly Premium.

**Monthly Servicing Report** – means an electronic file, substantially in the form of Exhibit A unless otherwise updated and made available by the Insured, containing all active Covered Loans and Liquidated Covered Loans, including information on the status of Covered Loans in Default. The Monthly Servicing Report shall be the sole means by which the Insured shall notify the Insurer of Defaults on Covered Loans and to calculate a Loss under this Policy.

**Negative Amortization** – means the additions to the principal amount of a Covered Loan arising from the insufficiency of optional payments or regularly scheduled payments to cover interest as it accrues against the principal amount of the Covered Loan as provided for in the loan documents relating to the Covered Loan.

**Net Default Interest** – means the remainder calculated pursuant to Article VI.(b).(ii) (Calculation of Loss).

**Net Interest Rate** – means interest at the contract rate stated in the Covered Loan (or as otherwise subject to Modification in accordance with the Servicing Guide, as provided in Article III.(c) (Representations and Warranties of the Insured)), less the greater of (i) thirty-five hundredths of one percent (0.35%) or (ii) the actual Servicing Fee for the Covered Loan. In no event shall the Net Interest Rate be less than zero.

**Non-Public Personally Identifiable Information** – means such term or similar term as defined under Applicable Law.

**Notice of Claim** – means the Current Period Credit Event Net Gain or Loss as specified in Exhibit B of this Policy.

**Optional Policy Cancellation** – means the basis for cancellation of this Policy as specified on the Declarations Page.

**Original Value** – means the lesser of the sales price of the Property (only applicable in the case of a Covered Loan made to finance the purchase of such Property) or the market value of the Property established by an Appraisal, which value was obtained by the loan originator in connection with the Covered Loan at the time it was originated.

**Person** – means any natural person, or any corporation, partnership, association or other legally-recognized entity.

**Policy** – means this contract of insurance together with the Exhibits and the Declarations Page, which are incorporated herein and made part of this Policy with respect to the Covered Loans to which they relate.

**Policy Period** – means the period specified as such on the Declarations Page of this Policy.

**Property** – means the Residential real property and all improvements thereon including any chattel items (including any built-in appliances) which are an element of the market value stated in the Original Value, including all replacements or additions to the chattel

items, together with all easements and appurtenances, all rights of access, all rights to use (as well as any co-ownership interests in) common areas, recreational and appurtenant facilities, and all replacements or additions to those items.

**Quota Share Contract** – means the quota share reinsurance contract entered into by and between the Insurer and the Reinsurers.

**Quota Share Reduction** – means a reduction in the liability reinsured under the Quota Share Contract.

**Quota Share Reduction Percentage** – means the percentage by which the liability reinsured under the Quota Share Contract is reduced pursuant to a Quota Share Reduction.

**Reinsurers** – means, collectively, all duly licensed reinsurance entities accepting liability under the Quota Share Contract by signing an Interests and Liabilities Agreement attached thereto.

**Reinsurer Reduction Date** – means the effective date of a Quota Share Reduction under the Quota Share Contract.

**Remaining Aggregate Retention** – means the Aggregate Retention reduced by Aggregate Losses and as adjusted by any applicable Quota Share Reduction. In the event of a Quota Share Reduction, the Remaining Aggregate Retention shall equal the remainder of the Aggregate Retention resulting from subtraction of Aggregate Losses determined on the date prior to the Reinsurer Reduction Date, as such remainder is reduced in the same proportion as the Quota Share Reduction. For avoidance of doubt, as an example, where the Aggregate Retention is \$50,000,000, Aggregate Losses totaled \$30,000,000, and the Quota Share Reduction results in the Aggregate Retention being reduced to seventy-five percent (75%), the Remaining Aggregate Retention as of the Reinsurer Reduction Date would be \$15,000,000 ( $[\$50,000,000 - \$30,000,000] \times 0.75$ ).

**Remaining Limit of Liability** – means, as of any particular date, the Limit of Liability as reduced by Aggregate Losses actually paid to the Insured by the Insurer, and other scheduled payments of Loss owed by insurers that have written other insurance policies for the pool of loans specified on the Declarations Page of this Policy, in excess of the Aggregate Retention and as adjusted by any applicable Quota Share Reduction. In the event of a Quota Share Reduction, the Remaining Limit of Liability shall equal the remainder of the Limit of Liability resulting from subtraction of Aggregate Losses in excess of the Aggregate Retention, determined on the date prior to the Reinsurer Reduction Date, as such remainder is reduced in the same proportion as the Quota Share Reduction. For avoidance of doubt, as examples, (i) where the Limit of Liability is \$300,000,000, Aggregate Losses totaled \$30,000,000, and the Quota Share Reduction results in the Limit of Liability being reduced to seventy-five percent (75%), the Remaining Limit of Liability as of the Reinsurer Reduction Date would be \$202,500,000 ( $[\$300,000,000 - \$30,000,000] \times 0.75$ ), and (ii) where the Limit of Liability is \$300,000,000, Aggregate Retention is \$50,000,000, and Aggregate Losses totaled \$80,000,000, and the Quota Share Reduction results in the Limit of Liability being reduced to seventy-five percent (75%), the Remaining Aggregate Retention as of the Reinsurer Reduction Date would be \$0, and the Remaining Limit of Liability as of the Reinsurer Reduction Date would be \$202,500,000 ( $[\$300,000,000 - \$30,000,000] \times 0.75$ ).

**REO Sale** – means a sale of a Property by the Insured after foreclosure or after receipt from the Borrower of a deed-in-lieu of foreclosure.

**Residential** – means

- a. a type of building which is designed for occupancy by not more than four (4) families, or
- b. a single condominium or planned unit development unit, or
- c. a Cooperative Property, or
- d. a Mixed-Use Property, provided that the mixed-use represents a legal, permissible use of the Property under local zoning requirements, the Borrower occupies the Property as a principal residence, the Borrower is both the owner and operator of the commercial business located in the building, and the Property is primarily intended for residential use, or
- e. any other single residence unit as to which good and merchantable title may be held or conveyed freely under law (including but not limited to manufactured housing).

**Selling Guide** – means the Insured's single family Selling Guide, as such guide existed at the time the Covered Loans were Delivered to the Insured.

**Servicer** – means that Person, other than a natural Person, that at a given time is servicing a Covered Loan (or acting as a master servicer, if subservicing is also involved) on behalf of the Insured and pursuant to the Servicing Guide and any applicable delegation of authority that the Insured may have made to the Servicer to perform loss mitigation without the prior approval of the Insured. Actions required by this Policy to be performed by the Insured may, at the option of the Insured, be performed by a Servicer. The Servicer acts on behalf of the Insured in performing acts under this Policy.

**Servicing Fee** – means that portion of the contract rate of interest, as such contract rate is stated in the Covered Loan (or as otherwise subject to Modification in accordance with the Servicing Guide, as provided in Article III.(c) (Representations and Warranties of the Insured)), which is retained by the Servicer of the Covered Loan to compensate it for its responsibilities and actions as Servicer of the Covered Loan.

**Servicing Guide** – means (a) the Insured's single family Servicing Guide, as such guide currently exists or as it may be periodically amended by announcement, lender letter, notice, or other Servicer communication, for general application to single-family loans serviced by all of the Insured's servicers; and (b) any exceptions, pilots, or variances to the Servicing Guide authorized by the Insured.

**Set-up Files** – means, (i) as to the Covered Loans in the Initial Pool, the initial Monthly Servicing Report and (ii) as to any Covered Loans in the Fill-up Pool, Monthly Servicing Reports made available from the Effective Date up to and including two (2) months following the end of the Fill-up Period.

**Termination Date** – means the date on which this Policy terminates as specified on the Declarations Page of this Policy, or as effected in Article VIII (Cancellation).

**Third-Party Sale** – means

- a. a sale of a Property arranged by the Servicer and/or by the Borrower, and approved by the Insured or by the Servicer on behalf of the Insured pursuant to a delegation of authority from the Insured, prior to foreclosure, or
- b. a foreclosure or trustee's sale of a Property to a third-party at a price equal to or greater than the minimum bid established and submitted by the Servicer, or
- c. a sale of a Covered Loan by the Insured to a third-party.

**Total Current Principal Balance** – means the sum of the unpaid principal balance of all Covered Loans as reported in the applicable Monthly Servicing Report. For the avoidance of doubt, the unpaid principal balance of all Liquidated Covered Loans is excluded for purposes of calculating the renewal Monthly Premium.

**Total Initial Principal Balance** – has the meaning set forth in the Declarations Page of this Policy.

**UPB** – means the unpaid principal balance of a Covered Loan.

Pronouns, when used in this Policy, shall mean the singular or plural, masculine or feminine, as the context requires.

## EXHIBIT A

### Form of Monthly Servicing Report/Notice of Claim

Position	Field Name	Type	Max Length
1	REFERENCE POOL ID	ALPHA-NUMERIC	X(4)
2	LOAN IDENTIFIER	ALPHA-NUMERIC	X(10)
3	MONTHLY REPORTING PERIOD	DATE	MMYYYY
4	ORIGINATION CHANNEL	ALPHA-NUMERIC	X(1)
5	SELLER NAME	ALPHA-NUMERIC	X(50)
6	SERVICER NAME	ALPHA-NUMERIC	X(50)
7	MASTER SERVICER	ALPHA-NUMERIC	X(10)
8	ORIGINAL INTEREST RATE	NUMERIC	9(2).9999
9	CURRENT INTEREST RATE	NUMERIC	9(2).9999
10	ORIGINAL UPB*	NUMERIC	9(10).99
11	UPB AT ISSUANCE*	NUMERIC	9(10).99
12	CURRENT ACTUAL UPB*	NUMERIC	9(10).99
13	ORIGINAL LOAN TERM	NUMERIC	9(3)
14	ORIGINATION DATE	DATE	MMYYYY
15	FIRST PAYMENT DATE	DATE	MMYYYY
16	LOAN AGE	NUMERIC	9(3)
17	REMAINING MONTHS TO LEGAL MATURITY	NUMERIC	9(3)
18	ADJUSTED MONTHS TO MATURITY	NUMERIC	9(3)
19	MATURITY DATE	DATE	MMYYYY
20	ORIGINAL LOAN TO VALUE RATIO (LTV)	NUMERIC	9(3)
21	ORIGINAL COMBINED LOAN TO VALUE RATIO (CLTV)	NUMERIC	9(3)
22	NUMBER OF BORROWERS	NUMERIC	9(2)
23	ORIGINAL DEBT TO INCOME RATIO	NUMERIC	9(2).99
24	BORROWER CREDIT SCORE AT ORIGINATION	NUMERIC	9(3)
25	CO-BORROWER CREDIT SCORE AT ORIGINATION	NUMERIC	9(3)
26	FIRST TIME HOME BUYER INDICATOR	ALPHA-NUMERIC	X(1)
27	LOAN PURPOSE <sup>2</sup>	ALPHA-NUMERIC	X(50)
28	PROPERTY TYPE	ALPHA-NUMERIC	X(10)
29	NUMBER OF UNITS	NUMERIC	9(1)
30	OCCUPANCY TYPE	ALPHA-NUMERIC	X(9)
31	PROPERTY STATE	ALPHA-NUMERIC	X(2)
32	METROPOLITAN STATISTICAL AREA (MSA)	ALPHA-NUMERIC	X(5)
33	ZIP CODE SHORT	ALPHA-NUMERIC	X(3)
34	PRIMARY MORTGAGE INSURANCE PERCENT	NUMERIC	9(3).99
35	PRODUCT TYPE	ALPHA-NUMERIC	X(3)
36	PREPAYMENT PREMIUM MORTGAGE FLAG	ALPHA-NUMERIC	X(1)
37	INTEREST ONLY INDICATOR	ALPHA-NUMERIC	X(1)
38	FIRST PRINCIPAL AND INTEREST PAYMENT DATE FOR INTEREST ONLY PRODUCTS	DATE	MMYYYY

39	MONTHS TO AMORTIZATION FOR INTEREST ONLY PRODUCTS	NUMERIC	9(3)
40	CURRENT LOAN DELINQUENCY STATUS	ALPHA-NUMERIC	X(2)
41	LOAN PAYMENT HISTORY	ALPHA-NUMERIC	X(48)
42	MODIFICATION FLAG	ALPHA-NUMERIC	X(1)
43	MORTGAGE INSURANCE CANCELLATION INDICATOR	ALPHA-NUMERIC	X (2)
44	ZERO BALANCE CODE	ALPHA-NUMERIC	X(3)
45	ZERO BALANCE EFFECTIVE DATE	DATE	MMYYYY
46	UPB AT THE TIME OF REMOVAL FROM THE REFERENCE POOL	NUMERIC	9(10).99
47	REPURCHASE DATE	DATE	MMYYYY
48	SCHEDULED PRINCIPAL CURRENT	NUMERIC	9(10).99
49	TOTAL PRINCIPAL CURRENT	NUMERIC	9(10).99
50	UNSCHEDULED PRINCIPAL CURRENT	NUMERIC	9(10).99
51	LAST PAID INSTALLMENT DATE	DATE	MM/01/YYYY
52	FORECLOSURE DATE	DATE	MM/01/YYYY
53	DISPOSITION DATE	DATE	MM/01/YYYY
54	FORECLOSURE COSTS	NUMERIC	9(10).99
55	PROPERTY PRESERVATION AND REPAIR COSTS	NUMERIC	9(10).99
56	ASSET RECOVERY COSTS	NUMERIC	9(10).99
57	MISCELLANEOUS HOLDING EXPENSES AND CREDITS	NUMERIC	9(10).99
58	ASSOCIATED TAXES FOR HOLDING PROPERTY	NUMERIC	9(10).99
59	NET SALES PROCEEDS	NUMERIC	9(10).99
60	CREDIT ENHANCEMENTS PROCEEDS	NUMERIC	9(10).99
61	REPURCHASES MAKE WHOLE PROCEEDS	NUMERIC	9(10).99
62	OTHER FORECLOSURE PROCEEDS	NUMERIC	9(10).99
63	NON-INTEREST BEARING UPB	NUMERIC	9(10).99
64	PRINCIPAL FORGIVENESS AMOUNT	NUMERIC	9(10).99
65	ORIGINAL LIST START DATE	DATE	MM/01/YYYY
66	ORIGINAL LIST PRICE	NUMERIC	9(10).99
67	CURRENT LIST START DATE	DATE	MM/01/YYYY
68	CURRENT LIST PRICE	NUMERIC	9(10).99
69	BORROWER CREDIT AS OF THE SCORE AT-ISSUANCE DATE	NUMERIC	9(3)
70	CO-BORROWER CREDIT SCORE AS OF THE AT-ISSUANCE DATE	NUMERIC	9(3)
71	BORROWER CURRENT CREDIT SCORE	NUMERIC	9(3)
72	CO-BORROWER CURRENT CREDIT SCORE	NUMERIC	9(3)
73	MORTGAGE INSURANCE TYPE	NUMERIC	9(1)
74	SERVICING ACTIVITY INDICATOR	ALPHA-NUMERIC	X(1)
75	CURRENT PERIOD MODIFICATION LOSS AMOUNT	NUMERIC	9(10).99
76	CUMULATIVE MODIFICATION LOSS AMOUNT	NUMERIC	9(10).99
77	CURRENT PERIOD CREDIT EVENT NET GAIN OR LOSS	NUMERIC	9(10).99
78	CUMULATIVE CREDIT EVENT NET GAIN OR LOSS	NUMERIC	9(10).99
79	HOMEREDY® PROGRAM FLAG	ALPHA-NUMERIC	X(1)
80	FORECLOSURE PRINCIPAL WRITE-OFF AMOUNT	NUMERIC	9(10).99
81	RELOCATION MORTGAGE INDICATOR	ALPHA-NUMERIC	X(1)
82	ZERO BALANCE CODE CHANGE DATE	DATE	MMYYYY

83	LOAN HOLDBACK INDICATOR	ALPHA-NUMERIC	X(1)
84	LOAN HOLDBACK EFFECTIVE DATE	DATE	MMYYYY
85	DELINQUENT ACCRUED INTEREST	NUMERIC	9(10).99
86	PROPERTY INSPECTION WAIVER	ALPHA-NUMERIC	X(1)
87	HIGH BALANCE LOAN FLAG	ALPHA-NUMERIC	X(1)
88	ARM ≤ 5 YR FLAG	ALPHA-NUMERIC	X(1)
89	ARM PRODUCT TYPE	ALPHA-NUMERIC	X(100)
90	MONTHS UNTIL FIRST PAYMENT RESET	NUMERIC	9(4)
91	MONTHS BETWEEN SUBSEQUENT PAYMENT RESETS	NUMERIC	9(4)
92	INTEREST RATE CHANGE DATE	DATE	MMYYYY
93	PAYMENT CHANGE DATE	DATE	MMYYYY
94	ARM INDEX	ALPHA-NUMERIC	X(100)
95	ARM CAP STRUCTURE	ALPHA-NUMERIC	X(10)
96	INITIAL INTEREST RATE CAP	NUMERIC	9(2).9999
97	PERIODIC INTEREST RATE CAP	NUMERIC	9(2).9999
98	LIFETIME INTEREST RATE CAP	NUMERIC	9(2).9999
99	MARGIN	NUMERIC	9.(2).9999
100	BALLOON INDICATOR	ALPHA-NUMERIC	X(1)
101	PLAN NUMBER	NUMERIC	9(4)
102	FORBEARANCE INDICATOR	ALPHA-NUMERIC	X(1)
103	HLTV	ALPHA-NUMERIC	X(1)
104	DEAL NAME	ALPHA-NUMERIC	X(200)

\*Original UPB, as well as UPB at Issuance and Current Actual UPB to the extent reported in a Monthly Servicing Report made available during the first six (6) months from the Loan Origination Date, have been rounded.



## EXHIBIT B

### Loss Calculation Example

<b>Third-Party Sales and REO Sales</b>	
Original Value	\$ 280,000
Coverage Effective Date LTV	90%
Initial Principal Balance	\$ 252,000
Default Amount	\$ 248,000
Net Default Interest	\$ 15,000
Advances	\$ 4,500
Other Credits*	\$ (78,950)
Net Proceeds of Sale	\$ <u>(170,000)</u>
Loss-on-Sale Calculation	\$ 18,550
<b>Loss</b>	<b>\$ 18,550</b>
Amount of Loss included in Aggregate Losses	\$ 18,550

## EXHIBIT C

### Monthly Premium Rate Adjustment

**Table 1: Credit Score/LTV Ratio**

Representative Credit Score	LTV Range							
	Applicable for all mortgages with terms greater than 15 years							
	< 60.00%	60.01 – 70.00%	70.01 – 75.00%	75.01 – 80.00%	80.01 – 85.00%	85.01 – 90.00%	90.01 – 95.00%	95.01 – 97.00%
≥ 740	0.000%	0.250%	0.250%	0.500%	0.250%	0.250%	0.250%	0.750%
720 – 739	0.000%	0.250%	0.500%	0.750%	0.500%	0.500%	0.500%	1.000%
700 – 719	0.000%	0.500%	1.000%	1.250%	1.000%	1.000%	1.000%	1.500%
680 – 699	0.000%	0.500%	1.250%	1.750%	1.500%	1.250%	1.250%	1.500%
660 – 679	0.000%	1.000%	2.250%	2.750%	2.750%	2.250%	2.250%	2.250%
640 – 659	0.500%	1.250%	2.750%	3.000%	3.250%	2.750%	2.750%	2.750%
620 – 639	0.500%	1.500%	3.000%	3.000%	3.250%	3.250%	3.250%	3.500%
< 620 <sup>(1)</sup>	0.500%	1.500%	3.000%	3.000%	3.250%	3.250%	3.250%	3.750%

(1) A minimum required credit score of 620 generally applies to all mortgage loans delivered to Fannie Mae; refer to the Selling Guide and the Eligibility Matrix for additional detail.

**Table 2: Product Features**

PRODUCT FEATURE	LTV Range							
	< 60.00%	60.01 – 70.00%	70.01 – 75.00%	75.01 – 80.00%	80.01 – 85.00%	85.01 – 90.00%	90.01 – 95.00%	95.01 – 97.00%
Manufactured home	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%
Investment property	2.125%	2.125%	2.125%	3.375%	4.125%	4.125%	4.125%	4.125%
Investment property – matured balloon mortgages (refinanced or modified) redelivered as FRM	1.750%							
Cash-out refinance Representative Credit Score	< 60.00%	60.01 – 70.00%	70.01 – 75.00%	75.01 – 80.00%	80.01 – 85.00%	85.01 – 90.00%	90.01 – 95.00%	95.01 – 97.00%
≥ 740	0.375%	0.625%	0.625%	0.875%				
720 – 739	0.375%	1.000%	1.000%	1.125%				
700 – 719	0.375%	1.000%	1.000%	1.125%				
680 – 699	0.375%	1.125%	1.125%	1.750%				
660 – 679	0.625%	1.125%	1.125%	1.875%				
640 – 659	0.625%	1.625%	1.625%	2.625%				
620 – 639	0.625%	1.625%	1.625%	3.125%				
< 620 <sup>(1)</sup>	1.625%	2.625%	2.625%	3.125%				
High-balance mortgage loan <sup>(2)</sup>	< 60.00%	60.01 – 70.00%	70.01 – 75.00%	75.01 – 80.00%	80.01 – 85.00%	85.01 – 90.00%	90.01 – 95.00%	95.01 – 97.00%
Purchase or limited cash-out refinance <sup>(2)</sup>	0.250%	0.250%	0.250%	0.250%	0.250%	0.250%	0.250%	0.250%
Cash-out refinance	1.000%	1.000%	1.000%	1.000%				

(2) LLPAs for general loan limits per this Matrix also apply. - <https://www.fanniemae.com/singlefamily/loan-limits> - Also given below "High-Balance Mortgage Loan determination". Loans coded as "Rate Term" refi treated as limited cash-out refinance for this exercise.

<b>Multiple-unit property</b>	<b>&lt; 60.00%</b>	<b>60.01 – 70.00%</b>	<b>70.01 – 75.00%</b>	<b>75.01 – 80.00%</b>	<b>80.01 – 85.00%</b>	<b>85.01 – 90.00%</b>	<b>90.01 – 95.00%</b>	<b>95.01 – 97.00%</b>
2-unit property	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
3-4 unit property	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
	<b>Applicable for all mortgages with terms greater than 15 years</b>							
<b>Condominium<sup>(3)</sup></b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.75%</b>	<b>0.75%</b>	<b>0.75%</b>	<b>0.75%</b>	<b>0.75%</b>

(3) Not applicable to cooperatives or detached condominiums (identified by SFC 588).

<b>Debt-to-Income Ratio</b>	<b>&lt; 60.00%</b>	<b>60.01 – 70.00%</b>	<b>70.01 – 75.00%</b>	<b>75.01 – 80.00%</b>	<b>80.01 – 85.00%</b>	<b>85.01 – 90.00%</b>	<b>90.01 – 95.00%</b>	<b>95.01 – 97.00%</b>
> 45%								

**Table 3: Mortgages with Subordinate Financing<sup>(4)</sup>**

<b>All mortgages where the CLTV exceeds the LTV</b>		0.375%	
<b>Applicable for all mortgages that meet these LTV and CLTV ranges and credit score requirements (the LLPAs below are in addition to the LLPA above)</b>			
<b>LTV Range</b>	<b>CLTV Range</b>	<b>Credit Score &lt; 720</b>	<b>Credit Score ≥ 720</b>
≤ 65.00%	80.01% – 95.00%	0.500%	0.250%
65.01% – 75.00%	80.01% – 95.00%	0.750%	0.500%
75.01% – 95.00%	90.01% – 95.00%	1.000%	0.750%
75.01% – 90.00%	76.01% – 90.00%	1.000%	0.750%
≤ 97.00%	95.01% – 100.00%		

(4) The LLPAs in this table are based on the CLTV, which does not include the undrawn portion of a home equity line of credit.

**Table 4: No Mortgage Insurance Coverage Option**

<b>Representative Credit Score</b>	<b>LTV Range</b>			
	<b>80.01 – 85.00%</b>	<b>85.01 – 90.00%</b>	<b>90.01 – 95.00%</b>	<b>95.01 – 97.00%</b>
≥ 740				
720 – 739				
700 – 719				
680 – 699				
660 – 679				
640 – 659				
620 – 639				
< 620 <sup>(1)</sup>				

## High-Balance Mortgage Loan determination for 2019

Units	Contiguous States, District of Columbia and Puerto Rico	Property State in ('AK','GU','HI','VI')
1	\$484,350.00	\$726,525.00
2	\$620,200.00	\$930,300.00
3	\$749,650.00	\$1,124,475.00
4	\$931,600.00	\$1,397,400.00

Source - <https://www.fanniemae.com/singlefamily/loan-limits>

Loans with balances exceeding the limits above by geography are considered high balance

High-Balance Mortgage Loan determination will be based upon applicable limits in effect at loan acquisition. The above 2019 limits were used for the High Balance Mortgage Loan determination in the calculation of the Baseline Risk Factors.

## Minimum MI determination

Transaction Type	80.01 – 85.00%	85.01 – 90.00%	90.01 – 95.00%	95.01 – 97.00%
Fixed-rated, term > 20 years; ARMs; and manufactured homes	12%^	25%^	30%^	35%^

Source - <https://www.fanniemae.com/content/guide/selling/b7/1/02.html>

Loans with MI Coverage lower than the figures above assumed to have minimum MI coverage

### Calculation Steps:

- i. For each Covered Loan, determine the "**Weighted Average Actual Risk Factor**" for such **Covered Loan**:
  1. Sum all applicable factors found in Tables 1 through 4, above, based upon the Original Credit Score, the Original LTV, product features and other applicable risk attributes of such **Covered Loan**, as determined by the **Insured**, to determine the "**Actual Risk Factor**"
  2. For each **Covered Loan**, calculate the product of:
    - a. The unpaid principal balance of such **Covered Loan**, multiplied by
    - b. The **Actual Risk Factor** for such **Covered Loan**.
  3. Sum the resulting products
  4. Divide the sum obtained in Step i.3 by the **Total Initial Principal Balance** to obtain the **Weighted Average Actual Risk Factor**
- ii. If the **Weighted Average Actual Risk Factor** is greater than the **Baseline Risk Factor**, then subtract the **Baseline Risk Factor** from the **Weighted Average**

**Actual Risk Factor** to determine the "**Monthly Premium Rate Percentage Increase Factor**".

1. Then, divide (a) the **Monthly Premium Rate Percentage Increase Factor** derived in Step ii by (b) the **Baseline Risk Factor**, to determine the "**Monthly Premium Rate Percentage Increase**".
  2. Then determine the "**Adjusted Monthly Premium Rate**" by adding (a) the initial **Monthly Premium Rate** of four hundred and eight ten thousandths of one percent (0.0408%) and (b) the product of (i) such initial **Monthly Premium Rate** and (ii) the **Monthly Premium Rate Percentage Increase**.
- iii. If the **Weighted Average Actual Risk Factor** is less than the **Baseline Risk Factor**, then subtract the **Weighted Average Actual Risk Factor** from the **Baseline Risk Factor** to determine the "**Monthly Premium Rate Percentage Decrease Factor**".
1. Then, divide (a) the **Monthly Premium Rate Percentage Decrease Factor** derived in Step iii by (b) the **Baseline Risk Factor**, to determine the "**Monthly Premium Rate Percentage Decrease**".
  2. Then determine the "**Adjusted Monthly Premium Rate**" which is equal to (a) the initial **Monthly Premium Rate** of four hundred and eight ten thousandths of one percent (0.0408%) minus (b) the product of (i) such initial **Monthly Premium Rate** and (ii) the **Monthly Premium Rate Percentage Decrease**.
- iv. If the **Weighted Average Actual Risk Factor** is equal to the **Baseline Risk Factor**, then there will be no adjustment to the **Monthly Premium Rate**.
- v. In any event, the **Adjusted Monthly Premium Rate** will be determined by the **Insured**. Furthermore, the **Insured** may round the **Adjusted Monthly Premium Rate** and/or any factor used to calculate the **Adjusted Monthly Premium Rate** to the nearest ten thousandths of one percent, if applicable.

### **Determination of Monthly Premium Adjustment Payment**

In the event that the **Weighted Average Actual Risk Factor** is greater than the **Baseline Risk Factor**, the "**Monthly Premium Adjustment Payment**" will be an amount equal to the product of (a) the **Monthly Premium Rate Percentage Increase** multiplied by (b) the sum of the **Monthly Premiums** calculated using the initial **Monthly Premium Rate** (i.e., before giving effect to the **Adjusted Monthly Premium Rate**), which amount will be payable by the **Insured** to the **Insurer**.

In the event that the **Weighted Average Actual Risk Factor** is less than the **Baseline Risk Factor**, the "**Monthly Premium Adjustment Payment**" will be an amount equal to the product of (a) the **Monthly Premium Rate Percentage Decrease** multiplied by (b) the sum of the **Monthly Premiums** calculated using the initial **Monthly Premium Rate** (i.e., before giving effect to the **Adjusted Monthly Premium Rate**), which amount will be payable by the **Insurer** to the **Insured**.

In the event that the **Weighted Average Actual Risk Factor** is equal to the **Baseline Risk Factor**, there will be no **Monthly Premium Adjustment Payment**. In any event, the **Monthly Premium Adjustment Payment** will be determined by the **Insured**.

**Example 1 (Increased Weighted Average Actual Risk Factor)**

-

-

<b>a</b>	<b>Annual Premium Rate</b>	0.2000%
<b>b</b>	<b>Monthly Premium Rate (a/12)</b>	0.0167%
<b>c</b>	<b>Weighted Average Actual Risk Factor</b>	1.100%
<b>d</b>	<b>Baseline Risk Factor</b>	1.0000%
<b>e</b>	<b>Monthly Premium Rate Percentage Increase ((c-d)/d)</b>	10.000%
<b>f</b>	<b>Adjusted Monthly Premium Rate (b+(b*e))</b>	0.0184%
<b>g</b>	<b>Adjusted Annual Premium Rate (f*12)</b>	0.2204%

**Example 2 (Decreased Weighted Average Actual Risk Factor)**

-

-

<b>a</b>	<b>Annual Premium Rate</b>	0.2000%
<b>b</b>	<b>Monthly Premium Rate (a/12)</b>	0.0167%
<b>c</b>	<b>Weighted Average Actual Risk Factor</b>	0.900%
<b>d</b>	<b>Baseline Risk Factor</b>	1.0000%
<b>e</b>	<b>Monthly Premium Rate Percentage Decrease ((d-c)/d)</b>	10.000%
<b>f</b>	<b>Adjusted Monthly Premium Rate (b-(b*e))</b>	0.0150%
<b>g</b>	<b>Adjusted Annual Premium Rate (f*12)</b>	0.1804%