

ACTUAL NET LOSS ADDENDUM

THIS ACTUAL NET LOSS ADDENDUM (the "Actual Net Loss Addendum") to insurance policy no. [REDACTED] (the "Policy") issued by the Insurer to the Insured is attached to, incorporated in and made a part of the Policy as of the Addendum Effective Date. Any capitalized terms not defined herein shall have the meanings ascribed to them under the Policy. The Insurer and the Insured are sometimes each referred to below as a Party, and, collectively, as the "Parties."

RECITALS

WHEREAS, Claim payments under the Policy are intended to track principal paydown and other rules pertaining to calculated losses based on the occurrence of Credit Events associated with certain of the Insured's remaining credit loss exposure on the Reference Obligations as set forth in the STACR 2015-HQ1 Documentation;

WHEREAS, the Insured is exploring the creation of debt offerings similar to those evidenced by the STACR 2015-HQ1 Documentation, except that principal paydown and other rules in the new offerings would be predicated on the incurrence of actual net losses rather than calculated losses, currently captured in the Policy as Credit Events;

WHEREAS, the Insured intends to also secure insurance coverage associated with certain of the Insured's remaining credit loss exposure on an actual net loss rather than calculated loss basis;

WHEREAS, the Parties do not intend herein to duplicate coverage for any subject matter, interest, risk or loss covered under any primary mortgage insurance policy, and the Insured shall not receive recoveries in excess of actual losses (including Actual Net Loss Amounts) paid or payable under any primary mortgage insurance policy, the Policy, and this Actual Net Loss Addendum;

WHEREAS, the Parties intend to address and cover different subject matters, interests, risks and losses than those addressed and covered by primary mortgage insurance policies, as this Actual Net Loss Addendum is intended to address and cover the Insured's interest in certain credit risks relating to the overall cashflow performance of varying groups of loans at certain attachment and detachment points, and any payments hereunder are net of any payments under any primary mortgage insurance policies; and

WHEREAS, under this Actual Net Loss Addendum, the Insurer will make payment of Covered Amounts into the Actual Net Loss Trust, and the Insured will receive Actual Net Loss Amounts pursuant to procedures set forth herein,

NOW THEREFORE, for and in consideration of the mutual promises contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound by this Actual Net Loss Addendum as attached to, incorporated in and made a part of the Policy, hereby agree as follows:

1. Definitions

1.1 "Actual Net Loss Amount" means, with respect to all Mortgage Loans in the Reference Pool, (a) the Loan Removal UPB less the Net Sales Proceeds, to which amount is added, as applicable, the sum of any (i) Maintenance & Preservation Costs, (ii) Legal Fees, (iii) Forgiven UPB, (iv) Delinquent Accrued Interest and (v) Miscellaneous Expenses associated with such Mortgage Loans, and from which sum any applicable Miscellaneous Credits have been subtracted, (b) Modification Costs, and (c) Bankruptcy Losses and Expenses, and from the sum of (b) and (c) any applicable Pre-Disposition Credits have been subtracted.

1.2 "Actual Net Loss Tranche" means, individually or collectively, the Class M-1 Reference Tranche, Class M-1H Reference Tranche, Class M-2 Reference Tranche, Class M-2H Reference Tranche, Class M-3 Reference Tranche, Class M-3H Reference Tranche, Class B Reference Tranche, and Class B-H Reference Tranche (as each such term is defined in the Policy); provided, however, that for purposes of tracking Actual Net Loss Amounts eligible for inclusion in a Release Event Notice, the limits of an Actual Net Loss Tranche shall apply its corresponding Initial Subordination and Credit Enhancement percentages in respect of the Reference Pool, except that such percentages shall apply only with respect to the aggregate of Actual Net Loss Amounts paid or Realized, as applicable, with regard to such Initial Subordination and Credit Enhancement percentages for each such Actual Net Loss Tranche.

1.3 "Actual Net Loss Trust" means the trust account established and maintained for the sole benefit of the beneficiary thereunder, pursuant to the terms of the Actual Net Loss Trust Agreement.

1.4 "Actual Net Loss Trust Agreement" means the trust agreement to be entered into as set forth in Section 2.3 hereof among the Insurer, as the grantor, the Insured, as the beneficiary, and the Actual Net Loss Trustee.

1.5 "Actual Net Loss Trustee" means the Bank of New York/Mellon.

1.6 "Addendum Effective Date" shall be the Policy Effective Date.

1.7 "Addendum Termination Date" shall have the meaning set forth in Section 4.1 below.

1.8 "Bankruptcy Losses and Expenses" means all reasonable and customary costs and expenses such as legal fees and court costs paid by the Insured to the servicer and any agent of the servicer or the Insured that are associated with a bankruptcy or other insolvency proceeding involving a Mortgage Loan, and shall include any forced reduction of interest rate or principal balance (*i.e.*, 'cramdown') of the Mortgage Loan, and which shall be released from the Actual Net Loss Trust on a monthly, as-paid or Realized basis, as applicable.

1.9 "Business Day" shall have the meaning set forth in the Policy.

1.10 "Charge-Off" means a charge off of a Mortgage Loan instead of pursuing foreclosure when the debt securing the property is deemed uncollectible and any of the following three conditions exists: (i) the property has been condemned due to deterioration, a disaster or the presence of a hazardous substance, and it is not economically feasible to repair the property and/or any property insurance would be insufficient to cover the peril affecting the property and/or there is no legal recourse against the mortgagor or other responsible third-parties for the damage; (ii) there is risk to the Insured resulting from ownership of the property; or (iii) the unpaid principal balance of the related Mortgage Loan is less than \$5,000 (regardless of equity in the property) and the related servicer has solicited a payoff from mortgagor and has documented the correct application of all previous payments.

1.11 "Claim Proceeds" mean the proceeds of Claims that would otherwise be payable to the Insured pursuant to Article V of the Policy following submission of a Notice of Claim and Proof of Loss but are instead paid or payable by the Insurer into the Actual Net Loss Trust, as set forth in Section 2.4.

1.12 "Collateral Trust Account" means that Trust Account required under Article I of the Policy.

1.13 "Collateral Trust Agreement" means that Trust Agreement required under Article I of the Policy.

1.14 "Delinquent Accrued Interest" means, with respect to a Mortgage Loan, the product of the (a) Loan Removal UPB, (b) the lesser of (i) the Mortgage Note Rate minus thirty-five (35) basis points,

or (ii) the Pass-Through Rate, which lesser rate is subsequently divided by twelve (12), and (c) Disposition Duration, and which shall be released from the Actual Net Loss Trust after Loan Disposition.

1.15 "Disposition Duration" means the number of whole calendar months, as calculated from but exclusive of the month in which the last regularly scheduled installment on a Mortgage Loan was paid when due, and the month in which the date of the Loan Disposition occurs. For the avoidance of doubt, and for illustrative purposes only, if the regularly scheduled installment on a Mortgage Loan is due on the first of the month, the last payment was timely received in December, and the Loan Disposition occurs on April 28th, then the Disposition Duration would be three (3) (*i.e.*, only those whole calendar months from January to March: because the remaining days in April do not constitute the entire calendar month of April, the residual days in April are therefore excluded from the calculation).

1.16 "Forgiven UPB" means any unpaid principal balance forgiven by the Insured, and which shall be released from the Actual Net Loss Trust after Loan Disposition.

1.17 "Legal Fees" means all reasonable and customary costs, fees and expenses paid by the Insured in connection with its loss mitigation, foreclosure and property acquisition, disposition and maintenance activities relating to a Mortgage Loan, including the reasonable fees of attorneys, paralegals, accountants and other professionals, as well as all court filing and related fees and expenses, and which shall be released from the Actual Net Loss Trust after Loan Disposition.

1.18 "Loan Disposition" means a third-party foreclosure sale of a Mortgage Note, a mortgage note sale, a Charge-Off, a short sale or an REO sale.

1.19 "Loan Removal UPB" means the amount of the unpaid principal balance remaining on a Mortgage Loan that is the subject of a Credit Event as of the date on which it enters default, and may include any capitalized unpaid interest resulting from prior defaults or delinquencies related to the same Mortgage Loan.

1.20 "Loss Components" mean actual loss, cost and expense components of Actual Net Loss Amounts prior to the application of any Miscellaneous Credits or Pre-Disposition Credits.

1.21 "Maintenance & Preservation Costs" means homeowner association fees, reasonable and customary costs and expenses paid by or on behalf of the Insured in the maintenance, preservation and repair of REO, and property inspection fees, management fees, utility payments, tax payments (including property taxes), insurance premiums, as well as all costs associated with Loan Disposition, such as brokerage fees and costs associated with real estate settlement and property recordation, such as, but not limited to, any uncollected deficiencies, and which shall be released from the Actual Net Loss Trust after Loan Disposition.

1.22 "Miscellaneous Credits" mean (a) refunds and credits received by the Insured in connection with loss mitigation and Loss Disposition and maintenance activities (including, by way of illustration, rental receipts, but excluding any recoveries received by the Insured from a servicer as a result of servicing defects), (b) amounts from claims separately filed by the Insured with a mortgage guaranty insurer, and (c) recovery of certain previously released Actual Net Loss Amounts, and in each instance shall be applied after Loan Disposition.

1.23 "Miscellaneous Expenses" means all reasonable and customary costs, fees and expenses paid by or on behalf of the Insured such as those which relate to servicing a Mortgage Loan (including Loan Disposition), including the costs of broker price opinions and similar fees and costs paid by the Insured, and which shall be released from the Actual Net Loss Trust after Loan Disposition.

1.24 "Modification Costs" means all reasonable and customary costs, losses and expenses associated with Mortgage Loan modifications, including, by way of illustration, interest imputed to a UPB Forbearance or a reduction in an interest rate pursuant to a modification or forbearance agreement, and

which shall be released from the Actual Net Loss Trust on a monthly, as-paid or Realized basis, as applicable.

1.25 "Mortgage Loan" shall have the meaning set forth in the Policy.

1.26 "Mortgage Note Rate" means the original interest rate set forth in the note evidencing a borrower's original indebtedness on a Mortgage Loan.

1.27 "Net Sales Proceeds" mean the gross cash proceeds realized from Loan Disposition associated with a Mortgage Loan in connection with which a Loan Removal UPB has been determined, and from which have been subtracted all reasonable and customary costs and expenses of Loan Disposition, including costs and expenses associated with securing collateral valuations such as appraisals and automated valuation model results, and which shall be released from the Actual Net Loss Trust after Loan Disposition.

1.28 "Objection Notice" means that notice provided by the Insurer to the Insured and the Actual Net Loss Trustee in accordance with Section 3.4 below setting forth with particularity the basis of its/their objection to the release of one or more Actual Net Loss Amounts to the Insured.

1.29 "Pass-Through Rate" means the rate that the servicer reports and remits to the Insured each month, and is equal to the Mortgage Note Rate less the interest rate retained by the servicer from a Mortgage Loan as compensation for servicing that Mortgage Loan.

1.30 "Pre-Disposition Credits" mean refunds and credits received by the Insured in connection with (a) Bankruptcy Losses and Expenses, and (b) Modification Costs, which in either instance have been previously released from the Actual Net Loss Trust, and shall be applied against any such previously released Bankruptcy Losses and Expenses or Modification Costs on a monthly basis.

1.31 "Realized" means the occurrence of an Actual Net Loss Amount as a result of the mandatory or voluntary forbearance or forgiveness by the Insured of any portion of principal or interest to which it is contractually entitled under a Mortgage Loan.

1.32 "Release Event Notice" means that notice submitted pursuant to Section 3.3 below, in which the Insured sets forth any Actual Net Loss Amount associated with one or more Bankruptcy Losses and Expenses, Modification Costs and/or Loan Dispositions, and that will contain, at a minimum, those data elements identified in Exhibit A; provided, however, that the form of Release Event Notice will not be finalized prior to August 1, 2015.

1.33 "Remaining Proceeds" means the amount of Claim Proceeds in the Actual Net Loss Trust as of the Addendum Termination Date, and shall be net of all Actual Net Loss Amounts paid or due to be paid to the Insured prior to the Addendum Termination Date.

1.34 "REO" shall have the meaning ascribed to it in the Policy.

1.35 "Supporting Documentation" means all reports and other documentation provided by the Insured to the Insurer in support of the incurrence of Actual Net Loss Amounts, and that will contain, at a minimum, those data elements identified in Exhibit B; provided, however, that the form of Supporting Documentation will not be finalized prior to August 1, 2015.

1.36 "Trust-Eligible Assets" shall have the meaning ascribed to that term under the Actual Net Loss Trust Agreement.

1.37 "UPB Forbearance" means unpaid principal balance that has been expressly forborne for some period of time, subject to a modification agreement, forbearance agreement or other similar arrangement.

2. Actual Net Loss Trust

2.1 **Establishment and Maintenance.** The Insurer shall establish and maintain an Actual Net Loss Trust within the earliest of following timeframes, as applicable, based on Reference Tranche(s) insured:

- a) If insuring the Class B-H Reference Tranche, within thirty (30) Business Days after the Effective Date.
- b) If insuring the Class M-3H Reference Tranche, within thirty (30) Business Days after the Initial Class Notional Amount of the Class B-H Reference Tranche has been reduced by 90%.
- c) If insuring the Class M-2H Reference Tranche, within thirty (30) Business Days after the Initial Class Notional Amount of the Class M-3H Reference Tranche has been reduced by 90%
- d) If insuring the Class M-1H Reference Tranche, within thirty (30) Business Days after the Initial Class Notional Amount of the Class M-2H Reference Tranche has been reduced by 90%

For the avoidance of doubt, only one (1) Actual Net Loss Trust will be established to support the Class Reference Tranche obligations pursuant to this Addendum.

2.2 **Collateral Trust Distinguished.** The Actual Net Loss Trust shall be maintained separately from any other trust account established in connection with the Policy for which the Insured is a beneficiary, and shall be subject to the Actual Net Loss Trust Agreement. For the avoidance of doubt, the Actual Net Loss Trust shall be in addition to and maintained apart from the Collateral Trust Account, which is subject to the Collateral Trust Agreement.

2.3 **Actual Net Loss Trust Agreement.** The Actual Net Loss Trust Agreement shall be in the form mutually agreed between the Parties as of the date on which this Addendum is signed by the Parties, and shall be subject only to changes that may be requested by the Actual Net Loss 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 Claim Proceeds into the Actual Net Loss Trust.

2.4 **Funding of Trust.** The Actual Net Loss Trust shall be funded by Claim Proceeds. Rather than make Claim payments directly to the Insured pursuant to Article V(D) of the Policy, the Insurer shall pay the Claim Proceeds into the Actual Net Loss Trust. In the event no such payment is made within the allotted time, the Insured shall have the right to immediately obtain the release of amount of the Claim Proceeds from the Collateral Trust Account as set forth in the Collateral Trust Agreement; provided, however, that any Claim Proceeds so withdrawn shall be paid promptly to the Actual Net Loss Trust. The Claim Proceeds shall consist of Trust-Eligible Assets, and shall be held in the Actual Net Loss Trust until (a) released to the Insured as set forth in Section 3 below, or (b) the Addendum Termination Date, in which event the Remaining Proceeds shall be released to the Insurer as set forth in Section 4.4 below. In no event shall any Claim Proceeds or the payment of any Actual Net Loss Amounts be considered payments or recoveries relating to any individual Mortgage Loan, Mortgage Note, or property.

3. Actual Net Loss Reporting; Release Events & Subsequent Credits

3.1 **Reporting.** The Insured shall calculate and report Actual Net Loss Amounts to the Insurer and the Trustee on the thirtieth (30th) day of the calendar month immediately following the month in which any Actual Net Loss Amount is paid or Realized. For the avoidance of doubt, Actual Net Loss Amounts are reported on an ongoing and cumulative (*i.e.*, 'rolling') basis, such that a Mortgage Loan may be associated with more than one Release Event Notice to fully account for any Actual Net Loss Amounts up to and including the Addendum Termination Date as defined below. Determination by the Insured of Actual Net Loss Amounts shall, absent manifest error in the calculation of the Actual Net Loss Amount, be binding on the Insurer.

3.2 Supplemental Deposits. In the event the Insured determines through its reported calculation of Actual Net Loss Amounts that the accumulated Claim Proceeds in the Actual Net Loss Trust are insufficient to cover a release from the Actual Net Loss Trust in any given month, the Insured shall so notify the Insurer in writing (including by means of the Supporting Documentation), and the Insurer shall then deposit additional funds into the Actual Net Loss Trust within five (5) Business Days of such notification so as to eliminate any projected shortfall. If such additional funds are not deposited into the Actual Net Loss Trust within the allotted time, the Insured shall have the right to immediately obtain the release of funds from the Collateral Trust Account as set forth in the Collateral Trust Agreement in order to eliminate any projected shortfall.

3.3 Release Event Notice; Supporting Documentation. In order to obtain a release of Actual Net Loss Amounts from the Actual Net Loss Trust with respect to an Actual Net Loss Tranche, the Insured will submit a Release Event Notice simultaneously to the Insurer and the Actual Net Loss Trustee; provided, however, that each such notice shall be submitted no earlier than the date on which an Actual Net Loss Amount is paid or Realized with respect to any Bankruptcy Losses and Expenses, Modification Costs or Loan Disposition, all as set forth in the Release Event Notice. The Insurer shall accept the Release Event Notice 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 which in either instance relate directly to a calculation of any Actual Net Loss Amount set forth in the Release Event Notice, based solely on information set forth in the Supporting Documentation. Subject to the immediately preceding sentence of this Section 3.3, the Insurer shall have no right to nor shall it contest the validity of any data or information set forth in the Supporting Documentation.

3.4 Verification; Dispute Resolution. Within five (5) Business Days of the date on which the Release Event Notice is submitted as set forth in Section 3.3 above, the Insurer shall verify that the Actual Net Loss Amounts set forth in the Release Event Notice have been calculated in accordance with the Supporting Documentation. If the Insurer does not accept the Release Event Notice as set forth in Section 3.3 above, the Insurer shall simultaneously submit an Objection Notice to the Insured and the Trustee within the time frame in the preceding sentence. If the Objection Notice is timely filed, the Insurer and the Insured will work diligently and cooperatively to resolve the basis for the Insurer's objection, and if no resolution occurs within five (5) Business Days, the Parties may resort to dispute resolution as provided under the Policy. Nothing contained herein shall be deemed to be a waiver of or prejudice in any way any claim that the Insurer may have subsequent to acceptance of the Release Event Notice or the release of any Actual Net Loss Amount to the Insured; provided, however, that any such claim shall be pursued by the Insurer within the period set by the applicable statute of limitations.

3.5 Release of Actual Net Loss Amount. If either the Insured or the Actual Net Loss Trustee does not receive the Objection Notice within five (5) Business Days following submission of the Release Event Notice, the Insured's calculation of the Actual Net Loss Amount shall be deemed to be accepted by the Insurer, and the Actual Net Loss Trustee shall immediately release the Actual Net Loss Amounts reflected in the Release Event Notice to the Insured. The Actual Net Loss Trustee shall release to the Insured upon its request at any time during the pendency of any dispute hereunder the Actual Net Loss Amount that is in dispute, which the Insured shall promptly return to the Actual Net Loss Trust in the event that the dispute is resolved in favor of the Insurer, but only to the extent such amount is so resolved.

3.6 Trust Balance. Notwithstanding Sections 2.4 and 3.2 above, in the event that the balance of the Actual Net Loss Trust is insufficient to cover the release of an Actual Net Loss Amount, the Insurer, immediately upon notification by the Insured or the Actual Net Loss Trustee, shall either deposit the amount of such deficiency into the Actual Net Loss Trust or make payment of such deficiency directly to the Insured. If additional funds sufficient to cover the amount of any such deficiency are not immediately paid directly to the Insured or otherwise immediately deposited into the Actual Net Loss Trust, the Insured shall have the right to immediately obtain the release of funds from the Collateral Trust Account as set forth in the Collateral Trust Agreement in order to make up any such deficiency. If the Collateral Trust Account does not contain sufficient funds to make up such deficiency, the Insurer shall remain liable to the Insured for such amounts.

3.7 Credits; Timing and Application. Pre-Disposition Credits shall be offset against Bankruptcy Losses and Expenses and Modification Costs; but only to the extent that such Bankruptcy Losses and Expenses and Modification Costs have been previously released to the Insured from the Actual Net Loss Trust. In the event that in any given month the Insured determines through its calculation of Actual Net Loss Amounts that the sum of Miscellaneous Credits and Pre-Disposition Credits is greater than the Loss Components previously released from the Actual Net Loss Trust (i.e., the "Excess Credits"), then, and only in such instance, the Insured shall deposit the amount of the Excess Credits into the Actual Net Loss Trust within ten (10) Business Days of such determination; provided, however, in no event shall the sum of all Excess Credits, Miscellaneous Credits and Pre-Disposition Credits be greater than the Loss Components released to the Insured from the Actual Net Loss Trust.

4. Termination

4.1 Addendum Termination Date. Notwithstanding the Termination Date, the Parties' obligations under this Actual Net Loss Addendum shall continue for five (5) years after such date.

4.2 Effect of Policy Termination; Ongoing Liability Associated with Credit Events. The Insured shall continue to monitor and provide Supporting Documentation on the incurrence of any Actual Net Loss Amounts with respect to Mortgage Loans in connection with which Credit Events have occurred on or prior to the Termination Date, regardless of whether Claim Proceeds have been deposited into the Actual Net Loss Trust on or prior to the Termination Date. The Insurer shall remain liable to the Insured up to and including the Addendum Termination Date for any Actual Net Loss Amounts paid or Realized which result from each such Credit Event; provided, however, that no such liability shall attach after the Addendum Termination Date. Any provision of the Policy required to give full force and effect to a Party's obligations under this Actual Net Loss Addendum shall be deemed to remain in full force and effect up until and including the Addendum Termination Date.

4.3 Return of Claim Proceeds. If, as of the Termination Date, the Insured determines through its calculations that the balance of the Actual Net Loss Trust exceeds the sum of the Loan Removal UPB of all Mortgage Loans that experienced Credit Events up to and including the Termination Date, the Insured shall instruct the Actual Net Loss Trustee to release the amount of such excess Claim Proceeds to the Insurer within twenty (20) Business Days of the Termination Date.

4.4 Remaining Proceeds. The Insured shall instruct the Actual Net Loss Trustee to release the Remaining Proceeds to the Insurer within twenty (20) Business Days of the Addendum Termination Date.

5. Conforming Policy Amendments

A number of specific modifications to the Policy are necessary to effectuate the intent of this Addendum, as further set forth below.

5.1 Policy Limit of Liability. Notwithstanding the methodology used to reduce the Policy Limit of Liability in Item 5 of the Declarations, the Insurer's maximum liability for all Actual Net Loss Amounts hereunder shall be determined as follows:

(a) Pre-Termination Policy Limit of Liability. At any point up to and including the Termination Date, the Insurer's maximum liability for all Actual Net Loss Amounts hereunder (the "Pre-Termination Policy Limit of Liability") shall not exceed \$3,896,569.88 minus any Actual Net Loss Amounts previously released up to that point; provided, however, that the Insurer's maximum liability for Actual Net Loss Amounts hereunder shall not exceed the applicable Actual Net Loss Tranche as follows: (a) for the Class M-1H Reference Tranche, the lesser of (i) the product of the Class M-1H Reference Tranche Insured Percentage and the Class Notional Amount of the Class M-1H Reference Tranche at such time, or (ii) \$1,350,055.39 minus any

Actual Net Loss Amounts previously released from the Actual Net Loss Trust to that point, and (b) for the Class M-2H Reference Tranche, the lesser of (i) the product of the Class M-2H Reference Tranche Insured Percentage and the Class Notional Amount of the Class M-2H Reference Tranche at such time, or (ii) \$1,371,200.07 minus any Actual Net Loss Amounts previously released from the Actual Net Loss Trust to that point, and, (c) for the Class M-3H Reference Tranche, the lesser of (i) the product of the Class M-3H Reference Tranche Insured Percentage and the Class Notional Amount of the Class M-3H Reference Tranche at such time, or (ii) \$1,175,314.42 minus any Actual Net Loss Amounts previously released from the Actual Net Loss Trust to that point, and (d) for the Class B-H Reference Tranche, the lesser of (i) the product of the Class B-H Reference Tranche Insured Percentage and the Class Notional Amount of the Class B-H Reference Tranche at such time, or (ii) \$0 minus any Actual Net Loss Amounts previously released from the Actual Net Loss Trust to that point. For the avoidance of doubt, the Pre-Termination Policy Limit of Liability in the aggregate and with respect to each of the sub-limits set forth in (a) and (b) and (c) and (d) above will decrease based on the application of (1) allocated Scheduled Principal and Unscheduled Principal to the respective Actual Net Loss Tranches, and (2) Actual Net Loss Amounts released from the Actual Net Loss Trust with respect to all or any of the applicable Actual Net Loss Tranches.

(b) Post-Policy Termination Policy Limit of Liability. At any point after the Termination Date, but up to and including the Addendum Termination Date, the Insurer's maximum liability for all Actual Net Loss Amounts hereunder (the "Post-Termination Policy Limit of Liability"), shall be the lesser of:

- (1) The sum of the Loan Removal UPB of all Mortgage Loans that experienced Credit Events up to and including the Termination Date minus the sum of the Loan Removal UPB of all Mortgage Loans with positive Net Sales Proceeds up to and including the Termination Date, or
- (2) The greater of:
 - a. The balance of the Actual Net Loss Trust as of the Termination Date, or
 - b. With respect to the Actual Net Loss Tranches, the sum of the following:
 - i. For the Class M-1H Reference Tranche, the lesser of (i) the product of the Class M-1H Reference Tranche Insured Percentage and the Class Notional Amount of the Class M-1H Reference Tranche as of the Premium Payment Date in the month immediately preceding the Termination Date, or (ii) \$1,350,055.39 minus any Actual Net Loss Amounts previously released from the Actual Net Loss Trust as of the Termination Date; and
 - ii. For the Class M-2H Reference Tranche, the lesser of (i) the product of the Class M-2H Reference Tranche Insured Percentage and the Class Notional Amount of the Class M-2H Reference Tranche as of the Premium Payment Date in the month immediately preceding the Termination Date, or (ii) \$1,371,200.07 minus any Actual Net Loss Amounts previously released from the Actual Net Loss Trust as of the Termination Date, and
 - iii. For the Class M-3H Reference Tranche, the lesser of (i) the product of the Class M-3H Reference Tranche Insured

Percentage and the Class Notional Amount of the Class M-3H Reference Tranche as of the Premium Payment Date in the month immediately preceding the Termination Date, or (ii) \$1,175,314.42 minus any Actual Net Loss Amounts previously released from the Actual Net Loss Trust as of the Termination Date, and

- iv. For the Class B-H Reference Tranche, the lesser of (i) the product of the Class B-H Reference Tranche Insured Percentage and the Class Notional Amount of the Class M-3H Reference Tranche as of the Premium Payment Date in the month immediately preceding the Termination Date, or (ii) \$0 minus any Actual Net Loss Amounts previously released from the Actual Net Loss Trust as of the Termination Date.

For the avoidance of doubt, the Post-Termination Policy Limit of Liability up to and including the Addendum Termination Date shall be established on the Termination Date with respect to the aggregated balances of the then-outstanding Actual Net Loss Tranches in accordance with this Section 5.1(b), and shall thereafter only decrease to the extent that Actual Net Loss Amounts are released from the Actual Net Loss Trust up to and including the Addendum Termination Date.

5.2 Covered Amount Likelihood. Article II(B) of the Policy notwithstanding, the occurrence of an Actual Net Loss Amount could constitute a circumstance which could give rise to or increase the likelihood of Covered Amount at any time during the Policy Period, and extending up to and including the Addendum Termination Date.

5.3 Deposits of Claim Proceeds. The first sentence of the Notice of Claim and Proof of Loss Form appended to the Policy as Exhibit D shall be revised by the addition of the following clause at the end of the first sentence: "for deposit into the Actual Net Loss Trust."

5.4 Excess Coverage. Without derogating from the generality of Article VII(J) of the Policy, insurance coverage hereunder shall be excess over any other insurance which may apply to any Mortgage Loan identified in the Supporting Documentation, regardless of the type or effective date of such other coverage. For the avoidance of doubt, coverage under this Actual Net Loss Addendum 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.

5.5 No Third Party Beneficiaries. Except as expressly provided herein or in the Policy, this Actual Net Loss Addendum is made solely for the benefit of the Parties hereto. No provision of this Actual Net Loss Addendum, 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 the Policy or this Actual Net Loss Addendum. For the avoidance of doubt, no primary mortgage insurer shall under any circumstances be a third party beneficiary under the Policy or this Actual Net Loss Addendum.

5.6 Conflict with Policy; Priority. This Addendum references and incorporates various terms, operating procedures and provisions of the Policy. In the event of a conflict between any term, operating procedure or provision of this Addendum on the one hand, and any term, operating procedure or provision of the Policy on the other, the term, operating procedure or provision of this Addendum shall prevail.

EXCEPT AS AMENDED BY this Addendum, the terms and conditions of the Policy shall remain in full force and effect and are ratified by the Parties by signatures of their duly authorized representatives below.

[Signature Page Follows]



Federal Home Loan Mortgage Corporation

(Official Title)
Insurer

(Official Title)
Insured

(Date)

(Date)

EXHIBIT A
RELEASE EVENT NOTICE

The following data elements will form part of any Release Event Notice:

1. Loan Removal UPB
2. Net Sales Proceeds
3. Forgiven UPB
4. Taxes & Insurance
5. Legal Fees
6. Bankruptcy Losses and Expenses
7. Maintenance & Preservation Costs
8. Miscellaneous Expenses
9. Miscellaneous Credits
10. Delinquent Accrued Interest
11. Modification Costs
12. MI Credit

EXHIBIT B
SUPPORTING DOCUMENTATION

The following data elements will form part of any Supporting Documentation:

1. Loan Removal UPB
2. Net Sales Proceeds
3. Forgiven UPB
4. Taxes & Insurance
5. Legal Fees
6. Bankruptcy Losses and Expenses
7. Maintenance & Preservation Costs
8. Miscellaneous Expenses
9. Miscellaneous Credits
10. Delinquent Accrued Interest
11. Modification Costs
12. MI Credit

