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*Attorneys for the Steering Committee Group of RMBS Holders*

**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

In re

Residential Capital, LLC, *et al.*

Debtors.

Chapter 11

Case No. 12-12020 (MG)

Jointly Administered

**DECLARATION OF KATHY D. PATRICK IN SUPPORT OF  
STEERING COMMITTEE INVESTORS' STATEMENT IN SUPPORT OF  
SETTLEMENT AND RESPONSE TO SETTLEMENT OBJECTIONS**

I, Kathy D. Patrick, hereby declare, pursuant to 28 U.S.C. § 1746, that the following is true and correct to the best of my knowledge, information and belief:



1. I am a member of the Bar of the State of Texas and a partner in the law firm of Gibbs & Bruns, LLP. I am counsel for the Steering Committee Group of RMBS Holders in the above captioned matter.
2. I make this declaration in support of the Steering Committee Investors' Statement In Support Of Settlement and Response to Settlement Objections to put certain relevant documents before the Court.
3. Attached hereto as Exhibit 1 is a true and correct copy of a presentation by Amherst Securities Group LP titled "Amherst Analysis: The Bank of America Settlement," dated June 30, 2011.
4. Attached hereto as Exhibit 2 is a true and correct copy of the Transcript of the Q1 2012 MBIA Earnings Call, dated May 11, 2012.
5. Attached hereto as Exhibit 3 is a true and correct copy of a demonstrative exhibit titled "Analysis of Sillman Models with Discounts Removed."
6. Attached hereto as Exhibit 4 is a true and correct copy of the Transcript of the Q3 2010 Bank of America Earnings Call, dated October 19, 2010.
7. Attached hereto as Exhibit 5 is a true and correct copy of a September 14, 2012 letter from Munno to Patrick and Franklin forwarding the following letters:
  - a. Three Letters, dated July 23, 2012, from MBIA Insurance Corporation ("MBIA") with respect to six Trusts which purport to "instruct [U.S. Bank, as trustee] to not consider or accept any settlement or compromise offers relating to any claims that may belong to [its insured] trusts, including, but not limited to the RMBS Settlement Agreement ... ;"
  - b. Letter, dated August 23, 2012, from Proskauer Rose LLP on behalf of Assured Guaranty Municipal Corp. ("Assured") with respect to one Trust which states, in relevant part, that "notwithstanding any direction the Indenture Trustee may have received from noteholders, Assured does not consent at this time to the Indenture Trustee's entering into the Joinder [of the RMBS Settlement Agreement]."

- c. Letters dated May 25 and August 9, 2012 from Financial Guaranty Insurance Company ("FGIC") with respect to eight Trusts in which FGIC, among other things, provides notice that it "does not authorize U.S. Bank, as Trustee, to vote in favor of, or opt in to, the Settlement Agreement or the Plan Support Agreement and direct[s] U.S. Bank, as Trustee, not to vote in favor or, or opt in to, such agreements, to the extent any of the [Trusts for which it is a Credit Enhancer] are subject to such agreements;"
  - d. Letter dated September 14, 2012 from Munno to MBIA;
  - e. Letter dated September 14, 2012 from Munno to Proskauer Rose LLP on behalf of Assured Guaranty Municipal Corp;
  - f. Letter dated September 14, 2012 from Munno to FGIC; and
  - g. Letter dated June 26, 2012 from Munno to FGIC.
8. Attached hereto as Exhibit 6 is a true and correct copy of a document titled "Material and Adverse Opinion of Professor Barry E. Adler," filed in *In re Bank of New York Mellon*, Case No. 1:11-cv-05988-WHP (Dkt. No. 126-1), dated May 27, 2011.
9. Attached hereto as Exhibit 7 is a true and correct copy of excerpts from sample Pooling and Servicing Agreements (PSAs):
- a. Exhibit 7-A is a true and correct copy of excerpts from the PSA for GMACM 2006-AR2;
  - b. Exhibit 7-B is a true and correct copy of excerpts from the PSA for RAAC-2006-SP3;
  - c. Exhibit 7-C is a true and correct copy of excerpts from the PSA for RALI 2006-QA8;
  - d. Exhibit 7-D is a true and correct copy of excerpts from the PSA for RAMP 2006-RS3;
  - e. Exhibit 7-E is a true and correct copy of excerpts from the PSA for RASC 2006-EMX7;

f. Exhibit 7-F is a true and correct copy of excerpts from the PSA for RFMSI  
2006-S10;

g. Exhibit 7-G is a true and correct copy of excerpts from the PSA for RFMSII  
2006-HSA1.

10. Attached hereto as Exhibit 8 is a true and correct compilation of excerpts from sample  
PSAs defining "Subsequent Recoveries."

11. Attached hereto as Exhibit 9 is a true and correct compilation of excerpts from sample  
PSAs defining "Available Distribution Amount."

I declare that the statements set forth above are true and correct to the best of my  
knowledge, information and belief.

Dated: Houston, Texas  
October 5, 2012.

  
Kathy D. Patrick

# EXHIBIT 1



June 30, 2011

MBS Strategy Group

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## Amherst Analysis: The Bank of America Settlement

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### Summary

*In this article, we look at the proposed Bank of America settlement on legacy Countrywide assets, announced on June 29, from a number of different perspectives. We argue that if it is adopted, it will take a while for the settlement to be realized, and there is a not insignificant chance of derailment. We also attempt to estimate the allocation of claims based on an expected loss methodology. However, there is no disclosure on the mechanics of allocation, which obviously puts investors in a precarious position when deciding whether or not to accept the offer. The settlement, if adopted, provides some improvements on the servicing side, which is a plus for investors. The settlement has several other implications across the market. First, we would expect other settlements in the wake of this one. However, Countrywide is unique, so it is not clear how widespread agreements like this will be. But it does prove that the path to success for investors is to organize and gain access to information; we expect more investor activism in the months ahead. Second, we would expect the State Attorneys' General settlement to be less stringent than originally advocated. We do not render a fairness opinion in this article, as the transparency to do so is not available.*

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Bank of America announced on June 29, 2011 that it had reached a proposed agreement to resolve repurchase and servicing claims on a portion of the legacy Countrywide securitized loans. This settlement with the Bank of New York Mellon (BONY), the trustee for the RMBS trusts was driven by a group of 22 major institutional investors including: BlackRock Financial Management Inc., the Federal Reserve Bank of New York's Maiden Lane entities, PIMCO, WAMCO, MetLife, Prudential Investment Management Inc. and TIAA. The agreement covers 530 trusts (these 525 first lien trusts and 5 second lien trusts are referred to as the Covered Trusts), with an original principal balance of \$424 billion. The settlement, subject to final court approval, requires that Bank of America pay \$8.5 billion to the trustee, BONY, on behalf of the trusts. Bank of America would separately set aside \$100 million to cover the legal fees and court costs of the investors (approximately \$85 million of this would go toward the attorney's fees of Gibbs and Bruns LLP, the lead counsel for the investors). An additional \$400 million was set aside to cover the cost associated with servicing improvements.

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## Time Frame for Settlement

The top questions from investors: what is the process from here? When does the settlement money show up in the Covered Trusts? The best description of the process can be found in the FAQ document distributed by Gibbs and Bruns LLP:

*“The Settlement is subject to court approval. Before court approval is granted, we expect the court in which the Trustee seeks approval to order the Trustee to give notice of all interested holders of securities issued by the Covered Trusts. We expect the court will afford all investors an ample opportunity to evaluate the settlement and advise the court of any questions or concerns they may have. Once all interested investors have had an opportunity to be heard, and any objections to the settlement have been resolved, the court will decide whether to approve the settlement. Once the settlement is approved, the Trustee’s experts will have ninety days to determine each Trust’s allocable share of the settlement payment. Bank of America and/or Countrywide will be required to make the full settlement payment thirty days thereafter.”*

Thus, we would expect that investors see the money approximately 120 days after court approval. Our best guess is that the court approval process could take a reasonably long period of time. Some indication of this comes from the language in the agreement giving Bank of America and Countrywide the ability to withdraw from the settlement agreement if final court approval is not obtained by December 31, 2015. While we don’t think it will take this long, it will not be a speedy process. One complicating factor: investors will not have a clear understanding of how the proposed settlement would affect their specific assets until after the settlement is either approved or denied.

Some additional clarity on timing emerged as we were going to press. The court has tentatively scheduled a hearing in November, 2011. Any Certificate holder or any other person potentially interested in the Covered Trusts may object to any aspect of the Settlement, and request to be heard at the hearing by submitting a written statement by October 2011. Any objections to the settlement must be filed with the Court and served upon the Trustee’s counsel by August 30, 2011, and any responses to objections or submissions in favor of the settlement must be filed by the end of October 2011. We would expect investors may ask for details on how the expected losses are to be calculated before they can respond. Some investors will feel that this methodology disadvantages them; it is not clear how long they will be able to stall the process. Even if the settlement were to be approved by year end (a very speedy outcome), it is necessary to add another 4 months for allocation/payment process; thus investors are looking at a minimum of 10 months.

Since in our quick review, this settlement is not technically within the confines of the deal documents, there is a reasonable chance that the settlement does not go through at all. General friction between the claims holders along with theories about how to increase the settlement may reset the clock on the whole discussion.

## If It Happens, How Will the Settlement Allocated?

The 22 institutional investors who initiated the action will be treated no differently than any other investor. The settlement payment will be allocated by the Trustee

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amongst the Covered Trusts. The trustee shall retain a qualified financial advisor (the “Expert”) to make the determinations and perform any calculations that are required to allocate the settlement payment. The expert is instructed to: (1) calculate the expected losses for each trust from the inception date of the Covered Trust to the expected termination date; (2) allocate the settlement payment in proportion to the expected losses of each trust as a percent of the net losses that will be borne by all Covered Trusts. The “Expert” has already been selected, it is the National Economic Research Associates (NERA). It is important to realize that an estimate of expected losses may differ significantly between knowledgeable individuals. However, it is the allocation of the losses that is critical to investors.

Within each Covered Trust, the allocation will be considered as a subsequent recovery. If the Covered Trust pooling and servicing agreement (PSA) or other governing agreements do not include the term “Subsequent Recovery”, the money from the settlement shall be distributed as if it was unscheduled principal available for distribution.

It is important to realize that subsequent recoveries have their own payment priority waterfall and each trust will have to be reviewed to measure the impact from allocating the cash flow along this waterfall. In general, the funds will go to pay down the senior tranches first, and the balance of the deal would be written up, as per the waterfall detailed in the PSA or other governing agreements.

Thus, the Trustee will allocate the monies for that Covered Trust in the reverse order to previously allocated losses. However, there is a clause in the Settlement Agreement which states *“For the avoidance of doubt, for Covered Trusts for which the Senior Credit Support Depletion Date shall have occurred prior to the allocation...in no event shall the foregoing allocation be deemed to reverse the occurrence of the Senior Credit Support Depletion Date in such Covered Trusts.”* So, if the senior credit support had been depleted, and a deal’s senior bonds had gone pro rata, the deal does not revert back to sequential status if some credit support is restored as a result of the settlement. This is, in effect, a change in the payment rules, and we expect that this will be challenged by investors during the court approval process.

### **Estimating the Allocation to Each Trust**

In this section, we attempt to determine the allocation of losses to each trust. We are not going to opine on the general issue as to whether we think the settlement is fair; we don’t have the information to make that determination. Only Bank of America, BONY and possibly the Institutional Investors had that information, and it cannot be released to the broad investor base. There is no transparency on how the \$8.5 billion settlement number was arrived at, which would allow us to make such a determination.

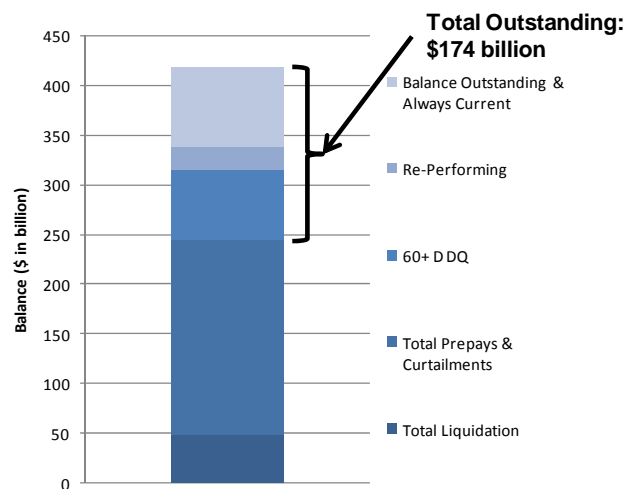
From the CoreLogic LoanPerformance private label securitized (PLS) database, we were able to find loan-level information on 512 of the 530 deals, comprising of \$421 of the \$424 billion original amount (Over 99% coverage by balance.). We are missing 18 of the Covered Trusts: 16 first lien and 2 second lien deals. The unpaid principal balance (UPB) on the deals on which we have information is \$174 billion.

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**Exhibit 1: Breakdown of Loans in the Covered Trusts: Amherst Analysis**

**Condition of Original Balance of Covered Trusts (\$420 billion)**



	Balance (\$ in billion)
Balance Outstanding & Always Current	\$ 81
Re-Performing	\$ 22
60+ D DQ	\$ 70
Total Outstanding	\$ 174
Total Prepay & Curtailments	\$ 197
Total Liquidation	\$ 48
Total Original	\$ 420
<b>Hi Loss Scenario:</b>	
Settlement Amount (\$Billion)	\$ 8.5
Total Loss to Date (\$Billion)	\$ 27
<b>Crude Loss Estimates:</b>	
Expected Loss Amount (\$Billion)	\$ 76
Percent Allocation per Total Expected Loss	11.3%
Percent Allocation per UPB	4.9%
<b>Amherst Estimates:</b>	
Expected Loss Amount (\$Billion)	\$ 92
Percent Allocation per Total Expected Loss	9.2%
Percent Allocation per UPB	4.9%

Note: CoreLogic maintains information on 99% of the total balance of covered trusts.

Source: CoreLogic, Amherst Securities as of May 2011

The summary information we have computed is shown in Exhibit 1 (above): Out of this \$420 billion, the total liquidations so far is \$48 billion, with a loss of \$27 billion. We show prepayments of \$189 billion and amortization/curtailments of \$8 billion, leaving a UPB of \$174 billion. Out of this \$174 billion, \$70 billion is non-performing, which we define as 60+ days past due, and another \$22 billion is re-performing (used to be non-performing, but is now current or 30 days past due).

For each of these 512 deals, in Appendix 1 we provide the estimated allocation using a very crude loss estimate. To get this loss estimate, we have assumed that 90% of the loans that are non-performing and 60% of the re-performing loans eventually liquidate. (For simplicity, we did not include a contribution from the always performing bucket.) We used the 6-month historical deal severity to obtain an expected loss estimate on the loans that have not yet liquidated, and added the contribution from the previously liquidated loans. NERA is actually planning to use a roll rate and loss severity model based on loan-level data. Few additional details are available.

An example, shown in Exhibit 2 (next page), will make our methodology clearer. Consider CWHL 2004-29. The deal has an original balance of \$1.5 billion and a current balance of \$209 million. This \$209 million includes \$75 million of non-performing loans and \$23 million of re-performing loans. Assuming that, under our crude loss estimate, 90% of the non-performing loans and 60% of the re-performing loans default, at a loss severity of 50% (the 6-month average), losses on outstanding loans total \$40.5 million. Add to this a realized loss of \$24 million, so we have estimated the total loss on this deal as \$64 million. Just for the record, the total loss estimated by our Amherst Loan Information Analysis System (ALIAS) the loss is \$71

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**Exhibit 2: Example Calculation and Sensitivity Analysis**

		CRUDE LOSS ESTIMATE:		SENSITIVITY ANALYSIS:	
Deal Name	<b>CWHL 2004-29</b>	90% Non-Performing Balance	67,208,255	50% Non-Performing Balance	37,337,920
Original Balance	1,495,394,684	60% Re-Performing Balance	13,939,361	25% Re-Performing Balance	5,808,067
Unpaid Balance (UPB)	208,625,190	6M Avg Actual Loss Severity	50%	6M Avg Actual Loss Severity	50%
Non-Performing Balance	74,675,839	Total Expected Future Loss @ 50% Severity	40,573,808	Total Expected Future Loss @ 50% Severity	21,572,993
Re-Performing Balance	23,232,268	Total Realized Loss	24,400,439	Total Realized Loss	24,400,439
Total Loss Amount to Date	24,400,439	Expected Total Loss	64,974,247	Expected Total Loss	45,973,433
Total Liquidation to Date	54,623,711	Settlement Allocation	7,312,064	Settlement Allocation	7,426,687
		Percent UPB	3.5%	Percent UPB	3.6%
Deal Name	<b>CWALT 2005-80CB</b>	90% Non-Performing Balance	161,788,258	50% Non-Performing Balance	89,882,365
Original Balance	1,275,788,608	60% Re-Performing Balance	34,795,905	25% Re-Performing Balance	14,498,294
Unpaid Balance (UPB)	571,454,826	6M Avg Actual Loss Severity	65%	6M Avg Actual Loss Severity	65%
Non-Performing Balance	179,764,731	Total Expected Future Loss @ 65% Severity	127,779,706	Total Expected Future Loss @ 65% Severity	67,847,428
Re-Performing Balance	57,993,175	Total Realized Loss	82,870,196	Total Realized Loss	82,870,196
Total Loss Amount to Date	82,870,196	Expected Total Loss	210,649,901	Expected Total Loss	150,717,624
Total Liquidation to Date	151,028,823	Settlement Allocation	23,706,093	Settlement Allocation	24,347,378
		Percent UPB	4.1%	Percent UPB	4.3%

Source: CoreLogic, Amherst Securities as of May 2011

million). Using the \$64 million projection, and given the overall loss projections on the universe of Covered Trusts, the allocation to this deal is \$7,312,064.

Realize that there can be a substantial variation in the methodology that is used to determine expected losses. Realized losses are of course known. The questions are: How will loans that are already non-performing treated? What about now-current loans with a flawed payment history? What about deeply underwater loans with a perfect pay history? We anticipate that many investors will ask for further details during the court approval process.

What if the “Expert” uses a loss estimate that is way too low, and essentially overweights the loans that have already liquidated? We can test this by using an unrealistic lower bound for losses: liquidating 50% of the non-performing loans and 25% of the re-performing loans, at the 6-month average severity (50%). This is shown in the sensitivity analysis. On this deal, we would we obtain an expected loss on outstanding loans of \$22 million. Adding the realized loss to date gives us an expected total loss of \$46 million, and a settlement of \$7,426,687. The allocation turns out to be 3.6% of UPB, rather than 3.5% using the crude loss estimate. Intuitively, since all deals would have lower expected losses, the allocation does not change dramatically.

We show the same analysis on the CWALT 2005-80CB. Note that the allocation is again roughly the same—4.1% of UPB under the crude loss estimate, 4.3% of UPB under the unrealistically low loss estimate. Bottom line: while the ultimate loss estimate by the “Expert” may be larger or smaller, we believe that, for the Covered Trusts, the allocations shown in Appendix 1 are broadly indicative.

Using our crude methodology: 90% of the non-performing loans, 60% of the re-performing loans eventually default at the 6-month average severity, and aggregating across all deals, we estimate total losses of \$76 billion; the \$8.5 billion settlement compensates an investor 11.3% of total expected losses, or 4.9% of UPB. When we use our proprietary ALIAS system, we calculate that investors

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receive 9.2% of total expected losses in compensation, or the same 4.9% of UPB. (Deal by deal loss and allocation estimates using ALIAS are available from your Amherst salesperson.)

A few interesting facts are noteworthy from Appendix 1. There is a substantial variation between deals. For example some of the deals end up with very small settlements, others end up with relatively large settlements. The settlement amount ranges from 0% to 14% of UPB for first lien deals. In general, the 2004 vintage deals have smaller settlements as a % of UPB than later vintage years. Prime deals have much smaller settlements as a % of UPB than Subprime deals.

We have found 20 Countrywide deals [CWL, CWALT, and CWHL shelves (series of Countrywide-issued securitization trusts)] from the 2004-2007 PLS universe that were not included in the Settlement. These are detailed in Appendix 2. Most of these (13 of the 20) were second lien deals; all of which had a monoline insurance wrap. Only 7 were first lien deals.

### What Does This Mean for Other Settlements?

This is very difficult to estimate, as the outcome will be very different for different entities. As an academic exercise, we can apply our simple estimation methodology to obtain the remaining exposure of Bank of America/Countrywide and other originators as shown in Exhibit 3 (below). It is important to realize that this settlement does not cover most of Countrywide's second lien deals. It does not cover Countrywide-originated loans that are in other shelves. It does not cover legacy Bank of America issuance, nor the MLMI, FFML, FFMER, or SURF shelves (which BAC also became exposed to via purchasing distressed businesses). Using our crude methodology above, we estimate losses on the \$783 billion of original balances on which Bank of America has exposure. Assuming a total exposure of 11.3% of total losses, we estimate a \$14 billion liability; this is the first \$8.5 billion.

### Exhibit 3: Potential Settlement Liability by Issuer/Originator

Issuer/ Originator	Original Total Loan Balance (\$B)	Unpaid Balance (UPB) (\$B)	Non- Performing Balance (\$B)	Re- Performing Balance (\$B)	Total Loss Amount (\$B)	Total Liquidation (\$B)	Total Prepayments (\$B)	Expected Total Loss (\$B)	Expected Settlement Assuming 11.3% (\$B)	CW Settlement Amount (\$B)
BOA	783	303	121	40	63	107	353	127	14	8.5
WF	225	86	11	8	7	15	109	14	2	
JPM	417	152	51	19	39	64	186	67	8	
CITI	82	30	8	5	7	11	36	12	1	
OTHER	1,921	577	186	127	227	362	935	343	39	
<b>Total</b>	<b>3,427</b>	<b>1,148</b>	<b>376</b>	<b>199</b>	<b>344</b>	<b>559</b>	<b>1,620</b>	<b>563</b>	<b>64</b>	<b>8.5</b>

Issuer / Originator	Shelves / Originators
BOA	All CW shelves, MLMI, SURF, FFML, FFMER, BOAMS, BOAA
WF	WFALT, WFHET, WFMBS, WMLT, -WF deals,
JPM	Long Beach, WAMU, Chase, Bear Stearns and JPM
CITI	CMLTI, CMSI, CRMSI, CMALT

Source: CoreLogic, Amherst Securities as of May 2011

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If the Bank of America settlement was applied to other originators, and we continued to assume an exposure equal to 11.3% of our crude expected loss calculation, rep and warrant liabilities would total \$64 billion. JPM has \$8 billion of exposure. For JPM, we have included JPM shelves, as well as Chase, Bear Stearns, WAMU and Long Beach. (Since JPMorgan takeover of WAMU was an FDIC assisted transaction, it is not clear that JPMorgan Chase has the rep and warrant risk on WAMU and Long Beach deals.) Citi and Wells are much smaller at \$1 billion and \$2 billion apiece, respectively.

We view this exercise as a largely academic exercise for a number of reasons:

- The Countrywide situation is unique in several respects. First, Bank of America is eager to put its legacy Countrywide issues behind and move forward. Second, since Countrywide was, by far, the largest originator in the 2005-2007 period, almost all non-agency buyers own at least some Countrywide bonds, making it relatively easy to get the largest institutional investors together. Third, from Bank of America's point of view, the settlement covers more than just representations and warranties, it also covers servicing practices as discussed below. Thus, it takes some pressure off of the State Attorneys' General settlement. Other large institutions do not have as large an exposure and, as a result, they may be more willing to do "hand-to-hand" combat.
- A settlement of this type may not be the best outcome for investors in all trusts. Because some trusts have reps and warrants that might make it easier to put loans back to the trust, it is likely that a loan-by-loan putback program could be far more advantageous to investors. In other cases, there will be private settlements with activist investors.

In any event, there is a very strong lesson to investors: being coordinated to gain access to information is the key to success.

### **The Scope of the Settlement Agreement**

The settlement agreement covers all reps and warrant in the covered Countrywide RMBS trusts. This is nearly all of Countrywide originated and issued first lien private label exposure since 2004. It covered 5 of their second lien deals.

Most interesting, the settlement includes some sizeable steps to improve the servicing on the Covered Trusts. Bank of America has agreed to move the servicing of high-risk loans to qualified sub-servicing firms, at Bank of America's expense. Bank of America, BONY as Trustee, and the Institutional Investors must agree on a list of 8-10 sub-servicers for these high risk loans. High-risk loans include:

- (i) Mortgage loans that are 45+ days past due without right party contact (i.e. the Master Servicer has not succeeded in speaking with the borrower about resolution of a delinquency);
- (ii) Mortgage loans that are 60+ past due and that have been delinquent more than once in any rolling twelve (12) month period;
- (iii) Mortgage loans that are 90+ days past due and have not been in the foreclosure process for more than 90 days and that are not actively performing on trial modification or in the underwriting process of modification;
- (iv) Mortgage loans in the foreclosure process that do not yet have a scheduled sales date; and

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- (v) Mortgage loans where the borrower has declared bankruptcy regardless of days past due.

Only one sub-servicer can be assigned to each Covered Trust, and each sub-servicer will have no more than 30,000 loans from the Covered Trusts at one time. Bank of America is required to roll out at least one sub-servicer per quarter. The costs of this sub-servicing will be borne by the Master Servicer. If the borrower makes 12 consecutive monthly payments, the borrower is transferred back to the Master Servicer. Note that there are currently 267K loans in Covered Trusts that are at least 60+ days delinquent; some of these loans will be liquidated prior to the transfer point. If each sub-servicer can really board 30,000 loans, 8-10 sub-servicers provide sufficient capacity.

We applaud this idea, but implementation of the transfer will take time. Bank of America is going to have to put into place systems to monitor the sub-servicers. In particular, the sub-servicers must make sure they are reporting to the Master Servicer consistently for the purposes of the remit reports. In addition, there must be some way to monitor the incentive fees from the sub-servicers, to make sure they are being charged appropriately. It is hard to verify if a contact (incentive fee \$100) has been made if it does not result in action. Finally, Bank of America is going to have to fine tune some of the incentive fees. If a borrower is 87 days delinquent, there is an incentive to wait until the borrower is 91 days delinquent to make the contact (fee of \$124 per month rather than \$60 per month).

The agreement also requires improvement in the mortgage servicing by the Master Servicer but not in sub-servicing. For first liens, the Master Servicer is required to benchmark its timelines from delinquency to foreclosure and from foreclosure to liquidation performance against industry standards. If these timelines are not met, there is an agreed upon series of fees that will be paid from the Master Servicer to the Covered Trusts. (This may expedite the moving of high risk loans to sub-servicers, a good thing). Modification decisions need to be rendered within 60 days of receiving all requested documents from the borrower. One small gripe: there is no requirement in the settlement to report servicing performance to the Certificate holders at a higher level of transparency, despite the fact that the lack of transparency to investors was an important part of the origination and servicing issues which resulted in this settlement.

In addition, no later than 6 weeks after the signing of the settlement agreement, and on a monthly basis thereafter, the Master Servicer will submit a list of loans in the Covered Trusts with document exceptions. Bank of America will implement a cure process for these loans, and will reimburse the Covered Trusts for any realized losses caused by the inability to liquidate a mortgage as a first lien mortgage.

### **Implications for the State Attorneys' General Settlement**

Since this settlement contains both sizeable monetary penalties and mandates to improve servicing practices by the largest servicer in the nation, we believe it will be harder to obtain consensus on the Attorneys' General settlement. We have a hard time seeing a settlement with fines in the \$20-\$25 billion range, as originally discussed. We think that it will have much lower penalties than originally proposed, if it happens at all.

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Moreover, we believe it will be harder to gain consensus on some of the more heavily contested servicing reforms. However, the transfer of high risk loans to sub-servicers was not in the original AG settlement, and the Bank of America settlement opens the door to placing it in the next version. (From our point of view, sub-servicers are often very effective at effecting principal reduction modifications. So even if the mandatory principal reduction language were eliminated, emphasis on sub-servicers for high risk loans would achieve much the same effect.)

## Conclusion

This was an important settlement, because, if approved, it substantially resolves repurchase exposure for most of the legacy Countrywide issued first lien RMBS without “hand-to-hand” combat. Moreover, it contains some meaningful servicing reforms. We would expect to see some similar settlements with other originators/servicers in due course, but in other cases, pursuing rep and warrant putbacks in “hand-to-hand” combat is more profitable for investors. In still other cases, we would not be surprised to see private settlements with activist investors. We would also expect that this settlement makes it harder to gain consensus on the State Attorneys’ General settlement.

We caution investors that the settlement funds will not show up in the Covered Trusts in short order. The settlement needs court approval, and we don’t see that as a quick or guaranteed process. We have put a fair amount of time into trying to figure out the impact on a trust-by-trust basis for 99% of the balances in the Covered Trusts. We would suggest that investors with Countrywide exposure look closely at Appendix 1, which details our allocation estimate to each trust. Realize that these are only trust level estimated numbers, based on a fairly crude methodology. While we believe that the allocations across deals are broadly indicative, allocations among bondholders will vary substantially and will require careful modeling.

*This material has been prepared by individual sales and/or trading personnel and does not constitute investment research.*

Appendix 1: Expected Settlement Allocation Versus Expected Losses

Bloomberg Name	Product	Vintage	Shelf	Original Total Balance	Unpaid Principal Balance (UPB)	Non-Performing Balance (60+ DC)	Re-Performing Balance	Total Loss Amount to Date	Total Liquidation to Date	Expected Total Default - Crude Methodology	Expected Total Loss - Crude Methodology	Settlement Allocation	Percent UPB
CWL 2004-1	Subprime	2004	CWL	3,219,508,715	314,159,388	109,182,721	68,568,758	61,237,397	167,073,931	306,479,634	118,393,735	13,323,780	4%
CWL 2004-10	Subprime	2004	CWL	2,928,081,998	447,100,309	224,630,669	98,590,085	95,603,285	249,768,914	511,090,567	299,434,174	33,697,686	8%
CWL 2004-11	Subprime	2004	CWL	750,124,855	107,497,700	61,531,802	23,541,407	29,337,330	75,992,557	145,496,022	74,514,583	8,385,713	8%
CWL 2004-12	Subprime	2004	CWL	2,300,655,537	393,179,272	219,760,075	83,907,420	84,051,210	223,930,484	472,059,004	255,259,889	28,726,406	7%
CWL 2004-13	Subprime	2004	CWL	1,836,161,648	383,451,371	197,227,996	86,132,519	70,737,798	180,234,146	409,418,853	240,334,481	27,046,732	7%
CWL 2004-14	Subprime	2004	CWL	750,306,658	114,627,503	61,792,452	24,772,893	23,104,190	68,273,085	138,750,027	66,799,894	7,517,518	7%
CWL 2004-15	Subprime	2004	CWL	1,631,134,399	338,401,519	178,270,223	76,159,733	63,319,908	165,476,854	371,615,894	195,248,893	21,972,896	6%
CWL 2004-2	Subprime	2004	CWL	2,535,348,617	253,056,418	104,075,584	55,889,886	61,118,163	164,748,010	291,949,967	143,799,435	16,182,883	6%
CWL 2004-3	Subprime	2004	CWL	2,001,305,756	224,931,047	87,592,579	48,654,154	43,551,661	125,343,060	233,368,873	132,132,828	14,869,948	7%
CWL 2004-4	Subprime	2004	CWL	1,700,758,594	141,306,420	63,980,642	30,966,340	45,677,335	120,371,202	196,533,584	108,130,489	12,168,776	9%
CWL 2004-5	Subprime	2004	CWL	4,304,209,949	541,593,429	208,040,457	116,225,823	104,464,664	288,951,328	545,923,234	279,205,560	31,421,201	6%
CWL 2004-6	Subprime	2004	CWL	4,602,936,684	740,217,488	351,083,547	144,693,321	115,393,444	315,187,466	627,978,651	328,091,450	36,922,715	5%
CWL 2004-7	Subprime	2004	CWL	2,502,014,306	369,266,096	168,775,491	84,910,855	72,834,889	201,884,390	404,728,845	202,655,341	22,806,402	6%
CWL 2004-8	Subprime	2004	CWL	750,531,570	97,518,966	51,943,196	22,168,961	18,845,878	50,610,809	110,661,062	63,883,567	7,189,321	7%
CWL 2004-9	Subprime	2004	CWL	1,200,600,753	173,267,824	88,263,267	40,212,289	39,565,976	99,860,412	203,424,725	105,847,137	11,911,812	7%
CWL 2004-AB1	Subprime	2004	CWL	1,340,138,296	120,237,824	73,501,880	27,922,331	52,260,369	140,767,638	223,672,728	103,661,526	11,665,848	10%
CWL 2004-AB2	Subprime	2004	CWL	1,225,352,796	171,204,273	115,407,455	33,443,093	53,666,913	143,694,595	267,627,161	150,334,315	16,918,305	10%
CWL 2004-BC2	Subprime	2004	CWL	401,985,473	7,657,992	3,432,959	2,796,255	5,854,416	15,084,965	19,852,381	7,904,405	889,545	12%
CWL 2004-BC3	Subprime	2004	CWL	451,939,594	20,032,361	8,939,610	4,692,243	9,550,825	19,339,337	30,200,332	21,389,209	2,407,107	12%
CWL 2004-BC4	Subprime	2004	CWL	1,003,304,008	116,145,768	41,146,211	20,226,607	18,438,766	45,392,781	94,560,335	60,231,187	6,778,290	6%
CWL 2004-BC5	Subprime	2004	CWL	765,204,029	91,724,656	38,843,556	21,399,375	21,274,115	51,871,072	99,669,898	51,865,363	5,836,818	6%
CWL 2004-ECC1	Subprime	2004	CWL	531,456,194	44,446,425	17,572,866	6,886,343	8,847,828	21,295,604	41,242,990	16,826,782	1,893,650	4%
CWL 2004-ECC2	Subprime	2004	CWL	550,031,722	47,466,579	15,632,123	13,201,619	8,529,069	24,667,994	46,657,876	28,319,963	3,187,069	7%
CWL 2005-1	Subprime	2005	CWL	3,002,722,885	659,276,923	370,906,567	150,759,746	146,376,779	350,218,913	774,490,671	430,638,857	48,463,183	7%
CWL 2005-10	Subprime	2005	CWL	750,591,000	214,654,321	107,882,822	46,514,783	82,564,434	153,474,070	278,477,480	162,566,617	18,294,902	9%
CWL 2005-11	Subprime	2005	CWL	2,001,830,761	789,408,820	413,186,552	165,142,880	148,857,692	282,316,691	753,270,316	506,782,447	57,032,221	7%
CWL 2005-12	Subprime	2005	CWL	901,274,801	310,131,962	179,546,504	67,884,395	77,200,115	142,859,165	345,181,656	237,034,883	26,675,403	9%
CWL 2005-13	Subprime	2005	CWL	2,001,654,914	752,344,936	437,801,968	159,084,964	191,819,266	341,172,333	830,645,082	573,608,011	64,552,628	9%
CWL 2005-14	Subprime	2005	CWL	2,102,356,030	764,002,189	443,778,268	161,728,581	192,202,722	332,114,880	828,552,470	544,673,412	61,296,390	8%
CWL 2005-15	Subprime	2005	CWL	400,651,659	174,026,195	90,003,251	34,828,808	26,983,976	54,189,636	156,089,846	98,314,124	11,064,063	6%
CWL 2005-16	Subprime	2005	CWL	2,282,632,268	1,053,145,547	514,562,989	211,969,026	170,633,950	311,219,486	901,507,592	577,932,743	65,039,324	6%
CWL 2005-17	Subprime	2005	CWL	2,601,338,691	1,164,494,180	623,356,632	243,112,067	231,929,232	414,265,207	1,121,153,416	726,750,979	81,787,013	7%
CWL 2005-2	Subprime	2005	CWL	1,196,133,347	211,599,402	122,250,359	50,058,151	58,910,288	153,624,265	293,684,480	147,148,223	16,559,749	8%
CWL 2005-3	Subprime	2005	CWL	2,395,629,775	616,103,126	334,594,135	140,292,432	120,604,348	276,623,482	661,933,663	394,174,577	44,359,570	7%
CWL 2005-4	Subprime	2005	CWL	2,854,176,294	763,613,614	421,348,575	177,621,440	179,041,196	389,489,034	875,275,779	533,665,520	60,057,585	8%
CWL 2005-5	Subprime	2005	CWL	802,568,214	163,541,762	96,648,359	39,519,347	42,560,495	105,269,339	215,964,470	132,223,551	14,880,158	9%
CWL 2005-6	Subprime	2005	CWL	1,704,841,061	381,295,113	245,382,578	92,165,095	129,173,174	271,980,726	548,124,103	330,757,839	37,222,785	10%
CWL 2005-7	Subprime	2005	CWL	2,154,179,408	713,317,766	363,288,418	150,648,046	142,692,528	282,072,578	699,420,982	447,356,863	50,344,592	7%
CWL 2005-8	Subprime	2005	CWL	679,769,191	150,699,348	79,153,888	36,865,936	70,021,274	136,678,544	230,036,604	145,774,141	16,405,112	11%
CWL 2005-9	Subprime	2005	CWL	1,304,074,602	401,462,305	233,805,294	81,365,710	102,589,403	210,936,550	470,180,740	289,245,220	32,551,043	8%
CWL 2005-AB1	Subprime	2005	CWL	1,200,357,603	206,722,506	140,324,682	56,446,206	75,300,824	176,047,054	325,406,991	163,423,186	18,391,299	9%
CWL 2005-AB2	Subprime	2005	CWL	1,000,338,756	214,676,695	147,531,550	36,801,399	78,818,796	165,456,344	320,315,579	187,220,260	21,069,371	10%
CWL 2005-AB3	Subprime	2005	CWL	650,205,896	165,956,135	117,689,378	29,632,410	71,137,577	147,289,049	270,988,936	152,779,502	17,193,481	10%
CWL 2005-AB4	Subprime	2005	CWL	1,600,572,416	541,025,005	337,539,149	94,819,970	192,706,558	360,722,223	721,398,839	456,000,487	51,317,327	9%
CWL 2005-AB5	Subprime	2005	CWL	700,165,071	280,979,544	171,244,961	49,139,149	101,069,268	173,970,824	357,574,778	229,592,036	25,837,800	9%
CWL 2005-BC1	Subprime	2005	CWL	551,702,587	48,993,871	23,507,220	12,621,596	19,804,234	50,395,586	79,125,041	37,041,907	4,168,618	9%
CWL 2005-BC2	Subprime	2005	CWL	752,596,284	84,985,687	40,455,865	16,523,492	26,767,399	66,240,172	112,564,546	58,267,973	6,557,354	8%
CWL 2005-BC3	Subprime	2005	CWL	803,616,573	122,342,899	67,364,810	34,169,796	86,326,887	161,909,471	32,368,386	10,394,942	8%	
CWL 2005-BC4	Subprime	2005	CWL	774,601,977	131,266,474	73,933,323	25,504,190	40,200,896	90,453,364	172,295,869	97,490,649	10,971,391	8%
CWL 2005-BC5	Subprime	2005	CWL	919,916,933	256,072,744	140,937,674	51,388,822	72,077,076	146,778,478	304,455,678	191,911,748	21,597,341	8%
CWL 2005-IM2	Subprime	2005	CWL	715,874,013	133,782,454	78,775,764	18,546,252	67,505,562	133,664,239	215,690,177	116,721,125	13,135,548	10%
CWL 2005-IM3	Subprime	2005	CWL	1,081,245,277	240,285,742	169,174,584	41,436,384	163,129,460	303,460,320	480,579,276	299,511,056	33,706,339	14%
CWL 2006-1	Subprime	2006	CWL	800,464,252	290,440,597	146,622,677	57,807,924	102,739,995	177,581,975	344,227,139	219,391,609	24,689,866	9%
CWL 2006-10	Subprime	2006	CWL	588,746,171	287,651,465	169,006,794	61,076,952	75,659,492	106,300,805	295,053,091	228,548,844	25,720,402	9%
CWL 2006-11	Subprime	2006	CWL	1,980,522,975	1,042,337,015	586,263,600	215,992,789	225,524,711	290,344,660	947,577,574	718,449,396	80,852,770	8%
CWL 2006-12	Subprime	2006	CWL	1,302,193,905	516,738,487	374,022,397	99,880,730	232,998,107	324,149,702	720,698,297	577,995,385	65,046,374	13%
CWL 2006-13	Subprime	2006	CWL	1,650,501,804	889,575,105	496,989,571	191,465,192	189,856,209	249,513,607	811,683,336	628,348,598	70,713,018	8%
CWL 2006-14	Subprime	2006	CWL	1,502,851,578	780,645,896	477,255,453	161,014,167	217,208,539	294,396,549	820,534,956	638,119,265	71,812,588	9%
CWL 2006-15	Subprime	2006	CWL	1,000,223,613	673,519,384	304,186,696	142,216,253	62,592,222	81				

Appendix 1 (con't.): Expected Settlement Allocation Versus Expected Losses

Bloomberg Name	Product	Vintage	Shelf	Original Total Balance	Unpaid Principal Balance (UPB)	Non-Performing Balance (60+ DQ)	Re-Performing Balance	Total Loss Amount to Date	Total Liquidation to Date	Expected Total Default - Crude Methodology	Expected Total Loss - Crude Methodology	Settlement Allocation	Percent UPB
CWL 2006-7	Subprime	2006	CWL	1,044,645,275	454,087,440	302,448,219	84,962,852	175,154,200	236,383,020	559,564,128	478,944,442	53,899,391	12%
CWL 2006-8	Subprime	2006	CWL	1,992,501,142	950,733,196	599,033,643	181,758,012	294,369,952	421,332,776	1,069,517,862	832,363,573	93,672,430	10%
CWL 2006-9	Subprime	2006	CWL	599,425,669	240,097,584	123,971,906	50,393,109	112,698,342	164,855,562	306,666,143	217,638,172	24,492,538	10%
CWL 2006-ABC1	Subprime	2006	CWL	389,460,848	145,341,748	105,554,280	27,793,312	73,221,463	114,320,538	225,995,378	168,145,076	18,922,690	13%
CWL 2006-BC1	Subprime	2006	CWL	513,067,196	145,395,784	94,579,050	27,422,306	56,724,528	102,692,304	204,266,833	138,999,897	15,642,753	11%
CWL 2006-BC2	Subprime	2006	CWL	631,065,682	186,654,568	125,782,573	39,352,453	86,858,336	144,061,058	280,876,845	194,942,808	21,938,450	12%
CWL 2006-BC3	Subprime	2006	CWL	602,506,533	215,962,812	143,109,034	48,341,719	88,420,759	126,222,999	284,026,161	227,287,541	25,578,457	12%
CWL 2006-BC4	Subprime	2006	CWL	601,769,240	236,342,878	162,177,927	46,300,072	81,379,842	116,273,443	290,013,621	218,634,583	24,604,672	10%
CWL 2006-BC5	Subprime	2006	CWL	751,823,232	350,007,865	243,333,142	64,334,683	131,479,857	178,381,481	435,982,119	334,984,361	37,698,429	11%
CWL 2007-1	Subprime	2007	CWL	2,000,559,023	1,312,207,954	876,235,394	247,180,047	266,835,983	355,465,597	1,292,385,480	978,895,094	110,162,776	8%
CWL 2007-10	Subprime	2007	CWL	1,000,146,121	713,230,332	428,703,241	159,572,392	93,329,215	114,591,575	596,167,927	468,958,770	52,775,625	7%
CWL 2007-11	Subprime	2007	CWL	800,278,748	567,148,101	346,075,950	125,769,657	72,916,342	86,204,163	473,134,312	378,591,160	42,605,846	8%
CWL 2007-12	Subprime	2007	CWL	1,461,056,914	1,067,809,686	642,074,485	229,942,828	134,018,118	146,313,565	862,146,298	699,525,977	78,723,169	7%
CWL 2007-13	Subprime	2007	CWL	801,199,954	608,269,267	365,627,570	142,487,000	66,584,189	74,999,500	489,556,513	385,793,090	43,416,336	7%
CWL 2007-2	Subprime	2007	CWL	1,559,887,207	1,030,073,839	657,370,033	206,065,851	201,851,262	256,407,901	971,680,441	766,916,569	86,307,163	8%
CWL 2007-3	Subprime	2007	CWL	762,301,426	473,573,577	331,832,218	95,860,175	115,879,874	155,313,468	511,478,569	407,935,257	45,908,168	10%
CWL 2007-4	Subprime	2007	CWL	1,000,185,543	750,982,882	369,177,070	154,681,043	64,403,905	77,140,895	502,208,884	383,204,897	43,125,066	6%
CWL 2007-5	Subprime	2007	CWL	1,200,490,635	771,747,683	524,611,923	151,595,324	176,972,622	229,050,469	792,158,394	588,041,407	66,176,932	9%
CWL 2007-6	Subprime	2007	CWL	1,000,170,122	650,152,767	434,238,296	119,910,486	128,042,695	163,283,497	626,044,255	512,134,125	57,634,487	9%
CWL 2007-7	Subprime	2007	CWL	1,097,893,180	732,415,462	449,446,723	155,477,916	128,799,603	168,195,395	665,984,195	497,163,314	55,949,704	8%
CWL 2007-8	Subprime	2007	CWL	1,299,931,614	903,969,402	555,692,327	194,402,029	126,070,371	160,017,244	776,781,556	576,308,319	64,856,515	7%
CWL 2007-9	Subprime	2007	CWL	1,199,386,473	852,883,676	521,667,219	180,235,042	113,488,333	136,072,795	713,714,317	529,390,229	59,576,453	7%
CWL 2007-BC1	Subprime	2007	CWL	501,457,619	279,457,076	176,917,363	52,503,548	77,298,121	101,005,557	291,733,313	227,973,048	25,655,603	9%
CWL 2007-BC2	Subprime	2007	CWL	635,728,654	388,447,271	249,882,116	80,221,072	105,674,099	128,974,838	402,001,386	326,825,603	36,780,260	9%
CWL 2007-BC3	Subprime	2007	CWL	575,700,859	378,733,743	238,801,762	79,197,327	82,602,088	99,956,526	362,396,508	284,680,874	32,037,381	8%
CWHL 2004-10	Prime	2004	CWHL	250,187,228	84,388,308	7,622,765	3,382,191	281,902	1,702,663	10,592,465	459,698	51,733	0%
CWHL 2004-11	Prime	2004	CWHL	436,244,991	135,303,826	13,064,044	11,913,482	1,094,033	5,195,381	24,101,110	2,039,320	229,501	0%
CWHL 2004-12	Prime	2004	CWHL	3,703,886,140	676,845,824	172,043,169	68,858,779	55,017,092	159,570,975	355,725,095	141,324,905	15,904,405	2%
CWHL 2004-13	Prime	2004	CWHL	800,702,104	241,312,401	19,509,743	12,549,180	1,639,025	9,628,615	34,716,892	8,412,860	946,765	0%
CWHL 2004-14	Prime	2004	CWHL	418,400,111	109,750,384	15,166,618	7,120,662	1,707,045	7,364,405	25,286,759	8,875,986	998,885	1%
CWHL 2004-15	Prime	2004	CWHL	299,330,452	59,766,384	15,608,337	4,537,531	4,699,037	14,293,418	31,063,440	11,407,046	1,283,725	2%
CWHL 2004-18	Prime	2004	CWHL	400,604,876	76,683,121	9,323,169	3,172,785	591,285	3,607,551	13,902,074	3,061,971	344,588	0%
CWHL 2004-19	Prime	2004	CWHL	400,091,231	80,795,901	11,548,413	4,571,213	197,596	1,624,231	14,760,531	5,452,116	613,570	1%
CWHL 2004-2	Prime	2004	CWHL	225,390,210	18,283,278	2,469,843	0	444,022	3,275,637	5,498,495	955,280	107,505	1%
CWHL 2004-21	Prime	2004	CWHL	402,740,149	102,297,223	12,980,483	3,078,447	1,954,850	6,897,424	20,426,927	7,907,831	889,931	1%
CWHL 2004-22	Prime	2004	CWHL	650,141,211	170,022,455	39,527,316	10,872,595	7,534,989	25,455,762	67,553,904	23,111,301	2,600,897	2%
CWHL 2004-24	Prime	2004	CWHL	299,695,379	98,080,951	14,414,281	5,741,799	1,396,907	5,652,390	22,070,322	7,964,080	896,261	1%
CWHL 2004-29	Prime	2004	CWHL	1,495,394,684	208,625,190	74,675,839	23,232,268	24,400,439	54,623,711	135,771,326	64,974,247	7,312,064	4%
CWHL 2004-3	Prime	2004	CWHL	300,564,780	61,713,698	3,338,007	1,686,057	1,386,760	6,472,174	10,488,014	3,073,413	345,875	1%
CWHL 2004-4	Prime	2004	CWHL	600,544,003	142,752,499	14,607,523	6,212,646	1,021,121	7,498,125	24,372,484	5,070,967	570,676	0%
CWHL 2004-5	Prime	2004	CWHL	750,442,631	228,270,438	18,325,041	6,801,896	462,590	4,686,227	25,259,901	4,165,851	468,816	0%
CWHL 2004-6	Prime	2004	CWHL	199,752,513	53,650,709	10,260,669	2,712,648	1,431,759	5,021,409	15,883,060	5,776,420	650,066	1%
CWHL 2004-7	Prime	2004	CWHL	953,998,745	187,976,559	32,497,341	12,316,512	3,091,202	15,554,820	52,192,334	7,487,704	842,650	0%
CWHL 2004-8	Prime	2004	CWHL	901,495,479	304,296,635	19,049,373	4,042,590	1,341,636	8,928,103	28,498,093	9,169,632	1,031,931	0%
CWHL 2004-9	Prime	2004	CWHL	400,110,495	132,578,864	5,505,966	4,907,734	863,575	5,511,347	13,411,356	4,892,580	550,601	0%
CWHL 2004-HYB1	Prime	2004	CWHL	253,910,315	33,144,891	3,777,961	3,847,840	1,152,140	5,383,902	11,092,771	3,435,687	386,645	1%
CWHL 2004-HYB2	Prime	2004	CWHL	343,955,120	77,254,395	10,623,745	6,334,031	792,496	1,978,679	13,720,468	5,489,212	617,744	1%
CWHL 2004-HYB3	Prime	2004	CWHL	316,128,538	63,433,609	9,267,555	6,214,083	1,830,035	6,516,039	18,585,288	6,657,735	749,247	1%
CWHL 2004-HYB4	Prime	2004	CWHL	392,733,645	85,767,501	13,506,657	5,620,334	1,710,262	9,960,742	25,488,932	2,020,826	227,419	0%
CWHL 2004-12	Prime	2004	CWHL	314,877,985	82,437,985	7,235,690	2,386,046	339,692	6,268,986	10,212,734	3,517,191	395,817	0%
CWHL 2004-13	Prime	2004	CWHL	219,021,556	55,882,355	6,642,857	4,266,954	557,007	874,476	9,413,220	3,972,504	447,057	1%
CWHL 2004-14	Prime	2004	CWHL	303,441,523	64,604,422	1,802,491	2,295,623	190	0	2,999,616	1,200,036	135,050	0%
CWHL 2004-15	Prime	2004	CWHL	161,060,351	59,822,092	3,467,874	653,987	458,226	2,140,097	5,653,576	1,863,617	209,728	0%
CWHL 2004-16	Prime	2004	CWHL	146,186,923	29,977,885	1,125,858	1,177,562	3,296	332,850	2,052,663	691,221	77,789	0%
CWHL 2004-17	Prime	2004	CWHL	181,567,004	47,315,831	5,033,257	1,725,452	58,805	834,582	6,399,785	2,284,886	257,136	1%
CWHL 2004-18	Prime	2004	CWHL	247,951,189	69,420,037	4,933,353	4,317,592	404,760	2,287,974	9,318,547	1,037,512	116,759	0%
CWHL 2004-19	Prime	2004	CWHL	249,422,074	79,540,176	9,864,476	4,736,623	968,333	1,940,767	13,660,770	5,187,533	583,794	1%
CWHL 2005-10	Prime	2005	CWHL	300,045,970	130,663,083	15,246,900	5,042,004	3,060,053	8,078,885	24,826,297	8,419,225	947,482	1%
CWHL 2005-12	Prime	2005	CWHL	955,139,068	444,574,875	50,635,082	22,790,086	8,528,230	25,456,166	84,701,792	29,264,199	3,293,331	1%
CWHL 2005-13	Prime	2005	CWHL	400,065,511	180,566,761	29,392,518	7,871,770	3,393,188	12,514,214	43,690,542	10,875,506	1,223,906	1%
CWHL 2005-14	Prime	2005	CWHL	208,006,373	110,428,887	14,731,547	4,392,569	2,456,872	6,632,740	22,526,673	9,450,203	1,063,506	1%
CWHL 2005-15	Prime	2005	CWHL	415,070,540	186,833,013	29,170,339	12,334,837	5,957,066	15,095,913	48,750,121	15,380,245	1,730,860	1%
CWHL 2005-16	Prime	2005	CWHL	415,041,433	208,826,381	25,235,982	12,237,254	5,367,420	15,033,433	45,088,169	15,586,030	1,754,019	1%
CWHL 2005-17	Prime	2005	CWHL	633,236,063	325,795,820	47,075,151	16,372,511	10,256,016	26,158,998	78,350,140	29,044,828	3,268,643	1%
CWHL 2005-18	Prime	2005	CWHL	416,212,497	228,645,794	36,849,730	17,075,010	4,281,117	12,019,600	55,429,364	21,645,023	2,435,885	1%
CWHL 2005-20	Prime	2005	CWHL	416,268,021	217,206,477	30,492,626	16,840,656	3,582,090	8,504,988	46,052,745	13,344		



### Appendix 1 (con't.): Expected Settlement Allocation Versus Expected Losses

Bloomberg Name	Product	Vintage	Shelf	Original Total Balance	Unpaid Principal Balance (UPB)	Non-Performing Balance (60+ DQ)	Re-Performing Balance	Total Loss Amount to Date	Total Liquidation to Date	Expected Total Default - Crude Methodology	Expected Total Loss - Crude Methodology	Settlement Allocation	Percent UPB
CWHL 2005-30	Prime	2005	CWHL	517,385,717	294,282,169	38,854,102	17,697,602	8,935,950	22,105,379	67,692,632	29,450,214	3,314,265	1%
CWHL 2005-31	Prime	2005	CWHL	628,211,131	317,339,889	76,373,222	28,756,371	26,724,714	63,857,223	149,846,946	62,840,398	7,071,925	2%
CWHL 2005-5	Prime	2005	CWHL	400,438,981	160,627,552	17,681,926	5,893,341	1,798,319	9,082,579	28,532,317	5,104,774	574,480	0%
CWHL 2005-6	Prime	2005	CWHL	800,877,790	337,393,278	47,815,692	22,184,339	5,404,625	17,402,033	73,746,759	22,871,490	2,573,909	1%
CWHL 2005-HYB1	Prime	2005	CWHL	548,343,295	173,788,182	57,570,543	13,287,970	14,150,905	40,236,982	100,023,253	33,880,374	3,812,825	2%
CWHL 2005-J2	Prime	2005	CWHL	830,675,891	357,237,168	47,553,272	18,793,579	6,575,895	19,971,796	74,045,888	30,909,236	3,478,460	1%
CWHL 2005-J3	Prime	2005	CWHL	385,568,776	199,716,415	23,106,887	12,899,540	3,200,301	8,556,630	37,092,498	15,185,366	1,708,929	1%
CWHL 2005-J4	Prime	2005	CWHL	202,175,922	94,602,906	8,767,866	4,513,104	2,127,141	5,078,345	15,677,287	7,108,644	799,992	1%
CWHL 2006-1	Prime	2006	CWHL	376,550,256	188,753,077	36,296,017	15,834,907	12,460,947	29,689,373	71,856,732	33,544,626	3,775,041	2%
CWHL 2006-10	Prime	2006	CWHL	603,030,913	302,051,631	57,117,098	25,537,714	18,785,537	44,276,878	111,004,895	46,811,305	5,268,045	2%
CWHL 2006-11	Prime	2006	CWHL	630,034,081	331,777,099	67,684,902	26,145,379	15,338,391	35,902,482	112,506,121	61,300,574	6,898,637	2%
CWHL 2006-12	Prime	2006	CWHL	656,305,750	340,728,712	62,884,510	26,109,789	13,799,786	31,791,597	104,053,529	49,930,752	5,619,101	2%
CWHL 2006-13	Prime	2006	CWHL	522,390,885	228,735,588	46,429,203	20,508,505	11,864,052	27,777,389	81,868,775	35,664,262	4,013,580	2%
CWHL 2006-14	Prime	2006	CWHL	368,029,990	165,152,260	31,854,461	12,802,765	4,773,196	11,590,190	47,940,864	17,495,931	1,968,955	1%
CWHL 2006-15	Prime	2006	CWHL	399,043,596	180,625,651	33,507,029	19,821,709	8,192,298	16,459,213	58,508,564	26,694,013	3,004,088	2%
CWHL 2006-16	Prime	2006	CWHL	998,412,978	466,139,238	78,663,696	38,761,003	25,450,072	54,103,656	148,157,585	75,298,654	8,473,951	2%
CWHL 2006-17	Prime	2006	CWHL	526,096,075	265,711,996	54,589,644	23,130,983	12,185,098	28,881,116	92,490,386	40,173,177	4,424,204	2%
CWHL 2006-18	Prime	2006	CWHL	520,194,259	264,682,423	40,141,762	18,990,635	9,036,072	21,004,452	68,526,420	29,470,518	3,316,550	1%
CWHL 2006-19	Prime	2006	CWHL	1,248,502,679	676,903,030	116,620,142	67,547,114	23,089,514	55,921,568	201,407,964	85,648,664	9,638,719	1%
CWHL 2006-20	Prime	2006	CWHL	1,040,179,648	597,648,205	98,291,928	53,374,784	22,352,172	48,434,802	168,922,407	77,776,470	8,752,799	1%
CWHL 2006-21	Prime	2006	CWHL	1,023,058,188	560,051,099	99,197,579	39,894,937	23,882,470	56,871,562	170,086,345	69,168,384	7,784,063	1%
CWHL 2006-6	Prime	2006	CWHL	484,445,716	241,809,067	41,871,366	16,572,379	9,444,282	27,105,471	74,733,128	29,447,898	3,314,004	1%
CWHL 2006-8	Prime	2006	CWHL	782,615,419	413,095,730	73,843,535	37,535,505	15,654,515	39,299,084	128,279,568	47,687,489	5,366,649	1%
CWHL 2006-9	Prime	2006	CWHL	418,811,619	209,711,811	43,968,013	17,228,230	3,104,960	31,042,960	80,951,110	32,184,119	3,621,932	2%
CWHL 2006-11	Prime	2006	CWHL	409,640,482	205,124,829	36,654,238	16,555,103	6,756,404	17,143,346	60,065,753	27,359,159	3,078,942	2%
CWHL 2006-J2	Prime	2006	CWHL	175,544,470	84,773,927	17,197,171	4,469,678	3,872,878	8,535,095	26,694,356	11,318,175	1,273,723	2%
CWHL 2006-J3	Prime	2006	CWHL	219,220,346	105,727,032	7,272,953	2,500,060	1,219,797	2,957,939	11,003,632	6,127,670	689,595	1%
CWHL 2006-J4	Prime	2006	CWHL	374,876,028	187,958,529	42,780,131	17,590,574	10,635,513	22,107,851	71,164,314	38,597,696	4,343,703	2%
CWHL 2007-1	Prime	2007	CWHL	750,309,434	438,449,328	84,722,964	25,752,046	18,425,694	45,723,904	137,425,796	48,687,320	5,479,168	1%
CWHL 2007-10	Prime	2007	CWHL	650,115,539	400,265,723	85,968,159	31,490,127	19,304,684	43,872,650	140,138,069	55,885,543	6,289,240	2%
CWHL 2007-11	Prime	2007	CWHL	1,000,200,633	629,192,363	124,983,435	56,717,891	24,886,931	57,077,276	203,593,102	86,423,578	9,725,926	2%
CWHL 2007-12	Prime	2007	CWHL	416,603,011	262,780,640	29,832,365	15,674,646	3,064,346	9,004,439	45,258,355	13,940,521	1,568,387	1%
CWHL 2007-13	Prime	2007	CWHL	576,441,567	329,136,906	59,021,082	14,445,917	12,070,462	29,932,518	91,719,043	30,606,419	3,444,381	1%
CWHL 2007-14	Prime	2007	CWHL	750,144,434	437,998,407	53,524,961	22,790,476	7,604,822	20,669,362	82,516,112	24,303,445	2,735,058	1%
CWHL 2007-15	Prime	2007	CWHL	1,037,989,734	624,390,448	131,191,213	57,014,810	23,047,060	54,929,587	207,210,564	80,913,832	9,105,871	1%
CWHL 2007-16	Prime	2007	CWHL	777,049,605	435,970,067	84,108,367	31,247,727	17,541,079	38,530,148	132,976,315	56,264,007	6,331,832	1%
CWHL 2007-17	Prime	2007	CWHL	879,022,961	489,854,235	90,900,150	49,057,177	20,395,185	43,434,770	154,679,211	73,792,517	8,304,453	2%
CWHL 2007-18	Prime	2007	CWHL	413,848,674	221,369,963	42,149,029	24,350,246	8,348,556	19,176,149	71,720,423	28,840,823	3,245,685	1%
CWHL 2007-19	Prime	2007	CWHL	445,120,588	277,147,391	70,085,902	30,618,862	11,388,160	25,607,618	107,056,247	51,297,988	5,772,967	2%
CWHL 2007-2	Prime	2007	CWHL	500,043,575	297,399,805	56,534,860	20,243,890	13,330,404	27,455,785	90,483,494	39,171,764	4,408,307	1%
CWHL 2007-20	Prime	2007	CWHL	300,061,369	178,712,462	32,261,638	15,041,601	8,009,612	15,530,368	53,590,803	25,136,808	2,828,843	2%
CWHL 2007-21	Prime	2007	CWHL	784,834,603	459,430,671	88,509,142	35,872,259	12,588,460	23,228,119	124,409,703	53,061,093	5,971,383	1%
CWHL 2007-3	Prime	2007	CWHL	1,147,768,034	713,198,814	138,559,970	47,389,468	23,495,512	56,833,140	209,970,794	87,813,326	9,882,325	1%
CWHL 2007-4	Prime	2007	CWHL	1,063,377,874	661,216,454	158,137,398	64,133,105	31,234,982	65,553,077	246,356,598	110,788,531	12,467,906	2%
CWHL 2007-5	Prime	2007	CWHL	850,546,645	512,855,656	90,523,046	30,324,260	15,935,062	39,896,218	139,561,516	52,811,222	5,943,263	1%
CWHL 2007-6	Prime	2007	CWHL	746,199,413	454,878,770	90,531,824	38,582,011	20,249,588	43,934,522	148,562,101	68,378,398	7,695,160	2%
CWHL 2007-7	Prime	2007	CWHL	750,008,702	473,681,237	65,300,505	34,368,272	12,961,620	27,284,762	106,676,179	45,512,102	5,121,835	1%
CWHL 2007-8	Prime	2007	CWHL	855,682,572	521,165,019	112,704,186	39,812,971	29,268,503	63,935,097	189,256,647	89,422,847	10,063,457	2%
CWHL 2007-9	Prime	2007	CWHL	700,292,016	417,498,264	52,768,334	29,119,364	10,238,333	23,400,391	88,363,391	33,625,013	3,784,088	1%
CWHL 2007-J2	Prime	2007	CWHL	416,418,619	253,990,115	74,150,560	27,804,297	28,367,268	54,761,841	138,179,924	71,744,671	8,073,993	3%
CWHL 2007-J3	Prime	2007	CWHL	226,807,250	140,256,180	37,732,652	13,010,379	6,489,756	12,467,457	54,233,070	29,460,843	3,315,461	2%
CWHL 2008-1	Prime	2008	CWHL	161,895,944	80,285,929	12,582,312	8,938,348	1,028,621	2,569,792	19,256,881	4,199,168	472,565	1%
CWL 2004-51	Other	2004	CWL	417,276,953	54,033,769	2,165,829	3,024,256	21,769	3,774,558	7,538,358	1,527,289	171,878	0%
CWL 2006-SP51	Other	2006	CWL	250,195,761	23,356,316	3,287,461	5,828,197	160,231,880	156,340,111	162,795,744	167,139,407	18,809,514	81%
CWL 2006-SP52	Other	2006	CWL	501,231,258	60,110,434	9,642,831	14,287,221	316,313,969	296,126,715	313,377,596	334,599,902	37,655,163	63%
CWHL 2004-16	Option ARM	2004	CWHL	1,020,527,454	110,896,437	36,665,028	10,962,114	10,960,926	27,405,447	66,981,240	35,893,676	4,039,398	4%
CWHL 2004-20	Option ARM	2004	CWHL	777,197,442	100,614,979	36,437,779	9,987,497	11,842,755	30,817,868	69,604,368	33,175,329	3,733,481	4%
CWHL 2004-23	Option ARM	2004	CWHL	400,280,006	58,068,531	23,663,161	8,700,594	6,148,744	14,464,759	40,981,961	21,528,721	2,422,797	4%
CWHL 2004-25	Option ARM	2004	CWHL	2,239,423,524	446,289,174	199,524,903	52,742,126	51,062,510	113,306,664	324,524,353	152,447,000	17,156,062	4%
CWALT 2005-14	Option ARM	2005	CWALT	1,255,366,474	292,643,312	161,563,564	32,483,039	49,249,865	100,449,121	265,346,152	143,241,172	16,120,058	6%
CWALT 2005-16	Option ARM	2005	CWALT	654,196,280	172,272,943	80,813,417	22,295,649	24,695,711	46,716,896	132,826,361	72,055,917	8,109,200	5%
CWALT 2005-17	Option ARM	2005	CWALT	1,169,950,650	299,615,891	149,452,445	32,998,545	52,573,970	104,415,634	258,721,960	128,184,070	14,425,563	5%
CWALT 2005-24	Option ARM	2005	CWALT	1,456,266,799	379,509,827	194,355,537	45,996,493	64,581,926	128,790,337	331,308,216	173,941,581	19,575,016	5%
CWALT 2005-27	Option ARM	2005	CWALT	1,563,026,472	457,964,694	258,218,627	50,230,238	90,164,382	174,195,218	436,730,124	242,434,627	27,283,078	6%
CWALT 2005-31	Option ARM	2005	CWALT	1,001,096,407	304,062,327	153,177,931	46,058,061	56,734,462	109,329,817	274,824,792	159,341,346	17,931,937	6%
CWALT 2005-													

### Appendix 1 (con't.): Expected Settlement Allocation Versus Expected Losses

Bloomberg Name	Product	Vintage	Shelf	Original Total Balance	Unpaid Principal Balance (UPB)	Non-Performing Balance (60+ DQ)	Re-Performing Balance	Total Loss Amount to Date	Total Liquidation to Date	Expected Total Default - Crude Methodology	Expected Total Loss - Crude Methodology	Settlement Allocation	Percent UPB
CWALT 2005-69	Option ARM	2005	CWALT	504,993,295	183,964,935	118,647,094	25,148,586	39,185,746	80,419,535	202,291,071	109,871,237	12,364,676	7%
CWALT 2005-72	Option ARM	2005	CWALT	742,279,514	243,630,935	151,407,222	26,436,141	69,651,486	116,974,164	269,102,349	171,577,369	19,308,953	8%
CWALT 2005-76	Option ARM	2005	CWALT	1,803,251,891	672,038,193	411,493,236	76,893,010	176,147,847	320,786,201	737,265,919	430,200,475	48,413,848	7%
CWALT 2005-81	Option ARM	2005	CWALT	944,383,876	502,765,515	279,940,410	55,699,679	111,976,565	179,023,381	464,389,558	306,025,565	34,439,468	7%
CWALT 2005-82	Option ARM	2005	CWALT	345,892,449	177,619,072	100,843,572	19,422,978	31,585,754	49,480,039	151,893,041	101,226,595	11,391,826	6%
CWALT 2005-IM1	Option ARM	2005	CWALT	380,580,188	127,802,557	88,298,765	19,546,889	47,797,891	78,877,377	170,074,399	106,163,985	11,947,470	9%
CWHL 2005-1	Option ARM	2005	CWHL	1,088,072,989	242,864,343	116,632,021	28,139,513	28,618,254	63,619,385	185,471,912	88,325,992	9,940,020	4%
CWHL 2005-11	Option ARM	2005	CWHL	1,295,934,426	251,320,445	114,703,298	25,350,601	34,650,514	76,679,305	195,122,633	90,318,879	10,164,295	4%
CWHL 2005-2	Option ARM	2005	CWHL	1,244,368,004	265,555,344	128,560,525	57,155,880	39,110,982	79,469,785	212,430,186	116,228,014	13,080,054	5%
CWHL 2005-3	Option ARM	2005	CWHL	1,517,476,867	352,306,934	168,001,284	42,033,088	46,886,862	95,210,992	271,632,000	145,682,627	16,394,814	5%
CWHL 2005-7	Option ARM	2005	CWHL	1,293,020,447	179,635,587	71,434,537	15,970,636	23,940,627	52,730,398	126,603,863	61,616,094	6,934,144	4%
CWHL 2005-9	Option ARM	2005	CWHL	1,696,339,495	392,578,789	187,123,737	35,254,447	51,770,418	106,716,183	296,280,215	152,239,355	17,132,694	4%
CWALT 2006-17	Option ARM	2006	CWALT	353,759,592	201,331,759	101,489,309	27,507,608	35,189,739	58,967,371	166,812,313	102,053,603	11,484,896	6%
CWALT 2006-OA1	Option ARM	2006	CWALT	1,068,576,394	473,435,462	289,201,353	57,155,580	107,133,633	190,333,224	484,907,746	289,769,837	32,610,082	7%
CWALT 2006-OA10	Option ARM	2006	CWALT	2,782,828,707	1,482,994,661	949,408,982	150,045,156	348,882,853	581,660,048	1,526,155,225	934,469,863	105,163,255	7%
CWALT 2006-OA11	Option ARM	2006	CWALT	1,251,766,300	659,762,767	402,527,909	79,674,983	161,028,574	250,456,158	660,536,266	439,883,048	49,503,505	8%
CWALT 2006-OA12	Option ARM	2006	CWALT	1,011,697,076	533,874,905	321,740,414	70,549,057	116,736,058	187,368,259	519,501,666	319,337,437	35,937,557	7%
CWALT 2006-OA14	Option ARM	2006	CWALT	954,215,360	551,331,033	343,600,368	57,668,443	111,900,165	176,431,804	520,273,201	331,958,659	37,357,923	7%
CWALT 2006-OA16	Option ARM	2006	CWALT	1,351,472,256	738,539,717	440,963,304	78,119,005	168,880,924	285,610,650	729,349,027	457,310,869	51,464,795	7%
CWALT 2006-OA17	Option ARM	2006	CWALT	1,592,940,696	901,586,322	553,453,114	104,337,046	210,494,052	340,354,984	899,265,013	557,018,270	62,685,654	7%
CWALT 2006-OA18	Option ARM	2006	CWALT	502,654,433	247,719,411	141,081,643	32,299,615	59,656,058	98,992,276	245,345,524	144,540,942	16,266,331	7%
CWALT 2006-OA19	Option ARM	2006	CWALT	1,221,722,958	702,169,065	440,069,926	81,344,352	159,756,197	246,937,378	691,806,923	457,818,792	51,521,955	7%
CWALT 2006-OA2	Option ARM	2006	CWALT	1,751,650,554	814,127,406	532,491,383	99,100,698	225,544,297	383,628,532	922,331,196	554,062,922	62,353,065	8%
CWALT 2006-OA21	Option ARM	2006	CWALT	1,313,873,817	773,020,848	436,119,828	87,369,898	140,897,388	220,229,550	665,159,334	439,000,344	49,404,167	6%
CWALT 2006-OA22	Option ARM	2006	CWALT	385,576,602	213,843,015	120,156,795	29,123,150	43,761,426	69,697,249	195,312,254	129,179,630	14,537,601	7%
CWALT 2006-OA3	Option ARM	2006	CWALT	577,263,299	320,643,309	202,356,787	29,463,221	85,907,296	136,341,196	336,140,237	221,770,644	24,957,598	8%
CWALT 2006-OA6	Option ARM	2006	CWALT	1,043,508,547	492,279,436	301,864,786	55,227,704	107,564,392	180,974,074	485,789,004	296,549,649	33,373,068	7%
CWALT 2006-OA7	Option ARM	2006	CWALT	1,183,485,528	587,726,654	381,660,559	68,541,868	144,054,954	241,011,254	625,630,877	382,519,121	43,047,890	7%
CWALT 2006-OA8	Option ARM	2006	CWALT	609,227,239	317,838,055	198,195,437	35,232,635	73,361,761	119,294,594	318,810,068	201,051,665	22,625,928	7%
CWALT 2006-OA9	Option ARM	2006	CWALT	951,518,070	472,692,636	311,626,404	56,231,104	129,274,708	211,027,911	525,230,337	333,506,285	37,532,089	8%
CWHL 2006-3	Option ARM	2006	CWHL	1,059,018,643	355,709,248	239,924,616	37,145,789	101,525,471	190,484,572	428,704,199	242,075,051	27,242,612	8%
CWHL 2006-OA4	Option ARM	2006	CWHL	782,650,833	320,323,669	212,656,697	58,104,008	91,581,821	156,792,501	371,045,933	220,133,881	24,710,400	8%
CWHL 2006-OA5	Option ARM	2006	CWHL	1,371,496,921	593,067,096	386,619,686	55,931,758	144,877,839	244,575,599	626,092,372	392,863,741	44,212,052	7%
CWHL 2006-TM1	Option ARM	2006	CWHL	918,980,959	271,733,380	188,913,860	10,142,185	18,401,069	72,201,271	248,309,056	109,977,117	12,376,591	5%
CWALT 2007-AL1	Option ARM	2007	CWALT	240,103,386	178,187,840	136,346,935	28,151,838	44,399,920	63,949,652	203,552,996	140,726,227	15,837,031	9%
CWALT 2007-OA10	Option ARM	2007	CWALT	551,512,149	349,472,790	179,486,244	36,730,564	41,206,013	100,745,634	283,927,391	123,637,804	13,913,936	4%
CWALT 2007-OA11	Option ARM	2007	CWALT	510,583,973	426,467,666	211,269,972	46,525,980	36,461,290	55,658,083	273,716,646	176,018,770	19,808,779	5%
CWALT 2007-OA2	Option ARM	2007	CWALT	669,187,539	426,142,122	272,110,671	37,290,957	88,948,602	138,816,421	406,090,599	257,331,334	28,959,522	7%
CWALT 2007-OA3	Option ARM	2007	CWALT	1,141,854,205	693,053,539	425,141,834	58,622,748	128,186,362	211,669,390	629,470,690	378,867,142	42,636,904	6%
CWALT 2007-OA4	Option ARM	2007	CWALT	726,513,395	454,498,870	262,731,299	49,884,178	83,313,862	133,701,644	400,090,887	259,130,762	29,162,026	6%
CWALT 2007-OA6	Option ARM	2007	CWALT	557,008,036	373,376,900	219,634,469	36,359,617	58,588,585	98,447,019	317,933,812	185,890,925	20,919,716	6%
CWALT 2007-OA7	Option ARM	2007	CWALT	778,020,608	468,317,865	261,477,595	56,867,317	105,881,839	175,349,137	444,799,362	272,940,979	30,716,198	7%
CWALT 2007-OA8	Option ARM	2007	CWALT	667,517,717	447,885,304	266,583,581	44,852,928	78,364,495	119,625,224	386,462,235	267,818,772	30,139,756	7%
CWALT 2007-OA9	Option ARM	2007	CWALT	399,510,669	242,601,869	123,152,588	33,952,090	57,183,100	88,453,799	219,662,382	141,156,593	15,885,463	7%
CWALT 2007-OH1	Option ARM	2007	CWALT	505,259,297	363,744,271	201,910,514	45,678,963	51,245,894	86,010,638	295,137,479	180,904,535	20,358,612	6%
CWALT 2007-OH2	Option ARM	2007	CWALT	1,001,639,646	720,329,048	370,349,223	61,309,110	85,022,530	143,462,792	513,562,560	288,577,402	32,475,888	5%
CWALT 2007-OH3	Option ARM	2007	CWALT	586,454,244	417,417,816	221,691,029	41,147,760	49,610,548	88,384,623	312,595,205	190,863,215	21,499,631	5%
CWALT 2004-10CB	Ait A	2004	CWALT	323,540,123	83,241,395	17,736,419	7,091,363	4,430,374	13,761,937	33,979,532	13,326,116	1,499,693	2%
CWALT 2004-12CB	Ait A	2004	CWALT	485,598,501	151,373,652	10,255,336	8,895,044	2,550,665	7,790,326	22,357,155	6,920,713	778,842	1%
CWALT 2004-13CB	Ait A	2004	CWALT	298,644,861	111,237,858	8,296,721	8,030,856	1,260,221	5,762,043	18,047,606	5,560,168	625,730	1%
CWALT 2004-14T2	Ait A	2004	CWALT	400,845,284	120,631,495	28,550,822	10,807,380	1,938,431	12,836,741	45,016,909	8,374,465	942,444	1%
CWALT 2004-15	Ait A	2004	CWALT	298,862,361	54,972,646	15,860,076	4,960,735	4,545,432	16,674,847	33,925,356	9,893,090	1,113,347	2%
CWALT 2004-16CB	Ait A	2004	CWALT	1,019,114,135	319,178,246	36,710,743	25,426,375	5,225,217	19,010,942	67,306,435	26,958,190	3,033,817	1%
CWALT 2004-17CB	Ait A	2004	CWALT	1,278,401,321	237,092,418	63,225,936	19,344,179	25,665,695	62,754,890	131,264,740	57,180,226	6,434,941	3%
CWALT 2004-18CB	Ait A	2004	CWALT	1,219,505,981	343,244,654	52,042,417	30,663,211	8,339,008	27,161,394	92,397,496	50,090,113	5,637,035	2%
CWALT 2004-20T1	Ait A	2004	CWALT	300,171,120	83,984,636	12,464,617	7,984,827	1,583,776	6,020,799	22,029,850	7,827,306	880,868	1%
CWALT 2004-22CB	Ait A	2004	CWALT	1,202,355,193	327,587,439	56,303,711	30,703,253	9,101,251	30,161,367	99,256,659	40,194,133	4,523,362	1%
CWALT 2004-24CB	Ait A	2004	CWALT	1,451,920,600	408,519,869	60,667,632	40,312,750	17,246,652	48,456,365	127,244,884	56,640,911	6,374,248	2%
CWALT 2004-25CB	Ait A	2004	CWALT	300,078,884	94,353,039	18,751,198	6,819,233	3,920,724	10,901,930	31,869,548	14,823,885	1,668,249	2%
CWALT 2004-26T1	Ait A	2004	CWALT	350,585,237	96,290,434	24,818,380	9,918,226	2,311,416	9,178,646	37,466,123	14,757,906	1,660,823	2%
CWALT 2004-27CB	Ait A	2004	CWALT	400,089,351	121,851,484	22,099,313	14,725,123	5,284,460	13,084,282	41,808,738	21,944,644	2,469,604	2%
CWALT 2004-28CB	Ait A	2004	CWALT	1,145,133,573	377,552,434	54,501,687	32,585,581	14,147,001	40,320,742	108,923,609	47,076,377	5,297,876	1%
CWALT 2004-29CB	Ait A	2004	CWALT	551,199,596	209,915,647	31,093,772	14,795,529	5,961,571	16,276,050	53,137,762	21,074,873	2,371,721	1%
CWALT 2004-2CB	Ait A	2004	CWALT	1,787,459,409									

### Appendix 1 (con't.): Expected Settlement Allocation Versus Expected Losses

Bloomberg Name	Product	Vintage	Shelf	Original Total Balance	Unpaid Principal Balance (UPB)	Non-Performing Balance (60+ DQ)	Re-Performing Balance	Total Loss Amount to Date	Total Liquidation to Date	Expected Total Default - Crude Methodology	Expected Total Loss - Crude Methodology	Settlement Allocation	Percent UPB
CWALT 2004-8CB	Alt A	2004	CWALT	901,320,393	206,511,939	51,900,935	21,535,439	13,401,576	40,231,537	99,863,641	37,850,739	4,259,642	2%
CWALT 2004-9T1	Alt A	2004	CWALT	254,194,690	85,254,989	11,594,243	4,142,392	1,196,130	4,474,325	17,394,579	10,111,105	1,137,882	1%
CWALT 2004-10	Alt A	2004	CWALT	252,750,282	68,170,778	13,055,694	7,308,694	2,245,452	7,788,073	23,923,414	9,022,296	1,015,350	1%
CWALT 2004-111	Alt A	2004	CWALT	200,003,669	65,200,931	8,684,534	6,081,429	996,792	4,994,023	16,458,962	5,926,716	666,980	1%
CWALT 2004-112	Alt A	2004	CWALT	199,945,765	72,972,563	10,613,251	4,733,263	1,048,328	4,641,085	17,032,969	6,005,081	675,799	1%
CWALT 2004-113	Alt A	2004	CWALT	663,921,596	112,332,874	38,037,590	15,914,619	24,914,127	64,920,781	108,703,383	51,621,515	5,809,376	5%
CWALT 2004-12	Alt A	2004	CWALT	423,555,893	91,545,923	7,766,426	5,620,622	3,343,759	5,741,321	16,103,478	12,876,944	1,449,144	2%
CWALT 2004-13	Alt A	2004	CWALT	148,378,524	41,644,684	1,836,929	3,127,293	1,480,178	3,400,796	6,930,408	3,033,208	341,351	1%
CWALT 2004-14	Alt A	2004	CWALT	619,414,908	87,178,689	13,508,075	8,327,477	2,798,262	12,330,051	29,483,804	9,659,763	1,087,089	1%
CWALT 2004-15	Alt A	2004	CWALT	745,298,967	111,990,614	31,096,553	12,626,455	12,612,810	36,245,460	71,808,230	28,260,429	3,180,369	3%
CWALT 2004-16	Alt A	2004	CWALT	195,922,265	28,974,841	2,426,647	2,404,139	79,659	1,440,832	5,067,298	1,530,245	172,211	1%
CWALT 2004-17	Alt A	2004	CWALT	698,586,278	101,380,374	31,716,231	10,870,061	16,744,943	44,180,645	79,247,289	35,680,931	4,015,456	4%
CWALT 2004-18	Alt A	2004	CWALT	214,284,013	27,988,107	5,951,215	2,942,786	2,344,338	5,698,238	12,820,003	7,187,138	808,825	3%
CWALT 2004-19	Alt A	2004	CWALT	910,774,388	130,965,407	45,691,087	17,233,681	18,095,069	49,458,111	100,919,939	48,972,165	5,511,224	4%
CWHL 2004-HYB5	Alt A	2004	CWHL	1,130,940,860	225,148,085	49,359,129	24,605,973	17,646,922	45,287,105	104,473,905	44,872,850	5,049,895	2%
CWHL 2004-HYB6	Alt A	2004	CWHL	606,786,968	135,864,173	39,079,866	13,206,431	11,529,080	34,958,309	78,054,047	24,457,802	2,752,429	2%
CWHL 2004-HYB7	Alt A	2004	CWHL	590,069,226	147,621,692	30,734,425	8,008,267	8,008,267	22,910,709	60,828,941	23,933,924	1,709,573	2%
CWHL 2004-HYB8	Alt A	2004	CWHL	476,359,717	102,172,584	28,273,190	9,969,405	6,445,112	18,175,206	50,007,720	17,268,167	1,943,323	2%
CWHL 2004-HYB9	Alt A	2004	CWHL	719,074,663	205,021,403	41,294,095	22,199,635	12,326,479	33,023,055	83,507,522	29,996,042	3,375,611	2%
CWALT 2005-10CB	Alt A	2005	CWALT	1,144,277,011	491,860,828	66,786,483	36,724,893	12,326,849	30,670,117	112,812,891	48,469,670	5,454,674	1%
CWALT 2005-11CB	Alt A	2005	CWALT	1,157,029,706	511,334,892	79,390,628	40,780,383	13,664,732	31,521,099	127,440,894	67,379,817	7,582,782	1%
CWALT 2005-13CB	Alt A	2005	CWALT	737,223,839	337,180,338	48,673,613	25,947,582	7,466,802	17,424,804	76,799,604	31,810,470	3,579,883	1%
CWALT 2005-18CB	Alt A	2005	CWALT	749,176,140	331,655,588	48,077,627	25,997,017	7,351,801	19,078,828	77,946,903	34,431,115	3,874,805	1%
CWALT 2005-19CB	Alt A	2005	CWALT	419,105,059	188,832,486	24,176,978	15,123,617	3,313,945	9,229,312	40,062,763	16,880,663	1,899,714	1%
CWALT 2005-1CB	Alt A	2005	CWALT	1,082,242,730	407,641,178	82,198,086	37,811,573	17,149,282	38,009,856	134,675,079	70,315,154	7,913,118	2%
CWALT 2005-2	Alt A	2005	CWALT	262,853,200	40,902,298	15,780,325	7,161,771	8,237,141	25,759,325	44,258,680	13,971,941	1,572,373	4%
CWALT 2005-20CB	Alt A	2005	CWALT	1,151,873,012	521,913,891	93,296,609	46,174,325	19,503,661	42,793,035	154,464,578	82,039,725	9,232,577	2%
CWALT 2005-21CB	Alt A	2005	CWALT	731,155,178	325,539,419	59,054,073	26,885,232	10,815,184	24,324,525	93,604,330	46,840,683	5,271,351	2%
CWALT 2005-22T1	Alt A	2005	CWALT	265,018,798	122,405,917	33,736,508	8,763,902	4,820,006	18,377,755	53,998,953	11,944,246	1,344,180	1%
CWALT 2005-23CB	Alt A	2005	CWALT	724,080,284	307,949,003	40,875,737	20,406,282	8,522,849	20,303,289	69,335,222	37,451,689	4,214,734	1%
CWALT 2005-25T1	Alt A	2005	CWALT	296,028,795	137,651,102	32,009,435	18,314,288	6,070,048	15,506,025	55,303,095	21,590,095	2,429,795	2%
CWALT 2005-26CB	Alt A	2005	CWALT	500,083,725	228,418,087	39,988,302	20,722,114	8,308,260	18,845,307	67,268,047	36,393,809	4,095,682	2%
CWALT 2005-28CB	Alt A	2005	CWALT	842,676,152	361,119,416	80,720,347	32,591,483	15,761,523	32,980,507	125,183,709	63,707,187	7,169,472	2%
CWALT 2005-29CB	Alt A	2005	CWALT	277,394,296	128,562,477	24,177,011	12,679,439	5,303,690	11,349,670	40,716,644	24,098,552	2,712,000	2%
CWALT 2005-30CB	Alt A	2005	CWALT	527,226,392	242,851,389	42,417,159	22,393,010	8,696,812	18,272,499	69,883,748	38,115,224	4,289,406	2%
CWALT 2005-32T1	Alt A	2005	CWALT	360,134,570	176,649,165	51,624,849	17,434,533	8,812,561	21,983,017	78,906,100	39,551,026	4,450,989	3%
CWALT 2005-33CB	Alt A	2005	CWALT	546,126,275	270,690,286	56,712,802	16,462,502	13,019,444	27,632,182	88,551,205	48,961,667	5,510,242	2%
CWALT 2005-34CB	Alt A	2005	CWALT	421,040,789	205,559,124	35,149,940	17,481,705	6,734,089	18,497,260	60,621,229	24,847,395	2,796,273	1%
CWALT 2005-35CB	Alt A	2005	CWALT	734,076,800	374,886,876	76,314,816	34,000,843	19,061,409	37,647,211	126,731,051	71,620,875	8,060,061	2%
CWALT 2005-36	Alt A	2005	CWALT	790,018,081	307,069,558	126,043,879	42,775,077	53,732,228	107,384,134	246,488,672	116,329,270	13,091,449	4%
CWALT 2005-37T1	Alt A	2005	CWALT	349,051,850	182,292,841	47,950,283	26,594,677	6,179,688	17,380,355	76,492,416	22,139,944	2,491,582	1%
CWALT 2005-3CB	Alt A	2005	CWALT	1,392,451,306	558,795,628	78,071,713	48,024,018	15,449,657	39,506,948	138,585,900	68,952,292	7,759,745	1%
CWALT 2005-4	Alt A	2005	CWALT	369,617,330	163,997,004	34,553,462	17,185,820	5,606,102	15,367,673	56,777,282	19,271,273	2,168,748	1%
CWALT 2005-40CB	Alt A	2005	CWALT	368,132,167	188,368,280	39,203,457	16,197,326	7,809,206	17,750,593	62,752,100	36,610,171	4,120,031	2%
CWALT 2005-42CB	Alt A	2005	CWALT	420,377,899	228,856,687	47,093,178	19,620,701	10,909,073	22,398,055	76,543,535	36,898,904	4,152,524	2%
CWALT 2005-43	Alt A	2005	CWALT	453,940,550	220,538,706	54,000,311	15,920,127	19,862,340	50,080,962	108,233,318	48,938,518	5,007,437	2%
CWALT 2005-46CB	Alt A	2005	CWALT	1,157,468,059	605,567,237	111,211,981	35,527,656	17,950,944	40,350,462	161,757,839	92,009,444	10,354,548	2%
CWALT 2005-47CB	Alt A	2005	CWALT	419,427,910	215,903,189	49,708,365	17,136,013	15,246,241	31,535,542	86,554,678	42,205,618	4,749,713	2%
CWALT 2005-48T1	Alt A	2005	CWALT	400,068,866	225,165,223	60,366,146	30,356,291	13,327,429	30,428,626	102,971,331	52,500,815	5,908,330	3%
CWALT 2005-49CB	Alt A	2005	CWALT	526,063,790	267,525,512	48,378,535	18,995,115	11,361,013	24,144,609	79,082,359	41,027,398	4,617,136	2%
CWALT 2005-50CB	Alt A	2005	CWALT	446,812,682	221,584,129	48,815,449	19,823,129	15,929,988	30,629,301	86,457,083	49,984,935	5,625,198	3%
CWALT 2005-52CB	Alt A	2005	CWALT	525,095,020	265,287,339	50,687,578	21,244,379	11,924,214	26,573,687	84,939,135	41,106,938	4,626,088	2%
CWALT 2005-53T2	Alt A	2005	CWALT	336,297,440	170,366,415	61,186,171	28,898,519	9,589,611	24,644,881	97,051,546	40,000,410	4,501,561	3%
CWALT 2005-54CB	Alt A	2005	CWALT	969,223,120	522,466,695	107,472,975	42,414,586	31,837,379	63,980,031	186,154,460	101,476,804	11,419,284	2%
CWALT 2005-55CB	Alt A	2005	CWALT	628,230,186	326,857,728	58,046,210	24,275,506	15,498,701	30,401,976	97,208,869	52,910,561	5,954,442	2%
CWALT 2005-57CB	Alt A	2005	CWALT	826,210,930	451,789,360	101,713,305	26,856,191	29,186,867	56,894,078	164,549,767	87,320,939	9,826,913	2%
CWALT 2005-60T1	Alt A	2005	CWALT	426,057,092	243,855,607	66,111,929	25,368,246	13,554,539	30,346,086	105,067,769	47,926,514	5,393,548	2%
CWALT 2005-63	Alt A	2005	CWALT	731,432,921	353,789,216	138,861,014	36,018,904	58,632,586	109,807,755	256,394,010	143,652,614	16,166,360	5%
CWALT 2005-64CB	Alt A	2005	CWALT	849,942,114	436,932,038	98,352,479	39,398,775	26,801,176	51,982,149	164,138,644	99,702,898	11,220,353	3%
CWALT 2005-65CB	Alt A	2005	CWALT	989,187,694	547,649,911	105,212,067	49,675,350	23,848,243	49,222,861	173,718,932	88,586,199	9,969,303	2%
CWALT 2005-67CB	Alt A	2005	CWALT	210,936,132	121,672,917	19,969,159	9,542,585	5,497,195	12,186,922	35,884,716	19,952,849	2,245,451	2%
CWALT 2005-6CB	Alt A	2005	CWALT	1,158,557,241	477,648,989	75,145,713	37,375,704	12,318,394	31,544,494	121,601,059	52,843,848	5,946,935	1%
CWALT 2005-70CB	Alt A	2005	CWALT	497,665,809	277,485,723	50,587,129	23,564,296	12,289,345	25,000,454	84,667,448	48,686,211	5,479,043	2%
CWALT 2005-71	Alt A	2005	CWALT	173,701,854	76,224,500	33,055,399	7,565,170	13,183,029	30,526,680	64,815,641	31,013,289	3,490,170	5%
CWALT 2005-73CB	Alt A	2005	CWALT	363,872,053	191,715,413	42,657,259	13,315,441	8,519,566	17,432,444	63,81			

### Appendix 1 (con't.): Expected Settlement Allocation Versus Expected Losses

Bloomberg Name	Product	Vintage	Shelf	Original Total Balance	Unpaid Principal Balance (UPB)	Non-Performing Balance (60+ DQ)	Re-Performing Balance	Total Loss Amount to Date	Total Liquidation to Date	Expected Total Default - Crude Methodology	Expected Total Loss - Crude Methodology	Settlement Allocation	Percent UPB
CWALT 2005-9CB	Alt A	2005	CWALT	626,189,722	265,277,207	45,003,244	21,067,867	7,411,830	16,740,764	69,884,404	40,892,324	4,601,935	2%
CWALT 2005-AR1	Alt A	2005	CWALT	771,837,744	193,191,320	113,664,099	41,391,338	129,240,661	219,836,542	346,969,034	214,419,431	24,130,308	12%
CWALT 2005-J1	Alt A	2005	CWALT	892,034,727	246,002,091	34,400,816	18,481,309	5,213,917	16,116,950	58,166,469	26,238,676	2,952,845	1%
CWALT 2005-110	Alt A	2005	CWALT	514,674,571	274,734,288	58,981,740	28,488,290	13,204,590	28,845,143	99,021,682	53,205,217	5,987,602	2%
CWALT 2005-111	Alt A	2005	CWALT	615,648,095	276,360,674	63,646,826	29,389,515	14,071,907	30,262,875	105,178,727	59,021,419	6,642,145	2%
CWALT 2005-112	Alt A	2005	CWALT	612,376,166	157,913,949	73,480,914	30,370,990	77,469,811	132,634,695	216,989,573	135,674,676	15,268,540	10%
CWALT 2005-113	Alt A	2005	CWALT	252,019,033	135,639,283	27,825,916	9,952,786	5,961,519	14,424,745	45,439,741	18,057,367	2,032,138	1%
CWALT 2005-114	Alt A	2005	CWALT	511,565,971	280,800,940	64,499,758	26,470,865	17,264,449	33,649,533	107,581,834	57,927,215	6,519,006	2%
CWALT 2005-12	Alt A	2005	CWALT	641,011,747	250,917,669	46,707,164	21,878,782	7,833,376	20,590,485	75,814,202	38,758,658	4,361,817	2%
CWALT 2005-13	Alt A	2005	CWALT	515,794,949	211,002,576	38,404,263	15,555,624	5,431,375	13,764,043	57,661,254	25,185,120	2,834,280	1%
CWALT 2005-14	Alt A	2005	CWALT	677,948,085	111,674,483	37,751,378	13,853,176	24,768,435	52,254,803	94,542,949	54,370,138	6,118,700	5%
CWALT 2005-15	Alt A	2005	CWALT	316,165,779	140,703,697	26,911,372	12,869,943	4,297,340	10,933,731	42,875,932	19,629,596	2,209,073	2%
CWALT 2005-16	Alt A	2005	CWALT	199,028,152	82,912,915	13,018,170	4,993,484	1,696,834	4,235,144	18,947,587	8,905,932	1,002,255	1%
CWALT 2005-17	Alt A	2005	CWALT	252,302,291	94,814,505	20,255,085	7,878,598	2,585,629	7,487,687	30,444,423	16,359,671	1,841,083	2%
CWALT 2005-18	Alt A	2005	CWALT	199,045,070	96,470,035	17,531,024	9,307,716	1,203,683	3,688,282	25,050,832	8,039,699	904,771	1%
CWALT 2005-19	Alt A	2005	CWALT	271,107,482	102,555,048	20,499,442	7,412,554	3,726,461	10,502,221	33,399,251	16,319,828	1,836,599	2%
CWHL 2005-HY10	Alt A	2005	CWHL	1,032,546,602	469,830,636	166,285,447	55,975,676	94,133,988	185,503,271	368,734,779	194,911,318	21,934,906	5%
CWHL 2005-HY2	Alt A	2005	CWHL	472,970,468	151,989,499	43,625,282	14,083,122	13,816,350	36,636,913	84,349,540	27,653,012	3,112,011	2%
CWHL 2005-HY3	Alt A	2005	CWHL	597,281,233	208,940,624	62,289,020	18,538,846	14,304,376	39,746,908	106,930,333	41,849,581	4,709,663	2%
CWHL 2005-HY4	Alt A	2005	CWHL	809,346,321	275,338,789	87,841,230	29,533,825	42,621,301	97,835,640	194,613,042	89,074,454	10,024,250	4%
CWHL 2005-HY5	Alt A	2005	CWHL	807,438,833	356,950,267	94,564,603	27,940,366	26,044,036	64,394,540	166,266,903	65,774,257	4,020,095	2%
CWHL 2005-HY6	Alt A	2005	CWHL	1,010,789,744	448,416,901	125,288,979	43,096,805	50,127,469	113,144,640	251,762,804	109,733,280	12,349,150	3%
CWHL 2005-HY7	Alt A	2005	CWHL	1,043,549,476	420,910,473	152,115,676	48,765,223	70,158,489	160,660,553	326,823,795	149,916,845	16,871,324	4%
CWHL 2005-HY8	Alt A	2005	CWHL	608,267,102	278,780,626	90,580,946	31,622,333	25,750,671	62,696,705	163,192,957	75,998,796	8,552,743	3%
CWHL 2005-HY9	Alt A	2005	CWHL	1,145,041,031	497,972,736	151,345,841	41,627,114	75,192,724	160,869,675	322,057,201	154,174,612	17,350,484	3%
CWL 2005-1M1	Alt A	2005	CWL	874,690,922	180,059,681	89,814,106	25,136,483	85,660,137	141,257,717	237,172,303	132,041,201	14,859,637	8%
CWALT 2006-11CB	Alt A	2006	CWALT	774,360,688	352,391,586	138,177,633	42,147,299	64,861,241	116,308,328	265,956,577	160,636,120	18,077,648	5%
CWALT 2006-12CB	Alt A	2006	CWALT	632,081,515	317,342,338	107,960,670	36,190,017	40,271,298	69,126,215	188,004,828	115,164,824	12,960,405	4%
CWALT 2006-13T1	Alt A	2006	CWALT	500,325,130	229,865,297	76,462,193	35,510,013	27,882,316	66,743,292	156,865,274	66,634,768	7,498,935	3%
CWALT 2006-14CB	Alt A	2006	CWALT	525,032,687	262,866,795	79,722,832	28,312,401	30,916,883	57,600,528	146,338,518	81,497,537	9,171,560	3%
CWALT 2006-15CB	Alt A	2006	CWALT	372,014,392	182,353,484	83,185,033	22,660,923	31,908,085	54,074,738	142,537,822	83,216,673	9,365,028	5%
CWALT 2006-16CB	Alt A	2006	CWALT	315,030,526	171,878,289	55,788,522	17,773,128	16,724,190	30,948,773	91,822,320	49,595,905	5,581,418	3%
CWALT 2006-17T1	Alt A	2006	CWALT	480,210,350	231,841,344	90,799,344	29,174,377	37,204,041	76,544,028	175,768,064	84,831,578	9,546,766	4%
CWALT 2006-18CB	Alt A	2006	CWALT	1,050,351,158	548,601,270	167,477,086	62,681,191	54,197,857	95,511,611	283,849,703	161,550,570	18,180,558	3%
CWALT 2006-19CB	Alt A	2006	CWALT	1,571,568,408	820,338,084	212,118,700	84,425,875	60,681,430	108,835,178	350,397,533	191,125,102	21,508,813	3%
CWALT 2006-20CB	Alt A	2006	CWALT	559,374,239	250,736,335	100,917,973	32,860,913	52,888,837	94,001,540	204,544,263	124,741,607	14,038,156	6%
CWALT 2006-21CB	Alt A	2006	CWALT	525,628,938	271,940,496	70,775,671	27,672,480	20,865,621	37,878,767	118,180,359	63,425,465	7,137,767	3%
CWALT 2006-23CB	Alt A	2006	CWALT	998,301,147	511,581,269	174,650,074	55,647,770	63,526,560	109,015,582	299,589,310	181,682,271	20,446,137	4%
CWALT 2006-24CB	Alt A	2006	CWALT	888,369,772	464,544,049	129,009,582	40,068,767	34,972,165	63,265,283	203,415,167	116,259,098	13,083,552	3%
CWALT 2006-25CB	Alt A	2006	CWALT	523,243,678	276,451,720	72,859,202	28,451,122	16,173,947	31,155,806	113,799,772	64,933,868	7,307,522	3%
CWALT 2006-26CB	Alt A	2006	CWALT	400,166,138	194,768,354	73,560,371	24,858,235	27,645,002	48,422,444	129,622,719	74,741,161	8,411,212	4%
CWALT 2006-27CB	Alt A	2006	CWALT	313,048,427	153,284,327	36,628,621	16,963,076	10,735,148	20,102,271	63,245,876	35,758,438	4,024,179	3%
CWALT 2006-28CB	Alt A	2006	CWALT	524,045,896	270,389,873	78,384,346	37,559,090	28,117,857	47,818,838	140,900,204	85,828,304	9,658,935	4%
CWALT 2006-29T1	Alt A	2006	CWALT	794,511,072	381,296,326	149,454,971	52,314,954	56,329,603	114,974,247	280,872,693	142,596,795	16,047,541	4%
CWALT 2006-2CB	Alt A	2006	CWALT	888,889,919	464,737,995	164,339,633	56,475,720	65,388,109	121,922,826	303,713,928	170,826,948	19,224,502	4%
CWALT 2006-30T1	Alt A	2006	CWALT	474,963,208	248,947,472	86,435,347	32,812,635	32,829,253	68,099,468	165,578,861	85,468,125	9,618,410	4%
CWALT 2006-31CB	Alt A	2006	CWALT	873,592,351	474,109,610	145,512,022	50,439,533	37,433,902	68,124,408	229,348,947	127,719,644	14,373,298	3%
CWALT 2006-32CB	Alt A	2006	CWALT	525,712,585	337,025,113	91,687,595	40,263,073	21,358,034	37,872,712	144,549,391	77,896,674	8,766,326	3%
CWALT 2006-33CB	Alt A	2006	CWALT	624,936,801	367,560,424	118,648,551	45,407,544	27,323,727	49,800,810	183,829,032	97,018,403	10,918,245	3%
CWALT 2006-34	Alt A	2006	CWALT	203,062,613	128,544,713	36,194,895	23,228,576	12,873,392	22,131,908	68,704,459	38,954,020	4,383,803	3%
CWALT 2006-35CB	Alt A	2006	CWALT	625,433,807	361,652,019	106,687,102	40,767,326	31,621,708	57,714,802	178,193,590	97,885,041	11,015,775	3%
CWALT 2006-36T2	Alt A	2006	CWALT	746,147,776	442,031,490	160,077,883	65,714,619	43,794,282	90,908,152	274,407,018	133,708,726	15,047,296	3%
CWALT 2006-39CB	Alt A	2006	CWALT	818,244,036	471,484,531	154,107,144	61,342,488	56,898,629	95,197,574	270,699,496	167,464,840	18,846,138	4%
CWALT 2006-40T1	Alt A	2006	CWALT	600,159,359	318,518,705	126,325,833	41,408,914	44,468,383	88,900,145	227,438,743	120,664,612	13,579,339	4%
CWALT 2006-41CB	Alt A	2006	CWALT	1,146,208,681	694,101,927	195,240,902	85,748,151	46,267,602	85,761,057	312,926,759	173,480,395	19,523,115	3%
CWALT 2006-42	Alt A	2006	CWALT	250,078,851	160,511,823	53,227,233	22,209,375	18,214,321	27,903,995	89,134,129	58,013,908	6,528,762	4%
CWALT 2006-43CB	Alt A	2006	CWALT	885,442,683	495,631,256	147,522,058	65,794,483	56,968,417	98,148,836	270,395,378	162,038,808	18,235,504	4%
CWALT 2006-45T1	Alt A	2006	CWALT	1,126,721,066	643,940,554	230,434,971	94,534,276	87,505,634	166,348,968	430,461,008	238,049,497	26,789,585	4%
CWALT 2006-46	Alt A	2006	CWALT	300,060,840	210,793,504	66,188,249	34,765,159	14,862,461	24,407,020	104,835,540	55,076,721	6,198,217	3%
CWALT 2006-4CB	Alt A	2006	CWALT	691,497,173	354,199,316	97,843,905	31,459,551	22,748,849	46,895,769	153,831,014	86,909,997	9,780,667	3%
CWALT 2006-5T2	Alt A	2006	CWALT	375,653,078	182,725,189	68,775,729	20,747,206	16,865,860	36,613,011	110,959,491	59,243,354	6,667,121	4%
CWALT 2006-6CB	Alt A	2006	CWALT	2,185,653,733	1,202,470,794	328,324,026	129,933,237	92,677,818	178,177,796	551,629,361	298,076,179	33,544,861	3%
CWALT 2006-7CB	Alt A	2006	CWALT	557,255,542	264,767,732	100,605,309	33,019,922	37,487,658	66,573,901	176,930,632	103,701,696	11,670,369	4%
CWALT 2006-8T1	Alt A	2006	CWALT	360,113,105	195,012,090	69,950,048	18,009,417	17,917,769	39,848,518	113,609,211	58,486		

Appendix 1 (con't.): Expected Settlement Allocation Versus Expected Losses

Bloomberg Name	Product	Vintage	Shelf	Original Total Balance	Unpaid Principal Balance (UPB)	Non-Performing Balance (60+ DQ)	Re-Performing Balance	Total Loss Amount to Date	Total Liquidation to Date	Expected Total Default - Crude Methodology	Expected Total Loss - Crude Methodology	Settlement Allocation	Percent UPB
CWALT 2006-J6	Alt A	2006	CWALT	187,270,444	97,176,126	25,149,835	10,257,851	8,436,999	15,036,942	43,826,504	27,150,214	3,055,427	3%
CWALT 2006-J8	Alt A	2006	CWALT	469,679,003	266,240,782	116,688,660	43,036,813	37,057,736	73,324,528	204,166,410	105,095,514	11,827,226	4%
CWALT 2006-OC1	Alt A	2006	CWALT	1,202,152,073	395,290,180	193,265,539	63,369,648	186,083,768	314,827,942	526,788,716	340,815,133	38,354,612	10%
CWALT 2006-OC10	Alt A	2006	CWALT	809,340,483	398,202,299	229,419,388	74,787,163	158,621,742	241,296,147	492,645,894	349,647,550	39,348,593	10%
CWALT 2006-OC11	Alt A	2006	CWALT	1,093,976,504	551,271,179	341,298,184	86,840,800	212,615,887	352,703,504	711,976,350	449,735,965	50,612,331	9%
CWALT 2006-OC2	Alt A	2006	CWALT	839,342,806	211,891,652	126,415,276	44,725,383	155,556,158	258,197,158	398,806,136	263,825,072	29,690,314	14%
CWALT 2006-OC3	Alt A	2006	CWALT	676,064,013	233,838,470	124,243,593	39,971,112	113,184,029	186,277,277	322,079,178	213,677,436	24,046,805	10%
CWALT 2006-OC4	Alt A	2006	CWALT	574,674,067	190,114,056	109,855,149	30,017,739	113,903,970	185,909,262	302,789,540	195,720,164	23,528,932	12%
CWALT 2006-OC5	Alt A	2006	CWALT	793,122,403	295,110,096	162,942,197	43,447,905	141,939,282	230,552,480	403,269,200	264,568,153	29,773,938	10%
CWALT 2006-OC6	Alt A	2006	CWALT	627,619,208	245,615,099	140,873,877	46,741,187	134,578,086	208,483,697	363,314,898	244,508,239	27,516,438	11%
CWALT 2006-OC7	Alt A	2006	CWALT	585,457,408	223,191,962	128,223,761	48,204,157	105,674,755	161,516,591	305,840,471	200,928,515	22,612,069	10%
CWALT 2006-OC8	Alt A	2006	CWALT	1,749,135,636	774,455,014	438,157,611	127,834,096	309,797,641	487,151,852	958,194,159	634,816,833	71,440,939	9%
CWALT 2006-OC9	Alt A	2006	CWALT	550,921,507	263,749,850	146,411,355	36,201,608	97,026,495	164,072,991	317,564,175	209,075,060	23,528,864	9%
CWHL 2006-HYB1	Alt A	2006	CWHL	1,175,310,967	517,227,750	202,103,812	49,016,203	117,867,998	221,806,938	433,110,991	244,649,889	27,532,379	5%
CWHL 2006-HYB2	Alt A	2006	CWHL	666,639,030	292,303,860	103,846,652	25,180,931	52,702,930	109,389,046	217,959,592	109,159,613	12,284,591	4%
CWHL 2006-HYB3	Alt A	2006	CWHL	985,873,826	459,817,775	162,909,894	39,631,076	72,556,141	147,777,845	318,175,395	156,050,941	17,561,642	4%
CWHL 2006-HYB4	Alt A	2006	CWHL	453,131,734	185,925,119	87,427,722	26,235,909	57,022,770	113,785,272	208,211,767	108,957,342	12,261,828	7%
CWHL 2006-HYB5	Alt A	2006	CWHL	535,785,794	237,610,420	104,603,564	23,538,358	53,369,815	108,101,380	216,369,402	116,165,268	13,747,938	6%
CWL 2006-IM1	Alt A	2006	CWL	693,227,225	155,414,432	103,163,974	28,848,009	107,119,943	193,060,680	303,217,062	178,721,591	20,112,949	13%
CWALT 2007-10CB	Alt A	2007	CWALT	750,818,050	459,177,820	123,569,472	52,914,026	36,274,510	59,356,853	202,317,794	123,480,684	13,896,254	3%
CWALT 2007-11T1	Alt A	2007	CWALT	591,523,747	400,276,583	143,271,978	47,396,702	30,091,782	64,098,351	221,481,152	113,504,667	12,773,574	3%
CWALT 2007-12T1	Alt A	2007	CWALT	864,743,536	566,947,806	193,093,334	68,466,066	68,494,090	140,494,629	355,358,270	175,925,910	19,798,329	3%
CWALT 2007-13	Alt A	2007	CWALT	209,985,967	157,650,796	48,723,368	18,663,904	7,896,912	13,256,483	68,305,857	36,522,586	4,110,174	3%
CWALT 2007-14T2	Alt A	2007	CWALT	416,978,089	274,802,862	122,613,614	35,880,087	25,981,250	51,506,517	183,386,822	99,834,220	11,235,131	4%
CWALT 2007-15CB	Alt A	2007	CWALT	674,959,614	426,777,060	101,399,412	42,656,864	20,104,431	39,829,919	156,683,508	79,699,762	8,969,242	2%
CWALT 2007-16CB	Alt A	2007	CWALT	1,628,362,688	1,042,252,292	295,137,479	110,743,478	66,202,443	118,690,393	450,760,211	262,123,635	29,498,838	3%
CWALT 2007-17CB	Alt A	2007	CWALT	750,553,743	515,693,896	105,629,748	38,269,563	19,665,750	37,567,726	155,596,237	76,319,435	8,588,827	2%
CWALT 2007-18CB	Alt A	2007	CWALT	725,472,675	485,902,737	119,113,726	44,904,988	24,210,519	46,943,659	181,089,006	95,307,553	10,275,710	2%
CWALT 2007-19	Alt A	2007	CWALT	1,182,900,249	817,891,179	276,113,022	109,359,805	59,632,093	130,028,956	444,146,558	204,126,190	22,971,928	3%
CWALT 2007-1T1	Alt A	2007	CWALT	500,018,428	314,223,092	116,076,784	39,445,219	34,487,844	71,789,545	199,925,782	95,993,237	10,802,875	3%
CWALT 2007-20	Alt A	2007	CWALT	300,098,040	238,697,483	69,414,879	37,165,569	13,295,977	20,245,667	105,018,400	70,941,435	7,983,598	3%
CWALT 2007-21CB	Alt A	2007	CWALT	775,262,768	465,753,692	92,540,062	34,561,682	16,175,855	29,425,523	133,448,589	66,106,926	7,439,533	2%
CWALT 2007-22	Alt A	2007	CWALT	803,363,344	550,179,259	183,243,294	79,352,235	41,453,857	79,425,464	291,955,770	158,345,525	17,819,869	3%
CWALT 2007-23CB	Alt A	2007	CWALT	1,038,468,249	635,745,746	186,016,555	66,069,760	43,492,596	75,192,772	282,249,528	169,797,216	19,108,618	3%
CWALT 2007-24	Alt A	2007	CWALT	549,057,841	286,329,295	138,987,815	44,627,092	76,327,968	137,700,530	289,565,819	170,484,447	19,185,958	7%
CWALT 2007-25	Alt A	2007	CWALT	672,520,830	414,361,356	144,581,004	50,952,487	38,601,602	68,527,636	229,222,032	122,162,687	13,747,930	3%
CWALT 2007-2CB	Alt A	2007	CWALT	1,028,371,959	679,379,131	183,769,290	71,627,338	41,545,779	78,465,052	286,833,816	149,897,536	16,869,151	2%
CWALT 2007-3T1	Alt A	2007	CWALT	803,457,251	495,091,050	177,991,628	49,165,936	54,631,151	107,613,754	297,305,781	164,652,527	18,529,646	4%
CWALT 2007-4CB	Alt A	2007	CWALT	585,067,559	365,657,435	92,686,653	42,486,951	28,927,689	50,522,982	159,433,140	95,362,886	10,731,937	3%
CWALT 2007-5CB	Alt A	2007	CWALT	1,578,676,940	997,539,441	315,898,834	120,314,251	90,025,896	157,682,331	514,179,832	311,054,346	35,005,396	4%
CWALT 2007-6	Alt A	2007	CWALT	371,084,420	271,906,533	81,917,672	35,527,313	18,767,173	33,510,102	128,552,395	74,842,126	8,422,574	3%
CWALT 2007-7T2	Alt A	2007	CWALT	371,399,550	255,832,027	107,571,491	40,937,603	19,312,089	34,806,923	156,183,827	92,138,232	10,369,041	4%
CWALT 2007-8CB	Alt A	2007	CWALT	750,959,112	460,552,746	124,145,798	43,066,909	29,786,602	51,323,203	188,894,567	117,832,275	13,260,594	3%
CWALT 2007-9T1	Alt A	2007	CWALT	845,285,460	515,520,297	203,038,003	57,293,714	62,436,237	121,523,820	338,634,251	168,820,348	18,998,684	4%
CWALT 2007-HY2	Alt A	2007	CWALT	518,846,976	293,644,517	123,870,978	35,190,489	72,763,449	120,295,816	252,893,990	154,974,316	17,440,481	6%
CWALT 2007-HY3	Alt A	2007	CWALT	997,931,355	588,709,464	201,537,167	74,427,999	60,003,813	141,957,827	367,998,076	157,201,120	17,691,080	3%
CWALT 2007-HY4	Alt A	2007	CWALT	1,461,723,285	872,354,636	329,095,419	115,549,382	144,327,723	295,505,296	661,020,802	341,706,096	38,454,879	4%
CWALT 2007-HY6	Alt A	2007	CWALT	872,879,489	510,476,081	238,486,343	74,207,491	113,290,132	213,670,493	472,832,696	263,604,210	29,665,458	6%
CWALT 2007-HY7C	Alt A	2007	CWALT	1,029,635,973	671,377,671	278,374,957	67,245,735	112,292,028	178,188,138	469,073,040	313,002,611	35,224,649	5%
CWALT 2007-HY8C	Alt A	2007	CWALT	458,547,600	302,786,428	111,017,740	37,808,014	40,289,157	63,327,917	185,928,691	121,205,668	13,640,229	5%
CWALT 2007-HY9	Alt A	2007	CWALT	581,019,367	364,567,249	169,376,755	52,162,114	65,309,463	122,564,686	306,301,033	159,015,000	17,895,211	5%
CWALT 2007-J1	Alt A	2007	CWALT	591,894,847	365,367,243	148,677,803	45,911,806	48,059,705	88,570,898	249,928,004	146,487,540	16,485,397	5%
CWALT 2007-J2	Alt A	2007	CWALT	274,594,486	167,203,187	67,101,712	14,657,014	29,549,815	53,917,265	123,103,014	72,444,980	8,152,804	5%
CWHL 2007-HY1	Alt A	2007	CWHL	396,636,209	228,440,768	66,287,154	11,282,646	17,572,270	41,034,049	107,462,075	49,457,722	5,565,867	2%
CWHL 2007-HY3	Alt A	2007	CWHL	584,802,080	359,967,103	80,169,895	29,202,007	20,163,088	48,484,344	138,158,454	57,826,214	6,507,639	2%
CWHL 2007-HY4	Alt A	2007	CWHL	622,381,218	356,874,763	93,824,850	36,560,216	29,738,918	70,231,240	176,609,735	74,417,885	8,374,831	2%
CWHL 2007-HY5	Alt A	2007	CWHL	364,386,782	220,400,179	59,246,560	17,788,581	16,835,189	35,382,414	99,377,467	36,033,705	4,055,157	2%
CWHL 2007-HY6	Alt A	2007	CWHL	1,224,260,372	756,935,347	233,234,269	78,803,792	67,849,274	141,663,211	398,856,329	193,873,901	21,818,157	3%
CWHL 2007-HY7	Alt A	2007	CWHL	563,765,081	332,775,478	114,054,091	28,977,763	38,535,937	68,608,036	188,643,376	109,356,787	12,306,781	4%
CWHL 2007-HYB1	Alt A	2007	CWHL	637,856,271	346,339,687	155,011,599	44,637,716	80,866,869	150,473,394	316,766,462	177,316,849	19,954,862	6%
CWHL 2007-HYB2	Alt A	2007	CWHL	634,647,182	368,743,704	163,334,468	45,401,221	75,542,646	141,337,239	315,578,992	167,800,776	18,894,072	5%
CWHL 2007-J1	Alt A	2007	CWHL	314,639,926	174,575,171	55,642,981	14,874,327	19,014,190	38,445,344	97,448,623	52,056,026	5,858,275	3%

Source: CoreLogic, Amherst Securities as of May 2011

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## Appendix 2: Countrywide Deals Not In Settlement

Bloomberg Name	Original Loan Amount (\$)	Unpaid Balance (\$)	Second Lien Deal? (Y/N)
CWHL 2004-1	250,237,740.20	47,441,378.51	N
CWHL 2004-J1	167,742,691.00	29,559,308.21	N
CWHL 2005-19	400,655,824.60	206,753,965.19	N
CWALT 2004-1T1	252,775,646.63	45,377,474.33	N
CWL 2004-BC1	1,045,179,192.72	86,609,248.92	N
CWALT 2004-J1	317,502,113.70	22,135,366.55	N
CWHL 2005-4	1,193,984,611.40	218,149,388.67	N
CWL 2006-S2	1,050,592,052.47	301,322,476.45	Y
CWL 2006-S1	862,907,855.06	249,341,229.44	Y
CWL 2006-S6	1,101,793,741.58	366,470,878.74	Y
CWL 2006-S5	901,443,219.65	281,854,792.13	Y
CWL 2006-S8	1,001,500,455.86	358,590,570.92	Y
CWL 2006-S10	1,603,575,960.47	592,948,719.47	Y
CWL 2006-S9	1,002,200,193.68	357,562,232.09	Y
CWL 2007-S1	1,601,907,205.91	589,190,292.68	Y
CWL 2007-S2	1,001,413,328.22	399,339,770.81	Y
CWL 2007-S3	700,211,910.32	286,782,914.48	Y
CWL 2006-S3	1,002,136,649.58	305,632,209.26	Y
CWL 2006-S4	1,002,633,048.28	316,619,851.12	Y
CWL 2006-S7	1,001,379,299.37	357,310,666.42	Y

Source: CoreLogic, Amherst Securities as of May 2011

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# EXHIBIT 2



## Q1 2012 Earnings Call

### Company Participants

- Greg Diamond
- Joseph W. Brown
- C. Edward Chaplin

### Other Participants

- Arun N. Kumar

## MANAGEMENT DISCUSSION SECTION

### Operator

Good morning, and welcome to the MBIA Incorporated First Quarter 2012 Financial Results Conference Call. At this time, all lines are in a listen-only mode to prevent any background noise. After the prepared remarks from the company, there will be a question-and-answer session. [Operator Instructions]

I would now like to turn the call over to Greg Diamond, Managing Director of Investor Relations at MBIA. Please go ahead.

### Greg Diamond

Thank you, Jackie. Welcome to MBIA's conference call for the first quarter 2012 financial results. We're going to follow a similar format as last quarter's call. Jay Brown and Chuck Chaplin will provide some brief comments and then we'll open the call for a question-and-answer session. As usual, members of the press and representatives from institutions litigating against us, which is now only Bank of America and Société Générale will not be able to ask questions on the call.

After the market closed yesterday, we posted several other items on our website, including our first quarter 2012 10-Q and operating supplement. In addition, the information to access the recorded replay of today's call is available on the website via the financial results press release that was issued yesterday. The purpose of our call today is to discuss our most recent 10-Q to facilitate a greater understanding for investors.

Our company's definitive disclosures are incorporated in our SEC filings. The 10-Q also contains information that may not be addressed on today's call. Please note that anything said on today's call is qualified by the information provided in the company's 10-Q, 10-Ks and other SEC filings. Please read our first quarter 10-Q, as it contains our most current disclosures about the company and its financial and operating results. Also, please refer to our financial results release available on the website for definitions and a reconciliation of the non-GAAP terms that are included in our remarks today.

Now, I will read our Safe Harbor disclosure statement. Our remarks on this conference call may contain forward-looking statements. Important factors such as general market conditions and the competitive environment could cause actual results to differ materially from those projected in our forward-looking statements. Risk factors are detailed in our 10-K, which is available on our website at [mbia.com](http://mbia.com). The company cautions not to place undue reliance on any such forward-looking statements. The company also undertakes no obligation to publicly correct or

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Pg 3 of 9 Market Cap: 1,827.78

Bloomberg Estimates - EPS

Company Ticker: MBI US

Current PX: 9.43

Current Quarter: 0.110

Date: 2012-05-11

YTD Change(\$): -2.16

Current Year: 0.480

Event Description: Q1 2012 Earnings Call

YTD Change(%): -18.637

Bloomberg Estimates - Sales

Current Quarter: 133.000

Current Year: 509.000

update any forward-looking statement, if it later becomes aware that such statement is no longer accurate.

And now, Jay will provide some introductory comments. Jay.

## Joseph W. Brown

Thanks, Greg, and good morning, everyone. Chuck is going to take you through our first quarter results in more detail in a few minutes, but in short our significant actions to bolster liquidity and mitigate volatility resulted in a disappointing adjusted pre-tax loss for the quarter. It was driven by realized investment losses, some additional losses on insured exposures, and litigation costs and expenses; all items that have been impacting our results for the past few years.

But looking forward, I firmly believe that potential future volatility has been substantially reduced by a combination of the massive reduction in our insured CDS exposures over the past two years, the near-term prospect for collections of put-back recoverables, the continuing, albeit slow, run-out losses in our second lien RMBS exposures, and the impact of a gradually improving economy.

We've continued to make substantial progress in our risk reduction efforts at MBIA Insurance Corporation. So far this year, we have commuted or agreed to commute \$11.5 billion of CDS exposures. These agreements were primarily in our insured CMBS and CRE/CDO portfolio. And since 2008, we have commuted or agreed to commute over \$67 billion of exposure, dramatically reducing potential future volatility and rating agency capital requirements. However, there's still some work to be done here on a handful of transactions, with a few remaining counterparties.

At the same time, our efforts continue unabated to force a handful of mortgage originators to honor their contractual obligations to repurchase ineligible loans from insured securitizations. Given the magnitude of losses MBIA has sustained as a result of their fraud, collecting these recoverables is among our highest priorities.

On this front, we are pleased that our litigation against Bank of America continues to progress positively. In addition to the January loss causation rule that was discussed in our last call, in February, we submitted our expert reports, which support in great detail the validity of our claims. And in April, the Appellate Division denied Bank of America's motion to again delay our successor liability claims, while the Supreme Court cleared the way for [ph] the process (5:53) to be completed. If the matter is not settled in the interim, we expect that it will come to trial in early 2013. Our put-back claims against Bank of America are by far the most significant work for MBIA, with the next largest claims against Ally Financial subsidiaries RFC and GMAC mortgage.

Those cases are proceeding also through the discovery process and expert reports were filed in the RFC case last month. We're well aware of the increasing likelihood that ResCap, which is owned by taxpayer-owned Ally Bank and which is the parent of RFC and GMAC, could file a bankruptcy petition. And we also know that ResCap did not make a debt service payment a few weeks ago. While this is not a good turn of events, we don't consider this to be new news.

We continuously assess the risks associated with potential financial distress and reflect changes to those risks in the credit valuation of the put-back recoverables on our balance sheet as we get new information. Obviously, as new information becomes available about the company's financial condition, including the impact of any bankruptcy, we will consider it in future evaluations of those recoverables.

While it's been a long time coming, we are finally nearing the end of the Article 78 process. The hearing is set to begin in next week and we anticipate that we will have the judge's decision before long. We are and have always been confident that the New York State Insurance Department's approval of our transformation was proper and will be upheld. So we have little doubt about the outcome.

National has a strong, stable and diversified insurance portfolio of approximately 9,000 credits and remains the largest bond insurer dedicated solely to U.S. Public Finance. With the litigation soon to be behind it, we are looking forward to National reentering by new business market in the near future. In our view, the market for bond insurance among smaller, less frequent investment grade issuers is still robust and represents a good business opportunity for well

final

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capitalized and managed business platforms focused on that market.

Now, I'll hand it over to Chuck for a review of our financial results.

### C. Edward Chaplin

Great. Thanks, Jay, and good morning. I'll provide a brief summary of our financial results and balance sheet positions and then we'll throw it open for your questions. First, our GAAP net income for the quarter was \$10 million, compared to a net loss of \$1.3 billion in the first quarter last year.

In the first quarter of 2012, there was a \$303 million pre-tax unrealized gain on insured credit derivatives. This is attributable to early settlements of transactions for prices lower than the year-end 2011 marks to market and higher prices for underlying collateral on remaining transactions, partially offset by the impact of an improved perception of MBIA Corp.'s credit risk. This unrealized gain was offset by loss and loss adjustment expense, operating expenses and realized investment losses.

In contrast, the first quarter 2011's loss was driven almost entirely by improved perception of MBIA credit risk, which contributed a \$1.4 billion pre-tax unrealized loss.

As always, we think it's important to also consider financial results where all similar insurance contracts are accounted for similarly. In this regard, we measure performance using two non-GAAP measures, adjusted book value and adjusted pre-tax income. In the first quarter both measures were primarily adversely affected by three items: one, insured losses in MBIA Corp.; two, realized losses and investment impairments in the ALM portfolio at MBIA Inc.; and, three, litigation costs.

Adjusted book value or ABV fell from \$34.50 per share at year-end 2011 to \$32 per share at March 31, 2012. Adjusted pre-tax loss was \$548 million in the first quarter, compared to adjusted pre-tax income of \$25 million in the first quarter 2011. Virtually all of the variances are associated with actions that we are taking to reduce liquidity risk, potential volatility of incurred loss, and litigation costs.

I'll talk about the segments' results on an adjusted pre-tax income basis and also make some comments about the significant actions that we've taken and the balance sheet positions of the major entities: National, MBIA Corp. and MBIA Inc., along the way.

The Public Finance segment's pre-tax income was \$55 million in the quarter. Refunded premium was somewhat higher than last year, but then operating expense and incurred losses were significantly higher. The operating expense variance was driven by substantially higher litigation expenses. Statutory capital in National Public Finance Guarantee Corp. stood at \$2.9 billion up from \$2.8 billion at year-end 2011.

National's investment portfolio of \$5.3 billion included the secured loan to MBIA Corp. of \$1.1 billion as of March 31. Subsequent to the end of the quarter, the loan was increased to approximately \$1.6 billion. This loan is well secured, as MBIA has pledged its put-back and excess spread recoverables on insured second lien transactions and its future installment premiums as collateral.

The Structured Finance and International segments' adjusted pre-tax loss was \$446 million versus a loss of \$20 million in the first quarter 2011. Premiums and fees were \$92 million versus \$131 million in the first quarter last year, largely reflecting the reduction of the insured portfolio from maturities, amortizations and commutations.

Net investment income declined from \$48 million to \$22 million. Asset balances continued to be adversely affected by the defaults of mortgage originators on their obligations to repurchase ineligible mortgages from securitizations that we insure, as well as commutations and claims payments.

Insured portfolio economic losses were \$402 million in the first quarter, compared to \$147 million in the first quarter last year. Losses for second lien RMBS of \$133 million were affected by an expectation of increased future net payments, partially offset by expected put-back recoveries, as well as by a significant increase in reserves for future

final

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litigation costs.

The aggregate put-back recoverable on the statutory balance sheet totaled \$3.2 billion as of March 31, 2012. On ABS CDOs, we had a small reduction in expected economic losses, due to commutations at prices below the impairment amounts. There are a small handful of these transactions remaining and we believe that changes in incurred loss in the future are likely to be due to commutation activity and changes in interest rates.

Incurred losses for commercial real estate transactions this quarter were \$296 million. About \$60 million of that incurred loss on CMBS was driven by deterioration in the small number of remaining transactions. The balance reflects cost of commutations executed or agreed to that were in excess of the year-end 2011 reserve levels.

In aggregate, we've commuted or agreed to commute \$11.5 billion of exposure since January 1. The majority of the cost of these agreements was funded through proceeds of the secured loan from National. These early settlements substantially reduce the potential future volatility of reserves.

Operating and interest expenses were also higher than last year, driven by litigation expenses and accrued interest on the intercompany secured loan from National. The segment also had invested asset impairments of \$39 million, as we decided to offer a single investment asset for sale and we're now carrying it at the lower of cost or market.

MBIA Corp.'s statutory capital as of March 31, 2012 was \$1.9 billion. It had an invested asset portfolio of \$1.3 billion, with liquid assets being \$329 million, down from \$534 million at year-end 2011. Cash payments in the quarter included claim payments on second lien RMBS, surplus note interest, and litigation costs and commutations.

The trend toward lower payment each quarter on second lien RMBS, in place since the middle of 2009, was interrupted this quarter, but we believe that this is a matter of accelerated charge-offs of loans in the pipeline already, so it effect timing and not the ultimate amount. As the flow of new delinquencies continues to fall, we expect that net payments will resume their decline and ultimately we expect that there will be net inflows from the wrapped RMBS securitizations, from excess spread on performing loans within the deals. To-date, excess spread recollections have offset approximately \$1.6 billion of claims payment.

Since quarter end, MBIA Corp. received \$300 million in principal payments on the secured loan to the ALM portfolio at MBIA, Inc. The balance of that loan originally \$2 billion is now zero. However, the loan facility has been extended for an additional year to May 2013, with a maximum outstanding amount of \$450 million. Additional draws, if they are necessary, will require the prior approval of the Department of Financial Services. This facility can help us to manage potential stress liquidity needs.

MBIA Corp.'s statutory balance sheet features a \$2.1 billion negative loss reserve balance. Now this is made up of \$1.1 billion of expected present value of loss payments, net of excess spread recoveries, and \$3.2 billion of expected recoveries related to ineligible mortgage repurchases.

The unpaid repurchase obligations has resulted in higher short-term liquidity risk within the insurance company, as we are on the one hand making payments on ensured RMBS, and on the other, the parties contractually bound to reimburse us have defaulted on their obligations.

As these expected recoverables are collected, they will be used first to repay the secured loan from National and then to rebuild a strong stable balance sheet within MBIA Corp. The recoverable on our balance sheet reflects discounts from our contract claims, which total \$4.8 billion. The discounts generally reflect the risks of delay, financial distress and litigation. As Jay mentioned, we'll be monitoring events at ResCap, and as we get more information assess their impacts on the carrying value of our expected recoveries from RFC and GMAC mortgage.

Moving on from the Structured Finance segment, the Advisory segment had a small loss of \$4 million in the quarter. We have repositioned the sales and marketing team in Cutwater, focusing on higher margin invested products where Cutwater's track record provides an advantage and our operating loss reflects these marketing related expenses.

The corporate segment had a loss of \$10 million in the first quarter, compared to income of \$5 million in last year's first quarter. The variance was associated with a smaller positive mark to market on warrants we issued in conjunction with

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Company Name: MBIA

Market Cap: 1,827.78

Bloomberg Estimates - EPS

Company Ticker: MBI US

Current PX: 9.43

Current Quarter: 0.110

Date: 2012-05-11

YTD Change(\$): -2.16

Current Year: 0.480

Event Description: Q1 2012 Earnings Call

YTD Change(%): -18.637

Bloomberg Estimates - Sales

Current Quarter: 133.000

Current Year: 509.000

our capital raise in 2007 and 2008 and unrealized losses on asset sales in the first quarter of 2012. In our wind down operations, we are playing some aggressive defense. We took advantage of the global bond market rally early in the year and sold assets where we didn't expect full value recovery in the near-term.

While the sales have been on average above year-end 2011 prices, we have crystallized about \$126 million in previously unrealized losses. This is the primary driver behind the \$147 million pre-tax loss in the first quarter for wind down operations. The purpose of the sales is to reduce our exposure to further collateral calls, due to reductions in asset values associated with credit spread widening. The cost of holding cash, instead of these invested assets, will increase our run rate loss in wind down until the liabilities mature or are otherwise settled.

From a liquidity standpoint, the ALM portfolio and corporate activities are both conducted within MBIA, Inc. The liquidity position of ALM at March 31, 2012 was \$231 million and the corporate activities had approximately \$251 million. So MBIA, Inc. had \$482 million of liquidity. After the quarter closed, ALM's secured loan from MBIA Corp. was repaid, reducing the MBIA, Inc.'s liquidity position by the difference between cost and market value of the collateral assets or roughly \$120 million. The combination of that with negative run rate cash flows is expected to result in a reduction in the overall liquidity position of MBIA, Inc. over the balance of the year. However, we expect to maintain sufficient liquidity in the whole co over the rest of 2012 and then to receive a release of assets from the tax escrow and dividends from operating subsidiaries in 2013.

In conclusion, the significant defensive moves to reduce liquidity risk and reserve volatility that we've taken produced a disappointing quarter from an operating earnings perspective, but we are becoming more confident that we're nearing the resolution of the impacts of the financial crisis on our company.

And now, we'd be happy to respond to any questions that you may have.

## Q&A

### Operator

[Operator Instructions] Your first question comes from the line of Arun Kumar with JPMorgan.

<Q - Arun N. Kumar>: Good morning, Chuck and Jay. Can you hear me?

<A - C. Edward Chaplin>: Yes.

<Q - Arun N. Kumar>: A couple of questions for you. One is I'm trying to do the math, looking at your cash position and change between year-end and the end of March to try to get a handle on what the percentage of those commutations that are actually paid out. And I run through some numbers with you. You started the year-end with about \$1.6 billion and you ended with \$1.3 billion, but you also – so that's a net reduction of \$300 million, but you also paid out your RMBS losses and your commutations. Could you point us in any direction as to what the potential payouts were for those commutations as a percentage of par?

<A - C. Edward Chaplin>: No. No. We don't comment on the prices of commutations.

<Q - Arun N. Kumar>: Okay. The second question I had, given that you've commuted \$4 billion in the quarter and you have another \$7 billion that you commuted since the quarter end, how has that impacted your reserving policy for future CDOs related to commercial mortgage-back and others?

<A - C. Edward Chaplin>: We have, in the past couple of quarters, we've disclosed that we had commutations where we paid somewhat more than the then-existing loss reserves. And so, we have taken that – those higher prices into account in evaluating the remaining transactions. I should note that as we think about higher prices for commutations, the probability of commutation should go up as well, so you have both things going on. And I did note that on CMBS, other than the incurred loss in the quarter related to the commutations committed or executed, we also had about a \$60 million increase in reserves for the few remaining transactions, which is where that would be reflected.

final

Bloomberg Transcript

Bloomberg

Company Name: MBIA

Pg 7 of 9 Market Cap: 1,827.78

Bloomberg Estimates - EPS

Company Ticker: MBI US

Current PX: 9.43

Current Quarter: 0.110

Date: 2012-05-11

YTD Change(\$): -2.16

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Bloomberg Estimates - Sales

Current Quarter: 133.000

Current Year: 509.000

<Q - Arun N. Kumar>: Okay.

<A - Joseph W. Brown>: I think, also if you look at it from the perspective of what's taken place over the last three-and-half years, when we started through the process of negotiating settlements, with the first 5% or 10% settlements didn't give us much information about the remaining 90%. We're probably 80% – somewhere between 80% and 90% through eliminating all of the volatile exposures and so we have a robust amount of information about what is the estimated cost to eliminate the few remaining transactions, and that was reflected during the quarter.

<Q - Arun N. Kumar>: Okay. Just turning to – I think you made some comments in your press release, if the need arises that could go back to National and get additional loans. Is there a number that the regulator is willing to let you take out of National in terms of the secured loans down the road? Because you've taken \$400 million since the quarter that brings it close to what \$1.6 billion? Clearly, National has additional resources available to it. Is there a limit that the regulators are placing on you as the amount that you could take out?

<A - C. Edward Chaplin>: All draws, any draws under that loan facility are strictly subject to the Department's approval and there are no fetters or requirements associated with it.

<Q - Arun N. Kumar>: Okay.

<A - C. Edward Chaplin>: It's in their discretion.

<Q - Arun N. Kumar>: In terms of the surplus note, clearly, I think we talked about it in the last call and previous calls, it's costing you about – costing exactly \$140 million or so, excluding the amounts that you've bought back in the market. Given that the regulator's permitting National to give money to MBIA for commutations and otherwise, is there any move to shut off the payments on the surplus notes at this point, given that other recoveries from B of A or other parties is clearly taking a fair amount of time and the same time the surplus notes are draining the resources available at the MBIA Insurance Corp.? Have there any be discussions with them on that issue?

<A - C. Edward Chaplin>: Hey, Arun, when you asked your first question I was so focused on the question that I failed to say good morning. Good morning.

<Q - Arun N. Kumar>: Good morning, Chuck.

<A - C. Edward Chaplin>: The surplus, again, the surplus note interest payments are subject to the insurance department, the Department of Financial Services prior approvals and they take each one as they come. So I don't have any information to offer about the next payment, which is July 15. I can tell you that the January 15 payment was approved by the Department and when the company thinks about liquidity management and liquidity planning, we assume that we are paying the surplus of payments because from our perspective it's a debt.

<Q - Arun N. Kumar>: Okay. But you – have you got your approval for the July payment, which is upcoming? Or is that something that you'll ask just a couple of weeks before you eventually make that payment.

<A - C. Edward Chaplin>: Yeah, generally, we request approval of the payment about 30 days out from the payment date.

<Q - Arun N. Kumar>: Okay. And last question relates to B of A, you've been fairly successful in your ability to depose I think the CEO, to question him in connection with those put-backs. Has there been any progress on that front in terms of actual depositions or other meetings that have taken place?

<A - Joseph W. Brown>: We really can't comment on either what's happening in the litigation front or any discussions we're having with counterparties.

<Q - Arun N. Kumar>: Okay, and you said that the trial date you expect sometime in early 2013. And that is based on the level of dialogue you're having with them? Or it's just your expectation that it would come to trial at that point, if you don't reach a settlement?

Company Name: MBIA

Pg 8 of 9 Market Cap: 1,827.78

Bloomberg Estimates - EPS

Company Ticker: MBI US

Current PX: 9.43

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<A - **Joseph W. Brown**>: There is – based on where we are in a trial and the schedule that's been agreed to by the two parties, the schedule would suggest that a trial should occur in early 2013. As we've, unfortunately, learned there can be delays and surprises and detours along the way and that can consume time and push it out. But our current best estimate is early 2013.

<Q - **Arun N. Kumar**>: Okay. And the connection of the put-back you said you have on your balance sheet at this point \$3.2 billion, but the amount that you could book as a recoverable could be substantially higher. I think the amount you said \$4.8 billion or even higher than that. Why wouldn't you book the addition amount of recoveries?

<A - **C. Edward Chaplin**>: Again, the \$4.8 billion is what we estimate the value of the contract claims to be and it's based on our incurred losses to date. I should note that the claim that we're actually making in the litigation is higher than that because there are interest and other costs associated with it. But \$4.8 billion would be the limit of what would be available to be booked to the balance sheet today.

But then we value that \$4.8 billion contract claim like any other receivable, trying to take into account the potential for collection to be delayed, for the counterparts to have financial distress that make them unable to pay a judgment or to pay a settlement. And the potential associated with the litigation itself, its delays and costs. So there are kind of array of, if you will, discounts that we take to the contract claim to get to the amount that's recorded to the balance sheet.

<Q - **Arun N. Kumar**>: Okay. Thank you.

## Operator

[Operator Instructions] Your next question comes from the line of [ph] Seijon Shah (30:46) with Morgan Stanley.

<Q>: Thanks for the call, gentlemen. My questions row around MBIA UK. I had a couple of questions. The first was will you be expecting any dividends from MBIA UK this year? Secondly, in the quarter, could you comment on how the equity position as booked on the core balance sheet has changed? Then have you had any claims from the UK portfolio? And finally, could you comment on your expectations for the strategy around this division? Looking at the portfolio it seems less problematic than the U.S. portfolios. Could this entity go for a standalone rating or anything like that?

<A - **C. Edward Chaplin**>: Maybe I'll take the first three or four of those and then Jay will jump in; this is Chuck. We currently are not planning for a dividend from the UK company to MBIA Corp. in the calendar 2012. We account for it on the equity method for statutory reporting and of course it's consolidated for GAAP. It contributes – MBIA UK contributes positively to net income. It contributes positively in investment income on our statutory books and, of course, it -- to pre-tax income for GAAP. So it is a positive contributor.

Its portfolio is one that is performing pretty well. And there, with respect to claims, there've been no claims by MBIA UK against the network maintenance or reinsurance agreement that it has with MBIA Corp. Over time, MBIA UK also does make claim payments to its policyholders, but there hasn't been anything of a magnitude that would come through to the parent.

And then the strategy?

<A - **Joseph W. Brown**>: Yeah. In terms of looking at MBIA UK, it had a smaller proportion of structured finance than MBIA Insurance Corp. in the United States had. Among those different transactions, there's only one transaction of any significance that's left to deal with, most of the others have either run off or been commuted away, or are scheduled to run off in the next couple of years. So we have a very different portfolio there and right now we're waiting until we get through the litigation because any rating they would achieve either on a standalone basis would be impacted the same as National's been impacted by the litigation effect that the rating agencies have assigned as a limiter on what would be a standalone rating.

So that'll be something that we'll be addressing later this year, in terms of what our actual plans for that division are. But it continues to be very profitable. It continues to have a substantial portfolio, high quality portfolio, both on the



Company Name: MBIA

Pg 9 of 9 Market Cap: 1,827.78

Bloomberg Estimates - EPS

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Current PX: 9.43

Current Quarter: 0.110

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YTD Change(\$): -2.16

Current Year: 0.480

Event Description: Q1 2012 Earnings Call

YTD Change(%): -18.637

Bloomberg Estimates - Sales

Current Quarter: 133.000

Current Year: 509.000

insured side and the invested assets side. So it is an asset for the corporation that we intend to take advantage of in the years ahead.

<Q>: Thank you. And, sorry, I just wanted to go confirm, you said there had been no claims under the reinsurance and net worth agreements. Have there been any claims actually paid out by the UK entity in the quarter?

<A - C. Edward Chaplin>: I think in the history...

<A - Joseph W. Brown>: Not in the quarter, in the history of the company there's been I think two claims...

<A - Greg Diamond>: Detailed in the annual statements that are available up on the website.

<Q>: Yeah. No. I just wanted to check for the quarter.

<A - Joseph W. Brown>: Nothing for the quarter.

<A - C. Edward Chaplin>: Yeah. For the quarter, I don't believe there were any.

<Q>: Great. Thanks very much.

## Operator

Thank you. That was our final question. I'll now turn the floor back over to Mr. Diamond for any closing remarks.

## Greg Diamond

Thank you, Jackie. We did respond to all the questions that were in the queue today. Thanks to all of you who have joined us for today's call. Please contact me directly if you have any additional questions. I can be reached at 914-765-3190. We also recommend that you visit our website for additional information. The address for our website is mbia.com. Thank you for your interest in MBIA. Good day and good bye.

## Operator

Thank you. This concludes today's conference call. You may now disconnect.

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# EXHIBIT 3

EXHIBIT 3

ANALYSIS OF SILLMAN MODELS WITH DISCOUNTS REMOVED

Table 1: Sillman's Higher Range Model Adjusted to Remove Audit Rate Discount and GSE Agree Rate Discount (\$bb)

Description	Current Outstanding Trusts' UPB	Frequency Rate	Severity Rate	Trusts' Estimated Lifetime Losses	Demand Rate	WITHOUT DISCOUNTS TO AUDIT OR AGREE RATES				
						Audit Rate	Breach Rate	Agree Rate	Loss Share Rate	Potential Repurchase Requirements
Liquidated Loans				\$30.3	65%	100%	65%	68%	44%	\$13.3
Current (Non-Modified)	\$34.10	17%	80%	\$4.6	40%	100%	40%	23%	9%	\$0.4
Current (Modified)	\$11.30	41%	78%	\$3.6	60%	100%	60%	43%	26%	\$0.9
30-59 Days Delinquent	\$2.20	20%	77%	\$0.3	65%	100%	65%	68%	44%	\$0.1
60-89 Days Delinquent	\$1.00	87%	75%	\$0.7	65%	100%	65%	68%	44%	\$0.3
90+ Days Delinquent	\$6.30	97%	75%	\$4.6	65%	100%	65%	68%	44%	\$2.0
Foreclosure	\$7.50	99%	77%	\$5.7	65%	100%	65%	68%	44%	\$2.5
Total Exposure Using Sillman's Shelf Level Estimate of Lifetime Losses				\$49.80					39%	\$19.6
Total Exposure Using Sillman's Trust Level Estimate of Lifetime Losses				\$46.80					39%	\$18.4

Table 2: Sillman's Lower Range Model Adjusted to Remove Audit Rate Discount and GSE Agree Rate Discount (\$bb)

Description	Current Outstanding Trusts' UPB	Frequency Rate	Severity Rate	Trusts' Estimated Lifetime Losses	Demand Rate	WITHOUT DISCOUNTS TO AUDIT OR AGREE RATES				
						Audit Rate	Breach Rate	Agree Rate	Loss Share Rate	Potential Repurchase Requirements
Liquidated Loans				\$30.3	55%	100%	55%	68%	37%	\$11.3
Current (Non-Modified)	\$34.10	11%	72%	\$2.8	30%	100%	30%	13%	4%	\$0.1
Current (Modified)	\$11.30	36%	68%	\$2.8	50%	100%	50%	32%	16%	\$0.4
30-59 Days Delinquent	\$2.20	15%	68%	\$0.2	55%	100%	55%	68%	37%	\$0.1
60-89 Days Delinquent	\$1.00	84%	66%	\$0.6	55%	100%	55%	68%	37%	\$0.2
90+ Days Delinquent	\$6.30	96%	67%	\$4.0	55%	100%	55%	68%	37%	\$1.5
Foreclosure	\$7.50	99%	67%	\$5.0	55%	100%	55%	68%	37%	\$1.9
Total Exposure Using Sillman's Shelf Level Estimate of Lifetime Losses				\$45.60					34%	\$15.5
Total Exposure Using Sillman's Trust Level Estimate of Lifetime Losses				\$43.50					34%	\$14.7

EXHIBIT 3

ANALYSIS OF SILLMAN MODELS WITH DISCOUNTS REMOVED

Table 3: Sillman's Higher Range Model Adjusted to Remove Audit Rate Discount (\$bb)

Description	Current Outstanding Trusts' UPB	Frequency Rate	Severity Rate	Trusts' Estimated Lifetime Losses	Demand Rate	WITHOUT DISCOUNTS TO AUDIT RATE				
						Audit Rate	Breach Rate	Agree Rate	Loss Share Rate	Potential Repurchase Requirements
Liquidated Loans				\$30.3	65%	100%	65%	48%	31%	\$9.5
Current (Non-Modified)	\$34.10	17%	80%	\$4.6	40%	100%	40%	23%	9%	\$0.4
Current (Modified)	\$11.30	41%	78%	\$3.6	60%	100%	60%	43%	26%	\$0.9
30-59 Days Delinquent	\$2.20	20%	77%	\$0.3	65%	100%	65%	48%	31%	\$0.1
60-89 Days Delinquent	\$1.00	87%	75%	\$0.7	65%	100%	65%	48%	31%	\$0.2
90+ Days Delinquent	\$6.30	97%	75%	\$4.6	65%	100%	65%	48%	31%	\$1.4
Foreclosure	\$7.50	99%	77%	\$5.7	65%	100%	65%	48%	31%	\$1.8
Total Exposure Using Sillman's Shelf Level Estimate of Lifetime Losses				\$49.80					29%	\$14.3
Total Exposure Using Sillman's Trust Level Estimate of Lifetime Losses				\$46.80					29%	\$13.5

Table 4: Sillman's Lower Range Model Adjusted to Remove Audit Rate Discount (\$bb)

Description	Current Outstanding Trusts' UPB	Frequency Rate	Severity Rate	Trusts' Estimated Lifetime Losses	Demand Rate	WITHOUT DISCOUNTS TO AUDIT RATE				
						Audit Rate	Breach Rate	Agree Rate	Loss Share Rate	Potential Repurchase Requirements
Liquidated Loans				\$30.3	55%	100%	55%	42%	23%	\$7.0
Current (Non-Modified)	\$34.10	11%	72%	\$2.8	30%	100%	30%	13%	4%	\$0.1
Current (Modified)	\$11.30	36%	68%	\$2.8	50%	100%	50%	32%	16%	\$0.4
30-59 Days Delinquent	\$2.20	15%	68%	\$0.2	55%	100%	55%	42%	23%	\$0.0
60-89 Days Delinquent	\$1.00	84%	66%	\$0.6	55%	100%	55%	42%	23%	\$0.1
90+ Days Delinquent	\$6.30	96%	67%	\$4.0	55%	100%	55%	42%	23%	\$0.9
Foreclosure	\$7.50	99%	67%	\$5.0	55%	100%	55%	42%	23%	\$1.2
Total Exposure Using Sillman's Shelf Level Estimate of Lifetime Losses				\$45.60					22%	\$9.8
Total Exposure Using Sillman's Trust Level Estimate of Lifetime Losses				\$43.50					22%	\$9.4

EXHIBIT 3

ANALYSIS OF SILLMAN MODELS WITH DISCOUNTS REMOVED

Table 5: Sillman's Higher Range Model Adjusted to Remove GSE Agree Rate Discount (\$bb)

Description	Current Outstanding Trusts' UPB	Frequency Rate	Severity Rate	Trusts' Estimated Lifetime Losses	Demand Rate	WITHOUT DISCOUNTS TO AGREE RATE				
						Audit Rate	Breach Rate	Agree Rate	Loss Share Rate	Potential Repurchase Requirements
Liquidated Loans				\$30.3	65%	75%	49%	68%	33%	\$10.0
Current (Non-Modified)	\$34.10	17%	80%	\$4.6	40%	30%	12%	23%	3%	\$0.1
Current (Modified)	\$11.30	41%	78%	\$3.6	60%	50%	30%	43%	13%	\$0.5
30-59 Days Delinquent	\$2.20	20%	77%	\$0.3	65%	75%	49%	68%	33%	\$0.1
60-89 Days Delinquent	\$1.00	87%	75%	\$0.7	65%	75%	49%	68%	33%	\$0.2
90+ Days Delinquent	\$6.30	97%	75%	\$4.6	65%	75%	49%	68%	33%	\$1.5
Foreclosure	\$7.50	99%	77%	\$5.7	65%	75%	49%	68%	33%	\$1.9
Total Exposure Using Sillman's Shelf Level Estimate of Lifetime Losses				\$49.80					29%	\$14.3
Total Exposure Using Sillman's Trust Level Estimate of Lifetime Losses				\$46.80					29%	\$13.4

Table 6: Sillman's Lower Range Model Adjusted to Remove GSE Agree Rate Discount (\$bb)

Description	Current Outstanding Trusts' UPB	Frequency Rate	Severity Rate	Trusts' Estimated Lifetime Losses	Demand Rate	WITHOUT DISCOUNTS TO AGREE RATE				
						Audit Rate	Breach Rate	Agree Rate	Loss Share Rate	Potential Repurchase Requirements
Liquidated Loans				\$30.3	55%	70%	39%	68%	26%	\$7.9
Current (Non-Modified)	\$34.10	11%	72%	\$2.8	30%	15%	5%	13%	1%	\$0.0
Current (Modified)	\$11.30	36%	68%	\$2.8	50%	45%	23%	32%	7%	\$0.2
30-59 Days Delinquent	\$2.20	15%	68%	\$0.2	55%	70%	39%	68%	26%	\$0.1
60-89 Days Delinquent	\$1.00	84%	66%	\$0.6	55%	70%	39%	68%	26%	\$0.2
90+ Days Delinquent	\$6.30	96%	67%	\$4.0	55%	70%	39%	68%	26%	\$1.0
Foreclosure	\$7.50	99%	67%	\$5.0	55%	70%	39%	68%	26%	\$1.3
Total Exposure Using Sillman's Shelf Level Estimate of Lifetime Losses				\$45.60					23%	\$10.6
Total Exposure Using Sillman's Trust Level Estimate of Lifetime Losses				\$43.50					23%	\$10.2

# EXHIBIT 4

## Q3 2010 Earnings Call

### Company Participants

- Kevin Stitt, Investor Relations
- Brian T. Moynihan, President and Chief Executive Officer
- Charles H. Noski, Chief Financial Officer
- Neil Cotty

### Other Participants

- John McDonald
- Glenn Schorr
- Nancy Bush
- Moshe Orenbuch
- Matthew O'Connor
- Betsy Graseck
- Edward Najarian
- Mike Mayo
- Christopher Kotowski

## MANAGEMENT DISCUSSION SECTION

### Operator

Good day, everyone. And welcome to Bank of America's third quarter earnings announcement conference Call. At this time, all participants are in a listen-only mode. Later, you will have the opportunity to ask questions during the question and answer session. Please

note, this call may be recorded, and I will be standing by if you should need any assistance.

It is now my pleasure to hand the call over to Kevin Stitt. Please go ahead.

### Kevin Stitt, Investor Relations

Good morning. Before Brian Moynihan and Chuck Noski begin their comments, let me remind you that this presentation does contain some forward-looking statements regarding both our financial condition and financial results, and that these statements involve certain risks that may cause actual results in the future to be different from our current expectations. These factors include, among other things, changes in economic conditions, changes in interest rates, competitive pressures within the financial services industry, and legislative or regulatory requirements that may affect our businesses. For additional factors, please see our press release and SEC documents.

And also joining us this morning, as he did last quarter, will be Neil Cotty, our Chief Accounting Officer.

With that, let me turn it over to Brian.

### Brian T. Moynihan, President and Chief Executive Officer

Company Name: Bank of America

Market Cap: 118,399.40

Bloomberg Estimates - EPS

Company Ticker: BAC US

Current PX: 11.80

Current Quarter: 0.197

Date: 2010-10-19

YTD Change(\$): -3.26

Current Year: 0.868

Event Description: Q3 2010 Earnings Call

YTD Change(%): -21.647

Bloomberg Estimates - Sales

Current Quarter: 27091.000

Current Year: 115807.571

final

Good morning, everyone. Thank you for joining. Today we're going to talk about the third quarter earnings results. And as part of the documents, as you see today, are based on the conversations that we've had with many of you over the last few months, and especially, obviously, the mortgage discussions that occurred over the last few weeks. So we tried to put some data in the package that will help frame some of those issues. So – and we'll go through that.

As we told you many times, we committed that we would provide you additional data on our run-off portfolios, which we've done. Chuck will take you through some data on the reps and warranties, and I'll take you through some of the foreclosure discussion. We've also included our preliminary Basel III view. In addition, we've included information on what we're doing in the consumer franchise, including the outline of how we're trying to mitigate the impacts of various regulatory changes. We know these are key issues that are on your mind, and are on our mind as shareholders in what our franchise faces.

So let's dive into the document. On page 4, you can see the headlines for the quarter. Excluding the goodwill write-off, which Chuck will cover later, earnings were \$3.1 billion, and that's consistent with the past few quarters, as the continued credit improvement has offset some of the impacts of low rates, higher rep and warranty costs, and other matters.

But as we look across the business units, just to frame how we think we did this quarter, let me hit them from the high level. I think Tom Montag and his team in Global Capital Markets had a nice recovery as the sales and trading revenue there increased to \$4.5 billion. Once again for the second quarter out of the last three, we made money every trading day. We continued to hold the risk, the bar, relatively flat and continued to drive that business off the core customer franchise it represents. When we move into Tom's Corporate Banking side and David Darnell's Commercial Banking side, the good news this quarter is we've seen stabilization in our C&I loan book, we've had good investment banking results, and good treasury management results.

In our commercial customer side, the credit quality continues to improve across the board. Nonperforming assets and all the credit statistics have decreased. The charge-offs are better, and even in CRE we've seen the charge-offs fall pretty strongly over the last several quarters.

Sallie Krawcheck and the Global Wealth and Investment Management team had another solid quarter. This business is going through the transition in earnest. We sold First Republic this quarter. They converted millions of customer accounts and billions of customer balances. But all during the last few quarters, we've had continuous growth in financial advisors and wealth managers and private bankers through the period. She's continued to see strong deposit capture, stable loan balances, and improving net customer flows over these last few quarters.

Let me get to our consumer businesses. Our card business continues to recover. Its net charge-offs continue to go down, as Joe and the team have worked hard to get that portfolio into shape. Interestingly enough, this is the first quarter in many quarters where the actual yield in the portfolio exceeds the charge-offs, and that's a good sign as we move back to core profitability. Joe and the team also sold more cards in the nine states this quarter and last quarter, and we're continuing to see a recovery in our origination capabilities.

As we move to Joe's deposit side, we continue to make good customer progress there. Our customer scores are up, while account closures are down. During the quarter, Joe and the team implemented some of the mitigation plans: the e-account, which, as you know, it basically charges fees if customers don't use our lowest-cost delivery mechanisms. An ATM emergency cash, which allows the customer to make the choice to withdraw cash in an emergency and pay an overdraft fee. And then other items, including a new account structure, which I'll talk about later. These will ultimately mitigate the cost of regulatory reform over time.

In the mortgage area, it's – interestingly enough, there's been a lot of discussion about this business and I'm sure we'll talk a lot about it today. But we're continuing to make progress. The operating loss continues to move forward, and Barbara and her team continue to make progress on driving that business back to profitability. The origination volumes have been strong in that business, and frankly will only get stronger going forward as a market share and a percent of the market, because as we went through integration, we had to hold back volume because of our need to get the integration done.

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We've seen the delinquencies and charge-offs in the mortgage products stabilize also. We're going to provide you a lot of data later in our presentation to help you assess the future costs from reps and warranties. But the one thing that we want to be clear, is that when we look at the rep and warranty claims and the claims by the various investors, we're not going to just put this behind us to make us feel good. We're protecting your money, we're protecting the shareholders' money, and we're going to make sure that we'll pay when due, but not just do a settlement to move the matter behind us.

The thing I want to be clear about is how we're repositioning the company. We started the year and said we'd deliver a fortress balance sheet from a company that had a balance sheet that needed repair. We've increased the capital levels, we increased reserve coverage, we shed non-core activities. This quarter, we continue to make good progress. Capital ratios were up, RWA was down. We have developed clarity in how we're going to manage through the Basel IV changes. In addition, due to the fact that the capital levels in our industry are going to be higher, we have an intense focus on tangible book value per share growth, and we continued to grow that this quarter.

So if you flip to page 5, you can see how those figures roll out. From the beginning of the year, our RWA is down \$87 billion, and we've taken a snapshot from January 1 here, because the impact of 166/167 we wanted to show you. The long-term debt, which is something we don't talk a lot about, is down \$44 billion this year. We inherited a lot of high-cost debt in the prior transactions that we took over the company, and we're restructuring that. Mark Linsz and the team under Chuck have done a good job. We think over the next several years, we can take that down by another 150 to \$200 billion, which helps our margin. You can see that the dollar amounts at tangible common, Tier 1 common, and the ratios that result from that common, are all been increased during the year due to earnings and importantly by our willingness and desire to streamline this franchise and remove capital from non-core and capital-intensive activities.

The asset quality improvements you can see are strong, and then you can see at the bottom of the page, and as you move to page 6, you can see the capital ratios. In discussions I've had earlier this year, we were clear with you that when – we thought from a pure risk basis that this company should run on an 8.5 to 9% Tier 1 common ratio under the current Basel accords, and a 5.5 to 6% tangible common ratio, and we thought we'd get there by year-end 2010. We've in fact hit those targets a quarter earlier, and we continue to work on them. This discipline that got us there on these targets is what we're going to depend on to manage through the environment of Basel II, Basel III, the Fed market rules and Dodd-Frank, and the provisions thereof. What we've done gives us confidence that there's a lot of optimization left in this balance sheet. Simply put, there's a lot of work to do, but there's a lot of areas to do it upon.

On slide 7, we want to make it clear how we view the current Basel III guidelines and the preliminary impacts we'll have. You have to start from the beginning here about the progress we've made year to date in improving our Tier 1 common capital ratios and bringing down risk-weighted assets. We do those efforts consistent with the customer-centric focus we've had to sell those low-rated assets in the non-core equity stakes. Tier 1 common has reached 8.5% at the end of this quarter with 1.5 trillion in RWA.

By 2019, as you well know, we have to have a Tier 1 common ratio of 7%, and also still to be decided are the couple big unanswered questions. First, what incremental capital we would need for systemically important, and second, what the rights of capital management capital, ability to manage capital during the phase-in periods. Given that, under our assumptions, our Tier 1 common is estimated to remain above 8% while we implement Basel II, the market risk rules in 2011, and Basel III in 2012. The way we've calculated this assumes no phase-in period. In effect, there is going to be one. So just to be clear on this, we simply took all of the rules that are going to be applied in 2011, took all of the rules that are going to be applied in 2012, assume they're effective on the date they became, and there's no phase-in for any of the provisions.

What that resulted in is our reported numbers during this time will actually be higher than the 8% we're telling you, because that allows for the phase-in. The key assumption, when you look at this, the key outcome, is an increase before we mitigate of about \$600 billion in risk-weighted assets. The mitigation that we have will reduce that significantly by the end of 2012. And these activities are not core to driving this franchise. We've laid out the activities in some of the bullet points on the page. They include running down loan portfolios which aren't core to the franchise, exiting proprietary trading activities, reducing low-rated assets in our trading book and our discretionary portfolio, and other

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activities to reduce the positions that are subject to high capital charges, including the benefits from counterparty risk and CVA exposure as the as the derivatives go through exchanges.

Now let me give you an example of a transaction that's been written about there. In the second quarter, if you remember, we took a \$700 million hit to do a re-REMIC transaction because it would relieve, under the Basel III rules as fully implemented, nearly \$100 billion of risk-weighted assets. That was a great trade in our sense, in that it put the issue behind us, increased the credit quality of our portfolio, and obviously took a lot of future RWA risk away.

Post mitigation, after we do all this work, we estimate that the risk-weighted assets would be up about 25% from the 1.5 trillion we had at the end of September. When you go to the numerator side of Basel III, assuming no phase-in, you're going to have a capital reduction of 12 billion, and as you can see here, it's largely related to DTA.

Now, the mitigation we expect will be completed by year-end 2012. There are aspects of what we're doing that will actually occur after that. And we are very comfortable that we'll accomplish the mitigation by the year-end 2012, and there's going to be future opportunities to continue to manage this during the periods through 2019. So with that, it gives us the confidence that given everything we know today and how we're operating this business, that we won't have to raise additional capital through common stock issuance to meet the new capital guidelines.

That review of Basel III I wanted to just hit quickly on slide 8. You can see we've included some of the highlights from the customer franchise. We've included some of those in the release. Suffice it to say the customer franchise continues to move forward and continues to make good progress across all the different businesses, as I stated earlier.

I'm going to move to page 9 now, and one of the questions come up in the customer discussion was what did we do on overdrafts and why did we do it? Some of you have raised with me whether we had the balance right between the customers and shareholders, are we too customer friendly in terms of the decision we made? So what we tried to do on page 9 is to make it clear that we made a business decision last summer to repair a customer franchise that was starting to leak customers badly.

Overdrafts on debit cards were in fact driving strong fee growth, but the customer result, as profiled widely and as we saw in our franchise was hurting our franchise in the industry, and long term would hurt our shareholders. The impact of the effect of the economy, the use of the debit cards and how people were using, had an impact on customers that no one had envisioned. The trust scores in the industry were down. Bank of America's customer scores were down. We had opened – and the year before we implemented this change, we'd opened 10 million checking accounts and closed 10 million. The closures had been growing at an annual rate of 18%. The complaints around debit charges and customer complaints around deposits were at an all-time high. And also we knew that Reg E was coming. So as we looked ahead, we had to plan for that outcome.

But most importantly, we had 80,000 people that work in Joe's group that work with our customers every day to do a great job in our stores and our call centers. Those associates didn't feel that we were doing right thing for the customer. The reality was 10% of our customers were paying 70% of the overdraft, over \$1,000 per customer per year. And the model was breaking; it needed fixing. So what did our team do? You can see it in the upper left-hand box. We didn't stop overdrafts overall. What we stopped was the unintentional small debit overdraft charge, which was causing this churn, this customer dissatisfaction and complaints. Where a customer has a chance, they get a choice, whether it's a check, a recurring draft, initiating an online payment, the emergency ATM cash. They can make the choice, pay the fee, and get the transaction completed.

So what's happened since our actions? You can see in the upper right, the closure rates have dropped to 27%. So from a rise that was 18% per year they've now dropped 27%. The customer scores have improved, complaint volumes are down, and the deposits now allows us to take out costs. Associates are supportive, and that gives us the right to ask associates to get deeper penetration and other products. And for people who overdraft, we're seeing interesting behavior. It's still early, but their account balances are higher, and they're managing their cash better. We have seen debit card turndowns about half the rate we thought they'd do, i.e., when somebody swipes a card and can't complete the transaction.

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But as we move ahead, mitigating the impacts of regulatory reform are the core challenge for Joe and the consumer team. They've rolled our new e-account. We are the low-cost platform by everything we see out there. But they rolled out the e-account in an effort to drive those costs even lower. They've implemented additional fees, which we think are fair, compiling as we speak a rollout of the new account structure, which we'll drive through the franchise in the next 12 months, they've introduced the ATM emergency cash. An example of that is that 50% of the customers actually accept the fee, but they make the volitional choice to do it. We're going to continue to monitor these initiatives, do more work on pricing, more work on costs, more work on new products, so in the end the returns on deposits will get back to the pre-regulatory change levels. And if customers' choices change, we'll revisit the decisions we made to make sure that the shareholders get the return we need in this business.

Now I want to turn to one other consumer issue that I think is important. On the foreclosure area as you know, we announced that changed, on slides 10 and 11, we changed and started to reinitiate the foreclosures yesterday. Barbara and her team – Barbara Desoer and her team, it's going to take us three to five weeks to get through and actually get all the judicial states taken care of. The teams reviewing the data have not found information which was inaccurate or would affect the plain facts of the foreclosure, i.e., the customers' delinquency, et cetera. But we continue to do all we can to avoid foreclosure. We continue to modify the loans whenever we can. We ensure that we check and recheck those. If a person fits into those programs, see whether they can fit into any modification programs before we start the foreclosure. Our checking is checked by other third parties.

But that being said, we have to get through this difficult work on foreclosures to help the real estate markets heal. Just to give you some examples of what went on in second quarter, when we foreclosed, some foreclosure sales that took place in second quarter, 33% of those properties are vacant. 80% had not made a payment for a year. The delinquency averaged one and a half years for those customers, and reflecting the very tough times that these consumers are going through, 50% were either unemployed or had lost their income.

So on the foreclosures, the key thing is we continue to do a lot of work. We've fixed the affidavit-signing problem, or it will be fixed in very short order. We've begun to initiate the foreclosure process. But the broader context is this, that we need to get through the foreclosures and restore the real estate business. This is not something – this is something that's ahead of us, but it's not something we're not doing a lot of today. During the second quarter, we transferred 40,000 houses from homeowner A to homeowner B through short sales and foreclosures that were actual transfers to people who were happy to have the home and living in it. And so our job is to continue to help heal this process on behalf of the American consumer and on behalf of the real estate markets.

With that, I'm going to turn it over to Chuck to take you through the numbers.

## Charles H. Noski, Chief Financial Officer

Thanks, Brian, and good morning, everyone.

As you can see on slide 12, excluding the goodwill impairment charge, we earned \$0.27 a share in the third quarter. Revenue was down \$2.5 billion on an FTE basis from the second quarter, which included the positive impact from a handful of items. This quarter we saw a nice rebound in capital markets, strong investment banking, and a higher mortgage banking revenue that were offset by lower net interest income, which was down as anticipated. Credit quality continued to improve, with provision expense dropping \$2.7 billion from the second quarter, reflecting lower charge-offs and a decrease in reserve levels. Our income tax expense was approximately 31% this quarter after excluding the goodwill impact, which doesn't get a tax benefit.

On slide 13, we have identified some of the larger items having both positive and negative impacts on results for the quarter. As you already know, the goodwill impairment in Global Card Services was \$10.4 billion. Loan loss reserves were reduced by 1.8 billion versus a reduction of 1.5 billion last quarter. We also recorded a \$592 million reserve for exposure related to industry-wide sales practices in the UK involving payment protection and insurance claims on consumer loan products. Litigation expense across all of our businesses this quarter was up \$380 million.

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Income tax expense includes a charge of approximately \$400 million that we highlighted last quarter related to the revaluation of deferred tax assets as a result of the July enactment of a 1% reduction in the UK corporate tax rate. We also had \$883 million in security gains during the quarter. As you recall, this compares to 37 million in the second quarter, which included a \$711 million loss on securities sold to reduce certain lower-rated position that flowed through securities gains in the second quarter.

The credit mark on structured liabilities under the Fair Value Option resulted in a negative mark of \$190 million compared to a positive mark of \$1.2 billion in the second quarter and is reported in other income.

Impacting our tangible capital and total risk-based capital, but not Tier 1 capital or earnings, was the increase in the carrying value of our CCB investment through OCI since we are within 12 months of the expiration on sales restrictions. That investment was written up \$9.8 billion or \$6.2 billion after tax. As a result of the sale of First Republic, \$17 billion of loans and \$18 billion of deposits came off of the balance sheet on July 1, reducing net interest income by approximately \$230 million in the third quarter. The sale of Santander-Mexico closed in late September and was carried on the balance sheet at \$2.6 billion.

Let's turn to slide 14 and discuss the details around the goodwill charge of 10.4 billion. Based upon our current interpretation of the Durbin amendment, which has not changed from when we last spoke with you in July, the interchange revenue reported in our Global Card Services segment going forward will be significantly impacted. The charge to goodwill slightly exceeds the estimated range we announced in July because we refined certain model assumptions. While it represents approximately 50% of the goodwill carried in the Card Services segment, it is 25% of book value, roughly \$40 billion down to \$30 billion.

I think it's important to note that goodwill impairment testing is done on a segment basis, not on a company total basis. Because some mitigation activities will mostly benefit other business segments, mainly the deposit segment, these activities were not included in determining the impairment in the Card Services goodwill. On that point, and echoing Brian's earlier comments, we continue to be diligent in how we are repositioning the consumer bank for future success given Durbin and other headwinds. We believe we can mitigate a good portion of the lost revenue across our retail businesses by offering new and attractive customer solutions based on our understanding of the customer and offering straightforward choices for how they want to do business with us. Over the next several months, we'll be piloting new products, pricing deposits and accounts differently, as well as incenting the customer to do more business with us.

Since Brian gave some color around our business segment performance already, let's skip slide 15 and move to slide 16. Net interest income on an FTE basis was \$12.7 billion, down \$480 million from the second quarter. Similar to what we saw in the second quarter, this trend was due to the impact of the low-rate environment and lower loan levels, further impacted by the sale of First Republic Bank. During the quarter, the net interest yield of 2.72% decreased 5 basis points due mainly to a shift in the mix of earnings assets as higher-yielding assets were replaced with lower-yielding assets. Our average balance sheet for the quarter was down \$119 billion, reflecting decreases in average loans and cash reserves held with the Fed. Cash declined due to a shift in liquidity in mix from cash to liquid securities. Consumer loans were down due to pay-downs as well as charge-offs and weak demand. However, commercial loan demand stabilized in the second half of the quarter, and as we said earlier, commercial loans less real estate ended the quarter up 1% from the prior quarter.

We expect these trends to continue over the next few quarters, but to diminish as loans and yields begin to stabilize. While we have little control over rates and customer demand, we plan to offset these impact through reductions of long-term debt. Our mergers with Merrill Lynch and Countrywide resulted in a larger allow long-term debt footprint than what we think is ideal. Consequently, over the next few years, we will allow long-term debt levels to decline through maturities. We believe we can lower our long-term debt footprint by 15 to 20% by the end of 2011.

On slide 17, we show the trends in loan levels and yields, as well as deposit level and rates paid for the past three quarters. Since the second quarter, while consumer loan yields have dropped 5 basis points, we've been able to drop rates paid by 3 basis points. Excluding First Republic, deposits are flat with the second quarter, but up nicely from the first quarter, driven by our wealth management customers and commercial customers.

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On slide 18, we've listed the portfolios where we expect to experience further loan runoff. The sale of First Republic was effective July 1 and drove much of the decrease in levels from the second quarter. Out of the total expected runoff of approximately \$132 billion at the end of September, I don't think any of the areas should be much of a surprise. Going forward, we'll continue to provide this information so that you can differentiate between real growth and expected loan runoff. For instance, this quarter, excluding the runoff portfolios and net charge-offs, we had period-end loan growth of approximately \$9 billion, which we detail for you on slide 19.

As you can see on 19, after adjusting for the runoff portfolios and net charge-offs, we had period-end net loan growth in the quarter of approximately \$10 billion of consumer, \$4 billion of C&I, and a decrease in commercial real estate of \$5 billion.

Card revenue on slide 20 has been somewhat flat over the past three quarters, reflecting the bulk of the impact from the CARD Act. Total interchange is down 5% from the second quarter, but still up 6% from a year ago on a managed basis due to high consumer spending.

On slide 21, we show service charges were down from second quarter levels to \$2.2 billion. Driving the decrease was the impact Reg E, which became effective in July for new customers, and August for existing customers. We're estimating overall service charges in the fourth quarter to be around \$2 billion, which we estimate fully reflects the impact of Reg E.

Mortgage banking revenue on slide 22 increased from the second quarter as a result of higher production income, including lower reps and warranties expense. Although the MSR hedge was effective in the quarter, MSR performance net of hedges was lower than the prior quarter. Production volume in the first mortgage was flat with the second quarter at \$72 billion, but we experienced higher production margins. The capitalization rate for the consumer mortgage MSR asset ended the quarter at 73 basis points versus 86 basis points in the second quarter. Given the level of mortgage interest rates over the past few weeks, we would expect production levels to remain in line with the third quarter.

Turning to slide 23, you can see the total reps and warranties expense in the quarter was \$872 million, down from the \$1.2 billion in the prior quarter. The reserve increased approximately a half a billion to \$4.4 billion. Our unresolved repurchase requests totaled approximately \$12.9 billion, of which 6.8 billion or 53% are from the GSEs. There have been a number of questions raised about the reps and warranties exposure that exists across the industry, and specifically at Bank of America. We've addressed this topic in the past in both our Forms 10-K and 10-Q and on our prior earnings calls. But given the level of discussion, we thought it made sense to try to lay out the components for you today.

So first, let's consider the exposures we have with loans sold to the GSEs. Both legacy Bank of America and legacy Countrywide have a long history with each of the GSEs. While the environment around repurchases continues to be challenging, we strive to maintain constructive relationships with the GSEs. Our experience with them continues to evolve, but generally once the facts surrounding a particular loan are fully developed, we usually have been able to reach agreement on whether we, as the originator, are obligated to repurchase the loan or indemnify the GSE for the related loss. That is not to say that we never have disputes. We do. But generally, they are in those areas creating the most controversy in the most difficult vintages, such as reasonableness of stated income, occupancy, and undisclosed liabilities.

To give you a feel for the experience that we have with the GSEs, let me offer a few statistics, as you can see on slide 24. From 2004 through 2008, legacy Bank of America and legacy Countrywide have sold approximately \$1.2 trillion of loans to the GSEs. Through September, we've received approximately \$18 billion in repurchase claims associated with that population, representing only 1.5% of the total loans sold to them. We've been able to successfully resolve \$11.4 billion of these claims to date, with a net loss experience of approximately 22% or roughly \$2.5 billion. The level of repurchase claims from the GSEs has been elevated for the last few quarters, driving the outstanding repurchase claims up, as it takes some time to work loans through the claims process.

Our reserve for the GSE reps and warranties exposure since September 30 was computed to cover both the existing pipeline of claims and a projection of future claims we might receive on loans that have already defaulted, and on

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future defaults predicted by our loss-forecast models. When we compute our reserve for GSE-related exposures, we take into our account our experience with them in working through these repurchase claims. So the repurchase experience I mentioned earlier on a base of \$11.4 billion in claims, along with current developments, gives us a good data set to project future experience.

In fact, one of the drivers of our provision this quarter is an expectation that our repurchase rate with the GSEs will increase. Based on our current models, we believe we've already received more than two-thirds of expected repurchase claims from the GSEs for loans originated in the 2004 to 2008 vintages. Although our experience with the GSEs could change in the future, we believe our predictive repurchase models, utilizing our historical repurchase experience with the GSEs and projections of future defaults, leads us to the appropriate reserve amount for the exposures we have in this sold loan portfolio as we execute repurchases on a loan-by-loan basis.

The next category of exposure is loans sold into private label securitizations, where the bondholders have some amount of protection from losses through insurance written by monoline insurers. I think it's important to understand that each of these reps and warranties counterparties has different contractual rights and experience with us, and as such experience from one should not necessarily be extrapolated to another. The monoline insurers wrote protection for securitizations in both first and second lien transactions on legacy Countrywide loans included in securitization vehicles.

In total, approximately \$160 billion of loans were sold into these monoline wrap securitizations, including \$73 billion of first-lien mortgages and \$87 billion of second-lien mortgages. Of these balances, approximately one-third of the first-lien mortgages and 60% of the second-lien mortgages have paid off as of September 30. In addition, of the first liens sold, we estimate \$38 billion were sold as whole loans to other institutions, which subsequently included these loans with those of other originators in private label securitization deals in which the monolines typically insured one or more tranches.

Through September, we've received \$4.8 billion of reps and warranty claims related to the monoline-insured deals, of which 4.2 billion remains outstanding, and approximately 550 million were repurchased. Of the \$4.2 billion still outstanding, we have completed our review on \$2.7 billion and declined to repurchase based on our assessment of whether a material breach exists. And we continue to look at the remaining \$1.5 billion. As we noted last quarter, we have had limited engagement with most of the monoline insurers in our repurchase process, which has meaningfully constrained our ability to resolve the open claims. Also, certain monoline insurers have instituted litigation against Countrywide and Bank of America, which further constrains a normal business relationship. Without this engagement, we believe it is not possible at this time to reasonably estimate future repurchase experience and therefore the liability that may exist in connection with these securitizations.

However, there is a subset of the monoline universe that has engaged with us in the repurchase process. Although the history with them is not as deep as the history we have with the GSEs, we do believe we can use that experience as a basis for computing a reserve on existing and future claims with this subset of counterparties, and have done so.

The last category of potential reps and warranties exposure relates to loans either sold to whole-loan investors or included in private label securitization transactions, in which we believe there is no participation by monoline insurers. Much has been written and speculated about in recent months regarding this exposure, with a good part of the discussion implying a high degree of correlation between losses and reps and warranties liability for the banks. We believe too little attention has been focused on some fundamental factors that call into question this linkage.

For example, we believe many of the losses observed in these deals have been, and continue to be, driven by external factors, like the substantial depreciation in home prices, persistently high unemployment and other economic trends, diminishing the likelihood that any loan defect, assuming one exists at all, was the cause of the loan's default. Bondholders and other market participants assume the market and disclosed credit risks of the mortgage securities they purchased, including the loans backing these securities. The expansion of underwriting standards over time, including higher loan-to-value ratios, lower FICOs, less loan documentation, and the fact that exceptions were made to underwriting guidelines were disclosed to market participants.

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The length of time a loan performs prior to a default is an important consideration as well. We believe that the longer a loan performs, the less likely an underwriting reps and warranties breach would have had a material impact on the loan's performance or that a breach even exists. We believe these factors, in addition to the fact that the contractual reps and warranties are less rigorous than those given to the GSEs, make it difficult to extrapolate the experience with the GSEs over this population.

Here are some data points about this private investor universe, excluding those with monoline insurance. From 2004 to 2008, the total principal balance of loans sold in this category, mostly by legacy Countrywide, and to a lesser extent legacy Bank of America, was approximately \$750 billion, of which almost 40% has paid off. Through September of this year, we've received approximately \$3.9 billion of reps and warranties claims related to this population and have resolved almost \$2.9 billion. We've reviewed approximately half of the remaining \$1 billion still outstanding and have declined to repurchase based on our assessment of whether a material breach exists. Many of the claims that we have received so far are from whole loan investors.

As it relates to private label securities the ultimate reps and warranties exposure requires that counterparties have the ability to both assert a claim and actually prove that a loan has an actionable defect under the applicable contracts. However, until we have a meaningful repurchase experience with these counterparties, we believe it is not possible to reasonably estimate this exposure. Just last week, a case against legacy Countrywide was dismissed due to the plaintiff's failure to comply with the contractual requirement of aggregating a minimum percentage of bondholders' voting rights necessary to direct the trustee to act.

More recently, in our capacity as a servicer on 115 private label security transactions, we received a letter from eight investors purportedly owning interests in these transactions. The letter asserts breaches of certain servicing obligations, including an alleged failure to provide notice of breaches of reps and warranties. While we continue to review and assess the letter, and have a number of questions about its content, including whether these investors actually have standing to bring these claims, we continue to believe the servicer is in compliance with its servicing obligations. The 115 deals have an original and current principal balance of approximately 104 and 46 billion respectively. We will continue to closely monitor the activities of this group and other developments.

Overall, where we have concluded that a valid basis for repurchase does not exist, we think it is important for investors to know that we will vigorously contest such claims and defend the interests of Bank of America's shareholders. As for future provisions, as conditions change from period to period, this will have an impact on the level of required reserve and related provision. Also, as our experience with counterparties evolves, this too will have an impact on our reserve and provision. As a result, as we told you last quarter, we expect that the provision from quarter to quarter may be lumpy. In fact if you look back over the past five quarters, as we've shown in the upper left-hand corner of slide 23, you see the provision is variable, driven by the impact of specific developments from quarter to quarter.

With that, let me turn to slide 25. Investment and brokerage revenue was down 9% from second quarter due to lower asset management fees and lower brokerage income. Excluding the impact from the sale of the former Columbia Management long-term business, asset management fees are flat despite lower market valuations at the end of the second quarter and the absence of seasonal tax fees. Net client balances grew to more than \$2.1 trillion during the quarter, and we continue to see strong flows into long-term asset management products.

Sales and trading revenue on slide 26 at \$4.5 billion, which includes both net interest income and non-interest income, increased approximately 42% from the second quarter due to an improved trading environment, particularly in our credit markets. Compared to the prior quarter, FICC revenue increased 52% to \$3.5 billion, driven mainly by higher results in credit products, as well as commodities and mortgages. Equity revenue was up 14% due to the rebound in the markets, and marks on legacy assets within FICC resulted in gains of \$264 million versus losses of \$179 million in the second quarter.

Investment banking revenue on slide 27 increased 4% from the second quarter and was up 9% from levels a year ago. Results were driven by an increase in M&A and debt capital markets, and our overall global fee ranking remains stable at a strong number two, while we rank number one in the U.S.

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final

Let me say a couple things about expense levels on slide 28. Total expense excluding the goodwill impairment charge decreased \$437 million from last quarter. Expenses this quarter included high litigation expense, as I said earlier. Personnel expense compared to a year ago was up 10%, reflecting the build-out of strategic hires in certain of our businesses, including international, as well as the higher level of head count and expense at home loans and insurance related to default management staff and other loss mitigation activities. As we continue to adjust to a new regulatory environment, renew our focus on customers, and invest in growth initiatives we're watching expense levels closely, adjusting where necessary, and taking appropriate actions to achieve our longer-term objectives.

Moving to asset quality on slide 29, let me comment on the trends we're seeing in credit quality. In short, credit quality is improving on most fronts, and it's ironic that we talk so much about it when it is deteriorating but spend so little time on it when it turns positive. Both net charge-offs and delinquencies continue to improve, excluding FHA-insured loans. Net charge-offs of \$7.2 billion decreased \$2.4 billion compared to the second quarter. Consumer losses versus second quarter were down 2 billion, mainly in consumer card and consumer real estate. Commercial asset quality also improved as net charge-offs, reservable criticized, and nonperforming levels all declined.

Turning to slide 30, the total allowance decreased \$1.8 billion through reductions in provision expense, reflecting improving credit performance. Even with this decline in reserve levels the allowance for loan losses remained relatively stable at 4.7% versus the loan portfolio. As you can see on the slide, the current allowance coverage versus third quarter annualized net charge-offs remains very strong in residential mortgage, home equity, and commercial portfolios even when you exclude the purchased credit impaired allowance. Since we believe credit trends will continue to improve, we expect continued reserve reduction over the next few quarters.

In summary, I realize remarks have been lengthy this morning, but we had several issues we wanted to discuss with you. Excluding the goodwill impact, earnings demonstrated progress on several fronts. Credit quality continues to get better, our capital continues to grow, and we believe we can manage through the Basel requirements. The mortgage situation has several facets, and we are addressing and managing all of them.

With that, let's open it up for questions.

## Q&A

### Operator

[Operator Instructions] We'll move first to site of John McDonald with Sanford Bernstein. Your line is open.

<Q - John McDonald>: Yes, hi. Good morning.

<A - Brian T. Moynihan, President and Chief Executive Officer>: Good morning, John.

<Q - John McDonald>: Chuck – so I guess to start on the reps and warranties – so, it sounds like there are two areas where you indicated you might not have a reasonable basis for estimating potential claims. You mentioned the monolines that you're litigating with and then some portion of the private securitization? I was just wondering if I heard that correctly. And if so, how are you reserving for potential exposure in those areas?

<A - Charles H. Noski, Chief Financial Officer>: John, I do think you have that right. Appreciate that the experience that we've had with the monolines is a bit episodic. And in the case of the whole loan and private label securitization, it's even less mature. And given the fact we don't have maturity in those experiences other than the monolines we are dealing with, we have been recognizing the losses that we've paid on an as-incurred basis. If and when we get enough of an experience that we can actually make a rational estimate, we would then increase our reserves.

<Q - John McDonald>: You can't use your experience with the other monolines to kind of analogize to what you might experience on the others?

<A - Charles H. Noski, Chief Financial Officer>: It's – John, it's really – it's very episodic. I'll give you an example. For example, one of the monolines that we're not dealing with regularly not too long ago sent us some number of

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Bloomberg Estimates - EPS

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Current PX: 11.80

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Bloomberg Estimates - Sales

Current Quarter: 27091.000

Current Year: 115807.571

thousands of mortgages. We had a third party look at those mortgages, and well less than 10% of those mortgages appeared to qualify for repurchase. In other cases – it's just – it's all over the map. We just don't have a mature enough population and experience to be able to make any statistically reasonable estimate.

<Q - **John McDonald**>: Okay. The second thing was on the whole loan/privates piece on the bottom of page 24. It seems that \$1 billion of approved repurchases on the base of 3.9 billion of requests, it seems like a high success rate for the claimants, even though you indicated the reps and warranties are less vigorous and causation is tougher to prove there. Is that – am I reading that correctly, or can you comment on that?

<A - **Charles H. Noski, Chief Financial Officer**>: John, let me try to give you a little bit more color in that area. As you saw on chart 24, we said there's about \$750 billion of loans sold, 40% of which have been paid back. Of that 750 billion, something approaching, but less than 50%, of those loans are basically jumbo prime loans. And so pretty good quality. And similarly, when you think about \$1 billion we did repurchase, in that particular limited set of instances, I think our loss on that was about half of the repurchase amount.

<Q - **John McDonald**>: Okay. Got it. The other thing on that one was what about securitizations from legacy Merrill? You mentioned legacy Countrywide and legacy BAC. Are the Merrill securitizations in your legacy Bank of America, or is that not an area where we should think about exposure?

<A - **Charles H. Noski, Chief Financial Officer**>: It's really modest, John.

<Q - **John McDonald**>: Why is that, Chuck? How is it different there?

<A - **Charles H. Noski, Chief Financial Officer**>: No, no, no. I'm saying the dollar amount involved is quite modest.

<Q - **John McDonald**>: Okay. Got it. Okay, so that's not in there. But not materially enough to -

<A - **Charles H. Noski, Chief Financial Officer**>: Yeah. John, it's in the table on the upper right-hand corner of table 23.

<Q - **John McDonald**>: Okay.

<A - **Charles H. Noski, Chief Financial Officer**>: It's embedded in Other.

<Q - **John McDonald**>: Got it. Got it. Okay -

<A - **Charles H. Noski, Chief Financial Officer**>: It's just not a big number.

<Q - **John McDonald**>: And one more thing on rep and warranty. Just reconciling on the GSE side being two-thirds done, in your estimate, with the idea that it looks like the pre-2004 claims are still growing. Is it the vintage analysis gives you the confidence that you may be two-thirds done on the GSE side, and how could that be if you're still seeing some 2004 growth?

<A - **Charles H. Noski, Chief Financial Officer**>: Well, remember that says pre-2004. This is not a big number.

<Q - **John McDonald**>: Okay.

<A - **Charles H. Noski, Chief Financial Officer**>: And all of the claim experience, all of the reporting that we're getting is cranked into our loan forecasting models. And again, roughly – we're saying roughly two-thirds of it has been -

<A - **Brian T. Moynihan, President and Chief Executive Officer**>: And remember, John, those are gross dollar claims coming in. So it's \$140 million of total dollars.

<A - **Charles H. Noski, Chief Financial Officer**>: Yeah.

<Q - **John McDonald**>: Got it. So that's -



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Bloomberg Estimates - Sales

Current Quarter: 27091.000

Current Year: 115807.571

<A - **Brian T. Moynihan, President and Chief Executive Officer**>: That's not what we paid out. That's total dollars of unpaid to the balance coming.

<A - **Charles H. Noski, Chief Financial Officer**>: Right.

<Q - **John McDonald**>: Got it. It's small. Okay. Okay, that's great. One thing finally on the NIM, Chuck. Just when you consider your ability that you mentioned to lower funding costs in 2011 and then what you see on asset repricing, can you give some framing of where you see the NIM headed next year? Or maybe just contextualize the smaller decline this quarter and how that might fold into next year?

<A - **Charles H. Noski, Chief Financial Officer**>: John, I think we see it flattening out. Obviously, there's different elements to the NIM. There's obviously the interest rates we collect from customers. There's deposit pricing, and then there's also what we may be able to do with long-term debt.

<Q - **John McDonald**>: So more decline next quarter, or kind of flattening out next quarter in your best guess?

<A - **Brian T. Moynihan, President and Chief Executive Officer**>: Yes. We've got a couple more quarters of each of them flattening out as we look forward. But the rate of decline is slowing. But we've got a couple more quarters, middle of next year it should flatten out. And you can see, John, back on 43, we've got the classic bubble charts there that you can see the different impacts based on different rate structures.

<Q - **John McDonald**>: Okay. And is the pace of decline of this quarter more likely what you'd expect than last quarter's, where it dropped more?

<A - **Charles H. Noski, Chief Financial Officer**>: Yes.

<Q - **John McDonald**>: Okay, great. Thanks, guys.

<A - **Charles H. Noski, Chief Financial Officer**>: Thanks, John.

## Operator

And we'll move next to the site of Glenn Schorr with Nomura. Your line is open.

<Q - **Glenn Schorr**>: Thanks very much. First of all, we appreciate all the detail on capital and everything else. It brings up a couple questions on slide 7. On the mitigation, which I'm a believer in, you mentioned 65 billion potential free-up on exiting prop trading, and another 65 mitigation on reducing lower-rated assets in the trading book. I know there's a multiplier effect here. But, a) I didn't realize those two categories were that big. But I guess my question is on what do you think of – or how should we think about what the revenue impact on those assets are? They strike me as higher-ROA type assets, but just thoughts around that?

<A - **Brian T. Moynihan, President and Chief Executive Officer**>: Tom and his team – he's got a whole team dedicated to this, Glenn, that have been looking at the travel that's across the next several years. And so rather than getting into all the ins and outs of different categories, think about that the total increase in size would have more than doubled the RWA through the various means. But when we said, okay, come back and run the business differently, he could peel off several hundred billion of the RWA to about basically \$1 billion of revenue. Because we are still consolidating the systems in Merrill and consolidating the positions.

We were only Basel II for the second quarter, now in parallel. There's a lot of optimization involved. And if you just look at our RWA as a percentage of our total assets versus anybody else out there that has businesses that look somewhat similar, there's a lot of optimization as you – your models and the work you can do. So think about us as being inefficient here because of the fact we took two portfolios and put it together. Then you had these new rules which changed – the market-based risk rules especially – changed the ratings dramatically, and then you go to work on it. And you can actually pull out a lot, but not a lot of core revenue.

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YTD Change(%): -21.647

Bloomberg Estimates - Sales

Current Quarter: 27091.000

Current Year: 115807.571

final

I know that sounds surprising, but it's the multiplier effect of the future rules on certain types of categories that is the real efficient means of optimizing it as you go forward. So in other words, prop trading today under the rules would not be that big of an RWA, but it's a huge amount of the increase. The example I gave you earlier on the re-REMIC, this was a very specific example. That would have been \$20 billion of assets, round numbers or something like that if I remember, Neil and Chuck, last quarter. It would have gone to \$100 billion plus because of the multiplier effect of the new Basel rules. And by taking it out, you save \$8 billion of Tier 1 common.

So it's an optimization around that. Not a lot of revenue involved, and also activity which frankly is not core to the customer activity, which is the purpose of what we're trying to accomplish with the rules, and also the purpose we're trying to accomplish with the franchise.

**<Q - Glenn Schorr>**: Got it. I understand that. Are those assets – should we think of them in more of a natural runoff? Or is somebody out there actually purchasing some of these less liquid or higher future RWA assets?

**<A - Brian T. Moynihan, President and Chief Executive Officer>**: Let's put that in two categories. We've been running down our legacy asset pools, because we think it's in our best interest. So even like the commercial real estate declined this quarter, in part because we are pushing stuff off. But let me give you an example of a kind of asset class, which I think is something to think about.

Our structured credit trading book, it's not wise for shareholders to sell it. But it runs off 13, 14, 15, and will help a lot of mitigation as we move towards the end of this. There's a lot of this stuff that's rolling off that we sealed and stopped doing two years ago – or three years ago, frankly, as we get to 2010 third quarter here – that has a duration to it. So most of this is naturally occurring, not marks. We don't have big losses to move this stuff, because it just runs off, frankly.

**<Q - Glenn Schorr>**: Got it, understood. And then just on the repricing side, maybe the last question on the timing mismatches. I heard your comments on being able to recoup a lot of what gets lost with the new reg rules. What is the timing? It sounds like you're starting to – trying to incent the customer, as you put it, to bring in new business your way. But what is the timing impact on when we can start seeing some of those revenues come back in? How quickly can you move your customer base that way?

**<A - Brian T. Moynihan, President and Chief Executive Officer>**: Well, I think this is a multi-quarter and even multi-year of work, Glenn. Because first of all, Durbin doesn't even take effect until next year, third quarter, so all the revenue on the debit interchanges here, the rules aren't clear. So this is a relentless pursuit over quarters in '11 and '12 to get this position. So I don't want to – this is not a snap your fingers, it happens overnight. This will take time. But importantly, you've got to do it at the right pace for the customers, because what we don't want to do – watching the competitors, watching what we're doing is making sure that we're competitive, making sure we're doing it to preserve the franchise long term. So this will take some time.

**<Q - Glenn Schorr>**: Okay. I appreciate all your answers. Thanks.

**<A - Charles H. Noski, Chief Financial Officer>**: Thanks, Glenn.

## Operator

And we'll move next to site of Nancy Bush with NAB Research LLC. Your line is now open.

**<Q - Nancy Bush>**: Good morning.

**<A - Brian T. Moynihan, President and Chief Executive Officer>**: Good morning, Nancy.

**<Q - Nancy Bush>**: Couple of questions here. Brian, could you just clarify where you are on this foreclosure review? I'm reading the slide here. The moratorium that you had in the judicial states is now off, but I see at the bottom of this slide, you say "Will not complete a foreclosure sale at this time." So when do we get to that point, when you actually start selling foreclosed assets again?

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Bloomberg Estimates - Sales

Current Quarter: 27091.000

Current Year: 115807.571

final

**<A - Brian T. Moynihan, President and Chief Executive Officer>**: I think we've said – this sort of timed out with the statements that we put out yesterday. I think you should look at those in terms of timing. I thought we said that we'd begin putting affidavits back in the process next week. And then that's a judicial process. And then the judge looks at the papers and takes you through. And then the non-judicial states will take a few more weeks to complete the review. So it begins next week, but it builds back up. There's a basically – if you step back from this, there's 1,000 people working on this. It's 100,000 some in the judicial states. So it's not an amount of work that we're not used to getting done. And then we'll turn to the non-judicial states in that series. So the actual re-filings I think start next Monday, I thought we said.

**<Q - Nancy Bush>**: Okay. But this is about foreclosure sales are suspended until assessment is complete. So that doesn't mean you've completely backed off selling foreclosed homes? It's just you -

**<A - Brian T. Moynihan, President and Chief Executive Officer>**: Oh, no. Yeah, I mean, we're selling REOs [inaudible]. This is literally going through the actual step in the process that says that the title changes from the homeowner to us. And that will start as the affidavits start go through the system next week.

**<Q - Nancy Bush>**: Okay. And could you just sort of step back from – I mean, this foreclosure issue, foreclosure moratorium, got blown out basically in the last week or so to a lot of other stuff. The fact that REMICs are not valid, that titles are not being conveyed properly in the REMIC process, et cetera, et cetera. Could you just kind of give us your view of whether this is a big deal, not a big deal, not as big a deal as the press has presented, et cetera?

**<A - Brian T. Moynihan, President and Chief Executive Officer>**: Here's what I'd say, is I think when you're going through the issue of people losing their home, Nancy, there could be a lot of obstacles put up in front of that process by people who want to keep their homes and people representing them, and we know that. But that's been going on forever, frankly. And so I think that on the affidavits that some judges said we want these done right, we went and did them. I'm sure there'll be other issues raised.

But as we look at the so-called marriage issue, as we look at some of the other stuff that's raised – and I think you've seen a lot of people write on this and talk about it – we don't see the issues that people were worried about, quite frankly. But we're taking them very seriously. We're making sure we're right. But for example, one of the issues was you needed to take title in your own name prior to foreclosure out of marriage, and we've done that. That's been our policy. So there's nuances in how all those things plays out. But I think you're right. I think the best way to think about it is – I don't think the technical issues are the bigger deal.

The issue of foreclosure is a big deal, and the issue is we've got to get on with it, because it will restore the health to the market. And I think the overstatement that this is all messed up – it's been going on for a while. We've been ramping up the people, us and the other servicers. There's been a – a big volume in transactions have gone through in this last quarter. It will get bigger over the next few quarters. But within three or four quarters, we'll peak and come down the other side in terms of this activity. It will still be elevated. And so I think it's a big issue because people are losing their homes. It's not a big issue for the kinds of issues and service.

**<Q - Nancy Bush>**: Okay. And just another quick question. On the implementation of the new retail strategy, are you having to do intensive training at the branch level on this? And are we going to see sort of additional training expenses, consultant expenses, et cetera, et cetera, over the next few quarters as this gets ramped up?

**<A - Brian T. Moynihan, President and Chief Executive Officer>**: I don't think so. I think we stabilized our head count at the store level last year about this time because they've been moving out just to take the costs out, which didn't help in the whole equation. I talked about Joe – we've stabilized that, Joe has stabilized the number of people. As transaction volume moves at the ATM and things like that, that helps free up the time to do it.

Our customer service, I think, we fell behind the industry in terms of scores. But when you look at it at the branch level and the scores we get from it, we get very strong scores. The question is, does the overall brand has more damaging? It's improving, and we'll continue to train people to do that, but it's not a big expense item. It's embedded in the amount of expenses we spend. And we're saving money on certain things and reinvesting those monies.

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<Q - Nancy Bush>: Okay. Great. Thank you.

## Operator

And it looks like our next question will come the site of Moshe Orenbuch with Credit Suisse. Your line is open.

<Q - Moshe Orenbuch>: Thanks. I was hoping maybe you could talk for a minute about the card business. Three of the other large players that have reported had significant sequential improvement in revenue as credit was getting better because of less of a, I guess, claw-back of interest and fees. And your revenue – the margin was up very slightly, but the dollars were kind of down. Any thoughts you could share in terms of the outlook there and how we should be thinking about that?

<A - Brian T. Moynihan, President and Chief Executive Officer>: Well, I'll give you a couple comments; I'll let Chuck fill in.

I think in the overall issue, this is one that – and that's why I made the point about sort of the yield minus the charge-off. If we had been bringing down in a lot of portfolios that we're not strong, and had revenue, but also had charge-offs that were excessive. So as we're bringing that down, I think we're behind other people in finally stabilizing this, but we're closer to stability now than we have been. You've seen the balances start to stabilize. The credit quality of what's coming on is very high; the credit quality of the portfolio is high.

But I still think – remember we're still at a charge-off rate – 10% round numbers. That's got to get down to the 5 or 6, 5.5 level for this business to return to normalcy. So we've still got work to do. And, look, we were worse than other people in these statistics, we lagged them; we're catching up faster. And I think as you look forward, you'll see this continue to improve in this area for us. Neil, in terms of the – but the revenues more we've also taken the portfolio down because of the risk we want to take down.

<A - Neil Cotty>: Yes, I know – Brian, you said that, I think you sort of, as was mentioned earlier in your speech, lives, originations starting to improve. I think the portfolio's started to stabilize, credit quality's improved, and you'll continue to see some loan reserves, but not to the extent you've seen in the past. I think we've seen the worst is over.

<Q - Moshe Orenbuch>: Okay, on a separate issue – and you touched on this a little bit at the beginning. A number of the banks, regional banks, smaller and larger, are reporting rates of opt-in on the point-of-sale overdrafts that are fairly high, in some cases over 50%. Could you just address kind of that idea? I mean, I know you've got some thoughts on that. And maybe how you kind of think about that part of the debit process as you go forward, for your customers?

<A - Brian T. Moynihan, President and Chief Executive Officer>: Yeah, I think it's – we've seen some of those reports, and as I said earlier, we continue to study this to make sure we didn't miss something on customer choice. We estimated that the levels of opt-in would be in the 30s and made our judgment based on that, whether it was worth it or not. We've heard higher, we've heard lower. And so – and I think a lot – it's still early too, Moshe, when you look at the actual data. But the question is – and so just as you think about that – ask the question what does opt-in mean? 40% of our customers take overdraft protection programs now on the new accounts we've sold. So there's a lot of things go in that factor. But I wouldn't get caught in all the ins and outs.

We fundamentally would believe that if you opt somebody in to a transaction that they told you they don't like, and then they get hit with it, they come back and they're fired up and mad. And then when you say, well, you told us you wanted to do it. That's a tricky execution. And that's why we said, look, it's probably not worth it because it can probably just lead to more and more customer churn. And so that's why on the point-of-sale debit, which is the most confusing to customers, we made the decision we made. I think there are other business models we see out there similar to what we're doing on the ATM, which is that we see out there an ability to do as technology continues to improve. Where, you could say that you're going to get turned down for this transaction, do you want to approve it and pay more of a convenience-fee type? And we're looking at those types of models with, not only ourselves, but also some of the card issuers and stuff, on the theory that is \$5 a more reasonable payment or \$10 a more reasonable payment when you want to do something, as opposed to \$35?

And so, what we tried to stop – and I think people, whether people opt in or not, the account churn in that part of our portfolio was so high and the people just burned themselves up over time. As you – 10% were 70% of the revenue, but actually 3% had a high number of it, too, and you started to look down at those types of customers. So we made the decision we're trying to be clear with customers. But on the other hand, we think there are payment models that could evolved that says, maybe it's more of a convenience-type fee. Think of an ATM convenience fee where customers say, you know what, I just need to get this done, I'm willing to pay the fee to get it done.

<Q - **Moshe Orenbuch**>: Great. Thanks so much.

## Operator

And we'll move next to the site of Matt O'Connor with Deutsche Bank. Your line is open.

<Q - **Matthew O'Connor**>: Hey, guys.

<A - **Charles H. Noski, Chief Financial Officer**>: Morning.

<Q - **Matthew O'Connor**>: Just another follow-up, I guess, on the private label repurchase risk. I mean, I would guess as you look out over the next few months, we'll start getting – you'll start getting a little more clarity on what some of the risks might be. And as you think about trying to set up some sort of reserve and get some of these issues behind you, is this something that we could expect looking forward next quarter? Or do you think it's going to take a little bit longer?

<A - **Charles H. Noski, Chief Financial Officer**>: Well, as we've said, there's not much experience, not much activity in this private label space. I think, Matt, if you – any of you go back to slide 23, the upper-left hand quadrant, you can see the kind of behavior that we've had for provisions. You can see the earlier periods where we didn't have events, and you can see in the later periods where we did have events. Kind of gives you a sense of the scale of what our experience has been to date. And as we learn more, and again, our perspective on this – we're going to be quite diligent, as I said, in defending the interest of our shareholders. This really gets down to a loan-by-loan determination, and we have, we believe, the resources to deploy against that kind of a review.

<A - **Brian T. Moynihan, President and Chief Executive Officer**>: I think that the way to think about this is as you think about the toughest areas, origination, and going back on the chart on 22, you can see that the '07, '06 vintages are producing the highest volumes. The '08's much lower. We'll continue to work this through. So time is on your side because the activities have either occurred or not occurred. We're three years past the last – almost the last quarter of it being three years past the date of origination. But if you think about people who come back and say, I bought Chevy Vega, but I want it to be a Mercedes with a 12-cylinder, we're not putting up with that. And we will be very ardent to protect the shareholders' interests.

On the other hand, you guys, we'd love never to have to talk about this, but until we have a history or accounting event, we can't put it behind us. So we will diligently fight this. It has worked to our benefit to – we have thousands of people willing to stand and look at every one of these loans. And it's in your best interest and our best interest to be diligent about it. And so while we'd love to put it behind us and never talk about it again, the right answer is to fight for it. If we make a decision to settle with some of these, it's because it's the right answer for the shareholders.

<Q - **Matthew O'Connor**>: Okay. And then separately on page 18, where you detail the loan run-off, I think that's very helpful. My guess is these portfolios in aggregate aren't generating that much if any profit because of the credit costs. But as we think about just all the components – the revenue, the expenses – are there any details that you can provide us on those things for this 132 billion run-off book?

<A - **Brian T. Moynihan, President and Chief Executive Officer**>: We'll take a look at trying to give you the charge-off. It's a little – we just want to make sure we isolated it for you. Your instinct is not wrong in terms of the credit costs embedded in these portfolios. And that's why the credit costs are coming down as these run down. So we'll take a look at whether we can give you a little more clarity on the charge-offs by portfolio.

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<Q - **Matthew O'Connor**>: Okay. And also I think the revenue and expenses would be helpful.

<A - **Brian T. Moynihan, President and Chief Executive Officer**>: Yep.

<Q - **Matthew O'Connor**>: And then just lastly, I think it was last month or the month before you made some comments that you weren't reinvesting cash flow from your discretionary book, just because you didn't want to take much duration risk, which I think makes sense. But as we think about the discretionary book, the securities, the mortgages, swaps, I guess the totals would be 400 billion or so. How should we think about that level over time?

<A - **Brian T. Moynihan, President and Chief Executive Officer**>: I think that the way that we're going to run the balance sheet, it'll be run to extract the value of the excess deposit position. And that's what we do to balance the book back. So it is not another way to make money in this company. And so by and large as loan demand picks up, it will probably come down as a percentage of the assets. And we are not – we either are reinvesting in hedging it that so we don't have long-rate risk or not reinvesting. And we think that's the right answer. So even if you see growth in this, it's pretty much hedged off, as you said. And that's why, you know, look on the bubble chart, there's very little movement. And even in the Basel III, we assume zero on the OCI risk. And we're working to manage the company to protect that, that that is the outcome.

<A - **Charles H. Noski, Chief Financial Officer**>: And as we said, Matt, we're also looking to shrink the long-term debt footprint.

<Q - **Matthew O'Connor**>: Yep, that makes sense. Okay. Thank you very much.

<A - **Charles H. Noski, Chief Financial Officer**>: Thank you.

## Operator

And we'll move next to the site of Betsy Graseck with Morgan Stanley. Your line is open.

<Q - **Betsy Graseck**>: Thanks, good morning.

<A - **Charles H. Noski, Chief Financial Officer**>: Good morning, Betsy.

<A - **Brian T. Moynihan, President and Chief Executive Officer**>: Good morning, Betsy.

<Q - **Betsy Graseck**>: Question – just a follow-up on page 18 with regards to the runoff loan portfolios. Can you just give us a sense as to what the estimated time of decay is for these portfolios? And if they differ from your core portfolio?

<A - **Charles H. Noski, Chief Financial Officer**>: Betsy, I think the way to think about this, if you look at the change over the quarter and adjust it for the impact of First Republic, that's probably a good indicator of the pace of change.

<Q - **Betsy Graseck**>: Okay.

<A - **Brian T. Moynihan, President and Chief Executive Officer**>: Yeah, and we aren't doing anything to force these out, Betsy. I mean, this is just running off naturally. So I think Chuck's guidance is [inaudible] (1:07.10).

<A - **Charles H. Noski, Chief Financial Officer**>: It's collection and charge-offs. It's that sort of thing.

<Q - **Betsy Graseck**>: Okay. All right. But to the extent foreclosures ramp up, that would be, I would expect, more skewed towards this portfolio than your non-runoff portfolio. Is that fair?

<A - **Charles H. Noski, Chief Financial Officer**>: It could be. We'll get you some detail on that as we move forward.

<Q - **Betsy Graseck**>: Okay. All right. Thanks.

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## Operator

And we'll move next to the site of Ed Najarian with ISI Group. Your line is open.

<Q - Edward Najarian>: Yeah. Good morning, it's Ed Najarian.

<A - Brian T. Moynihan, President and Chief Executive Officer>: Good morning.

<Q - Edward Najarian>: Yeah, just a couple of quick questions. First, back to the Basel III analysis. It sounds like you're sort of implying that there's not a real good chance of any return of capital in 2012. Obviously we've got other banks talking about the return of capital. But I suspect that your outlook is that that's more of a '13 or '14 event. That would be the first question.

<A - Brian T. Moynihan, President and Chief Executive Officer>: I would not assume that. We have baked in this paying dividends and et cetera. But we have to make sure we understand the phase-in periods and what the regulators are going to require on the capital management. But the way to think about that is remember, I'm giving you the 8% as if things were fully phased in. We will report higher numbers because for example 2.5% is phased in over many years, the 2.5% over the 4.5%. So you've got – we'll be much higher than said. And I think the regulators been clear that they understand from you as investors that there has to be a sharing of this as we build it up. And the idea was to build it up across time. So I would – I wouldn't assume that – I didn't mean to create that impression. But embedded in here is a reasonable dividend policy.

<Q - Edward Najarian>: Okay. So you're saying I should not assume no return of capital? Excuse my double negative. Or maybe you're just saying no assumption on return of capital.

<A - Brian T. Moynihan, President and Chief Executive Officer>: I'm saying – despite the fact that your grammar teacher might shoot me, I'm saying the first.

<Q - Edward Najarian>: Okay. All right. Thanks. And then I guess the follow-up question would be, I'm just looking at the \$16.8 billion of operating expense run rate. It seems like there's some things in there that could come down over time in terms of potentially litigation or credit-related costs, what have you. And then – but you're also talking a lot about different types of investment spending and things you're doing with your products, offsetting Reg E, what have you. Could you provide us with any kind of an outlook on where you think that run rate goes just over the next few quarters or over the next 12 months?

<A - Brian T. Moynihan, President and Chief Executive Officer>: I think you've got the exact trade-off. We're trying to make sure we make – let's take Tom Montag for example. He's building up against the opportunity outside the United States. And so we've talked a lot about hiring. But at the same time we're managing the head count inside the United States, where he has the number one market position in the capital markets fairly effectively. So we're sort of having a rotation.

Joe's a low-cost producer. If you look at our cost as a percentage of deposits and compare it to anybody you can get the information on, you'll find out we're very effective there. And our costs paid for deposits are the same as – the 39 basis points or whatever it was for a quarter, very effective.

That being said, we've also brought the branch count down by a couple hundred, and he'll continue to do that. At the same time, we want to get the conversions done in the Northwest and California, and that's going to take some investment. So we're going to make these judgments, but I think the run rate we're at right now is kind of the run rate we are. And we don't see things that we need to, in a net, invest huge amounts of money. But we think even though the earnings are not what we want, we think in the near term, we got to make sure we take care of some things.

So we've got the benefits of rundowns and some of the work we've done on integration. But we've got some build up in some areas. A dominant part of our cost structure in the near term from a now looking forward over the next several quarters will be getting through the HL&I problems and reducing the amount of people dedicated to the workout task dramatically, and into some of the other businesses. So I think we're going to have positive and negative pressures here. But we're trying to manage both the short-term aspects of being very disciplined, and I've asked Chuck to make sure



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that the overhead's coming down, and doing the things the CFO needs to do, at the same time making sure we're making the investments where we need to make them.

**<Q - Edward Najarian>**: Okay. Thanks. And just a quick follow-up on that. It looked like your level of revenue trading, revenue investment banking, revenue in the i-bank was a fairly normal quarter. Always tough to predict. But were the incentive comp expenses around that number this quarter something that you would consider pretty normal as well, given that level of revenue?

**<A - Charles H. Noski, Chief Financial Officer>**: Yeah. I think in the – on a full-year basis it's probably in the mid to upper 30s.

**<A - Neil Cotty>**: Yeah. I mean, figure 38 to 39, we've been doing. Based on performance, that's consistent with last quarter. You may get some noise from third quarter of last year versus third quarter this year because we did a catch-up last year on the HOT on the amount of deferral, we increased the percentage. So there will be some noise related to that. Pretty much a normal percentage accrual.

**<Q - Edward Najarian>**: Okay. Thanks a lot.

## Operator

And we'll move next to the site of Mike Mayo with CLSA. Your line is now open.

**<Q - Mike Mayo>**: Good morning.

**<A - Charles H. Noski, Chief Financial Officer>**: Good morning, Mike.

**<A - Brian T. Moynihan, President and Chief Executive Officer>**: Good morning, Mike.

**<Q - Mike Mayo>**: Can you give some more color on why OREO declined by 10% linked quarter?

**<A - Brian T. Moynihan, President and Chief Executive Officer>**: Mike, we'll get Kevin and those guys to get it to you. Chuck just looked at me and said – I mean, we're moving stuff out and we're doing the work, but we'll get you some details of where it came from, which portfolio.

**<Q - Mike Mayo>**: I guess the point is the properties are moving on the back end, even if it was clogged some on the front end?

**<A - Brian T. Moynihan, President and Chief Executive Officer>**: Yeah. Not fast enough because we're still building inventories. But we are moving stuff out the back end at a better pace now. I think over the last three quarters on the consumer side, for example, we've moved up by 50% in terms of quarterly liquidations of properties that are on our books. Remember, a lot of OREO in the consumer also goes back to the agencies to handle.

**<Q - Mike Mayo>**: And I know this question has been asked many times, but so, why did provisions for reps and warranties decline one-fourth linked quarter when the outstanding claims strictly related to the GSE side increased?

**<A - Brian T. Moynihan, President and Chief Executive Officer>**: Remember, last quarter, we had a catch-up on some monolines and stuff that was different. So there was a, I think, 6, \$700 million, Neil, of additional catch-up last quarter that wasn't there this quarter?

**<A - Charles H. Noski, Chief Financial Officer>**: Related to monolines. And Mike, if you look at this quarter, the sort of additional amount over our historical numbers was related to our reassessment of the GSE obligations.

**<Q - Mike Mayo>**: I'm just trying to figure out, what would be kind of a normal number going forward for this provision line?

**<A - Brian T. Moynihan, President and Chief Executive Officer>**: If you take out sort of the ups and downs and look back, you can see 500 million issued a quarter – and I've said that, Mike, on occasion. It's just going to be lumpy



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because as we gave data, we'll move something forward. And that may move stuff that would have occurred later on forward. Because these are looked at as like a portfolio. When we make an adjustment, it's not an adjustment on what the claims we received in, it's on the exposure that we see in the whole portfolio, if we have a basis to make it. So if you look at sort of the resolution type of thing and look back across the quarters we gave you, it's a half billion, half billion, half billion. So those are the kinds of numbers that would be more recurring. The last couple quarters we had some sort of significant movement in terms of catching up to some pieces. So the danger here is it could be lumpy, so don't – but on average, that's what we saw.

<Q - **Mike Mayo**>: And how many years do you think that this provision expense might be incurred? I mean, I know there's a lot of uncertainties. Is it like another year, three years, five years? Longer?

<A - **Charles H. Noski, Chief Financial Officer**>: Obviously, Mike, it depends upon experience. We certainly think it's going to be pretty active the next couple of years or so.

<A - **Brian T. Moynihan, President and Chief Executive Officer**>: You know, Mike, again, the GSE who do life alone is all reserved. And then a lot depends on where things go with the monolines and the private labels, which as Chuck stated earlier, is very hard to predict. So we'll see how our experiences materialize over the next couple of quarters. But Mike, I'd be careful separating – the risk is relatively sealed in this in terms of the vintages that have given rise to most of the claims. So the issue is how long the fight will take.

<Q - **Mike Mayo**>: On the GSE side?

<A - **Brian T. Moynihan, President and Chief Executive Officer**>: On all of them. In other words, the loans are originated. If you're saying this is an origination defect, if you look at what's happened in '08 and then in '09, there's just been very little activity, so and the loan quality was changing, the underwriting standards when we bought Countrywide. They'd already changed theirs. And so that occurred in '08. So you're not seeing new activity created here from new originations of any magnitude. So what I'm saying is the origination activity between '04, '05, '06, '07 – that's where the balances are. The underwriting was done then, and now we're going to spend the next few years sort of fighting it through.

<Q - **Mike Mayo**>: But I just want to understand this. Just to clarify, the new activity, though, is more people are coming to the window saying I bought a Vega, I thought I'd get a Vega, I want my money back?

<A - **Brian T. Moynihan, President and Chief Executive Officer**>: The activity's from the put-backs, but it relates to those periods in time of origination. As opposed to the new activity of new underwriting of loans is not producing any activity -

<Q - **Mike Mayo**>: Right.

<A - **Brian T. Moynihan, President and Chief Executive Officer**>: – of magnitude. And what I'm trying to say, so the pig and the snake is sealed off now. Now the question is we've just got to work it through, and that's going to take time.

<Q - **Mike Mayo**>: And then two other small questions. One, what was loan utilization for the quarter? I'm just trying to get a read for incremental loan demand if there is any.

<A - **Brian T. Moynihan, President and Chief Executive Officer**>: In the C&I book and the revolvers, it was flattish quarter to quarter. Flattish. We can get you the number. I always give the number in David's middle market book, which is lower than the overall number. So we'll get you the number. I think it's 38, if I remember right.

<A - **Charles H. Noski, Chief Financial Officer**>: In commercial, that's correct.

<A - **Brian T. Moynihan, President and Chief Executive Officer**>: In commercial.

<Q - **Mike Mayo**>: So it's still around the all-time low, so loan demand is still kind of sluggish?

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<A - **Brian T. Moynihan, President and Chief Executive Officer**>: Well, what we've seen, I'd say, is that yes, overall demand is still slow, but I'd say as you look from first quarter to second quarter to third quarter, we've seen the loan balances stabilize and the demands of the customers. It is not growing, we wouldn't say that, but it is stable.

<Q - **Mike Mayo**>: And then lastly – sorry.

<A - **Brian T. Moynihan, President and Chief Executive Officer**>: It's just stronger this quarter than it was second quarter.

<Q - **Mike Mayo**>: And then lastly, would you consider any strategic actions to further boost capital? I know you said you'd be above 8%, but you could juice it a little bit more by doing some other things. Would you consider those other things? Such as BlackRock?

<A - **Brian T. Moynihan, President and Chief Executive Officer**>: I'll let you speculate on what our ideas are. Thanks.

<Q - **Mike Mayo**>: All right. Thanks.

<A - **Kevin Stitt, Investor Relations**>: Thanks, Mike. One last question, please.

## Operator

Yes, our last question comes from the site of Chris Kotowski with Oppenheimer. Your line is open.

<Q - **Christopher Kotowski**>: Yeah. A couple things. One is I was wondering can you comment on the monthly trend in the trading environment and customer activity flows? As we come into September and October, do we find that normalizing at all? Or are investors still kind of in the risk-adverse posture that they were in most of the summer?

<A - **Brian T. Moynihan, President and Chief Executive Officer**>: I'd say it's better than the summer, but not normalized. It's still lower than we'd like to be. But it did improve. In a new-ish account it got very active. So in terms of debt capital market especially, some equity stuff's come through. The IPOs we have on file are actually bigger than we even had in the Internet bubble timeframe. It's just the question of whether equity markets support getting them out? Our investment-banking pipeline is a high-quality pipeline. 50% of the pipeline we think will close in the fourth quarter. We'll get the fees in the fourth quarter. And debt capital markets are really not a major part of that obviously because they up come more episodically.

So I'd say the issuer side activity is pretty strong, especially around the ability to access debt capital. You're seeing some buyouts being done in the recent past here. Our private equity clients are getting active in visiting with them. Many of them over the last several months, they are looking for deals. They're buying deals, they're actually striking deals. But I'd say that when you go to the sort of the core trading activity, people – it's still lower than we thought, but it's been improved during the course of the quarter. From July, August, to September, it got better, and October, I think, has been reasonably the same.

<Q - **Christopher Kotowski**>: Okay. And then just one last time on the risk-weighted assets, and you said you can drive those, some of the – or the mitigation efforts don't necessary hit revenues that much. And I'm curious, is that because there's a big charge for the inter-dealer exposure? And is there a good way to net all that down? Or what does the industry need do to – because everyone's talking about mitigation, and it's not totally clear what all the components of that are and why they don't impact revenues.

<A - **Brian T. Moynihan, President and Chief Executive Officer**>: We are slightly different, I think, than other organizations in the sense that the Basel II implementation is new and we're finding more ability to optimize in that. But most importantly remember that we're only converting to Merrill's systems this fall in Tom Montag's business. And so we've been able to manage the risk, but we've had to manage it, the legacy risk, on a system. And all the risk being put on since the first part of '09 has been going on the new system, but there's a book of legacy risk. As we bring those systems and put them both on the same system, we're able to manage them separate. We're also finding a lot of room to

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optimize in counterparty optimization.

So as the team working on it said, this should not be as easy as it is. And that really is shame on us, but the reality is we had two systems. We had to work through them. We had to get approvals for models and all of the work you have to do, and we're busily doing that. It won't be snap your fingers, but this is not as hard for us because frankly we just haven't had the chance to go through the optimization that it appears other companies have gone to.

So our RWAs as a percentage of age still run 60 plus percent, and other people run 50 and other numbers, and as we get into that we'll figure that. The other thing is don't forget, every quarter more of the legacy stuff which is very highly weighted under the new rules just keeps running off. So this is work. This is hard work. Tom's got a team that's working on it. He's got a team that's dedicated to it, but they were able to get quite comfortable they can mitigate a lot, and a lot of it's because these are positions that we don't want. Take auction-rate securities. Over the next several years, they'll run down dramatically, yet – 10 billion a day. It was 12 or 13 billion at the beginning of the year. So it's just one thing after another, just hard work.

**<Q - Christopher Kotowski>**: Okay. And then lastly, just I was kind of – obviously one of the other big banks put up a big litigation reserve, and you didn't. And I'm kind of curious why. And then also is that – you mentioned that most of the problems are in the '06, '07 vintages, obviously. And is there a statute of limitations on putting loans back? And when does that kick in, if at all?

**<A - Brian T. Moynihan, President and Chief Executive Officer>**: You said last, and then you asked two more questions. The second one, your last is going to be. But your second one on the – there's no technical statute of limitations from a standpoint on the repurchase. But the fact that the loan has performed for 36 months or more, obviously a defect that said this was a problem with the origination is getting a little harder to prove, especially on a no-doc loan or something like that. So think through that.

I forget the first part of the question.

**<A - Charles H. Noski, Chief Financial Officer>**: The first question on litigation expense, we actually don't compare ourselves to other companies as such. I know you folks do. I think every company's portfolio of litigation is different, and it comes at different times and is different stages of progress. We're reserving for that that we know about and we think we can estimate and understand that we would have exposure on. Can't really help you with what others are doing.

**<Q - Christopher Kotowski>**: Okay. Thank you.

**<A - Charles H. Noski, Chief Financial Officer>**: Thank you.

## Neil A. Cotty, Chief Accounting Officer

One follow up before leaving, let me share – if you're still out there – on the card revenue line, it's flat. But remember, we had a big gain in the second quarter from MasterCard of about 450 million, and we had the UK charge relative to some of the sales situation over there, and that's about 600 million. So we had a flip of 1.2 billion. If we hadn't had that, those two instances, we would have had revenue going up.

And I thank everyone for joining us.

## Operator

And this does conclude today's teleconference. Thank you for your participation. You may disconnect at any time. Have a wonderful day.

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# EXHIBIT 5

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September 14, 2012

**VIA FEDEX & EMAIL**

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**RMBS Trust Settlement Agreement with Residential Capital, LLC**

Dear Ms. Patrick and Mr. Franklin:

We represent U.S. Bank National Association, solely in its capacity as Trustee (“U.S. Bank”) under various Pooling and Servicing Agreements and Indentures (together, the “Governing Agreements”) for approximately 300 RMBS securitization trusts (the “Trusts”) in connection with the Chapter 11 cases of Residential Capital, LLC and its direct and indirect subsidiaries (collectively, “ResCap”).

U.S. Bank has received correspondence regarding the proposed RMBS Settlement Agreement with ResCap (the “Settlement Agreement”) from three different Credit Enhancers<sup>1</sup> for fifteen of the Trusts. You have advised that your clients (the “Clients”) hold 25% or more of the face value of one or more classes of notes in at least ten of these fifteen Trusts. Specifically, U.S. Bank has the received the following letters (the “Letters,” and each a “Letter”):

1. Letters dated May 25 and August 9, 2012 from Financial Guaranty Insurance Company (“FGIC”) with respect to eight Trusts (it appears your Clients are investors in at least four of those Trusts) in which FGIC, among other things, provides notice that it “does not authorize U.S. Bank, as Trustee, to vote in favor of, or opt in

<sup>1</sup> Capitalized terms used herein and not otherwise defined have the meanings specified in the relevant Governing Agreements.

Kathy D. Patrick, Esq.  
Talcott J. Franklin, Esq.  
September 14, 2012  
Page 2

to, the Settlement Agreement or the Plan Support Agreement and direct[s] U.S. Bank, as Trustee, not to vote in favor or, or opt in to, such agreements, to the extent any of the [Trusts for which it is a Credit Enhancer] are subject to such agreements;”

2. Three Letters, dated July 23, 2012, from MBIA Insurance Corporation (“MBIA”) with respect to six Trusts (it appears that your Clients are investors in each at least five of those Trusts) which purport to “instruct [U.S. Bank, as trustee] to not consider or accept any settlement or compromise offers relating to any claims that may belong to [its insured] trusts, including, but not limited to the RMBS Settlement Agreement...;” and
3. A Letter, dated August 23, 2012, from Proskauer Rose LLP on behalf of Assured Guaranty Municipal Corp. (“Assured”) with respect to one Trust (in which it appears your Clients are investors) which states, in relevant part, that “notwithstanding any direction the Indenture Trustee may have received from noteholders, Assured does not consent at this time to the Indenture Trustee’s entering into the Joinder [of the RMBS Settlement Agreement].”

Copies of the Letters, as well as our responses, are enclosed. To assure full disclosure, we have also provided to the Credit Enhancers copies of the relevant Gibbs & Bruns letters, dated May 24 and July 9, 2012, and Talcott Franklin’s two letters, dated August 22, 2012.

Each of the Letters (to the extent they identify Trusts in which your Clients are investors) conflict with your previous correspondence to U.S. Bank that “urge and direct” U.S. Bank to exercise its prudent, independent judgment to accept the Settlement Agreement on the Trusts’ behalf or “request that [U.S. Bank] accept [the Settlement Agreement].” We encourage you to reach out to the Credit Enhancers and attempt to resolve the conflicting “directions” in advance of the date by which U.S. Bank must accept or reject the Settlement Agreement under the July 31, 2012 scheduling order in the ResCap bankruptcy proceeding.

Please call me if you have any questions or we can help facilitate your contacting the Credit Enhancers. Thank you.

Sincerely,



M. William Munno

caw  
Enclosures



July 23, 2012

**URGENT MATERIAL ENCLOSED**  
**BY E-MAIL AND CERTIFIED MAIL (RETURN RECEIPT REQUESTED)**

U.S. Bank National Association  
60 Livingston Avenue  
EP-MN-WS3D  
St. Paul, Minnesota 55107  
Attention: Home Equity Loan Trusts 2007-HSA2 and 2007-HSA3

Re: Home Equity Loan Trust 2007-HSA2, Home Equity Loan Pass-Through  
Certificates, Series 2007-HSA2; and

Home Equity Loan Trust 2007-HSA3, Home Equity Loan-Backed Term  
Notes, Series 2007-HSA3

Ladies and Gentlemen:

Reference is made to the agreements (each an "Agreement") described on Exhibit A, each of which you are party to, relating to the series of securities described above (the "Securities"). With respect to each series of Securities, MBIA Insurance Corporation (the "Credit Enhancer") issued the Policy or Policies referred to in the applicable Agreement.

Pursuant to each Agreement, the Credit Enhancer has the right to direct remedial actions relating to the Securities, including, but not limited to, the acceptance of any settlement or compromise offers. We hereby instruct you to not consider or accept any settlement or compromise offers relating to any claims that may belong to the above-referenced Trusts, including, but not limited to the RMBS Trust Settlement Agreement, dated as of May 13, 2012 (the "Settlement Agreement"), by and between Residential Capital, LLC and its direct and indirect subsidiaries and the Institutional Investors (as defined in the Settlement Agreement). As such, it is the Credit Enhancer's position that it would not be reasonable for you to incur any costs or expenses in evaluating any such settlement or compromise offers and, therefore, the Credit Enhancer will not reimburse you for any such costs or expenses.

Sincerely,

MBIA Insurance Corporation

By: 

Name: David Glehan

Title: Managing Director



**EXHIBIT A**

1. Pooling and Servicing Agreement, dated as of April 1, 2007, among Residential Funding Mortgage Securities II, Inc., Residential Funding Company, LLC and U.S. Bank National Association, successor trustee to Bank of America, N.A., successor by merger to LaSalle Bank National Association
2. Indenture, dated as of May 30, 2007, among Home Equity Loan Trust 2007-HSA3 and U.S. Bank National Association, successor trustee to Bank of America, N.A., successor by merger to LaSalle Bank National Association



July 23, 2012

**URGENT MATERIAL ENCLOSED**  
**BY E-MAIL AND CERTIFIED MAIL (RETURN RECEIPT REQUESTED)**

U.S. Bank National Association  
60 Livingston Avenue  
EP-MN-WS3D  
St. Paul, Minnesota 55107

Attention: GMACM Home Equity Loan Trust 2004-HE4  
GMACM Home Equity Loan Trust 2006-HE4  
GMACM Home Equity Loan Trust 2007-HE1

Re: GMACM Home Equity Loan Trust 2004-HE4, GMACM Home Equity  
Loan-Backed Term Notes, Series 2004-HE4;

GMACM Home Equity Loan Trust 2006-HE4, GMACM Home Equity  
Loan-Backed Term Notes, Series 2006-HE4; and

GMACM Home Equity Loan Trust 2007-HE1, GMACM Home Equity  
Loan-Backed Term Notes, Series 2007-HE1

Ladies and Gentlemen:

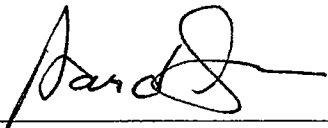
Reference is made to the Indentures (each an "Indenture") described on Exhibit A, each of which you are party to, relating to the series of notes described above (the "Notes"). With respect to each series of Notes, MBIA Insurance Corporation (the "Enhancer") issued the Policy referred to in the applicable Indenture.

Pursuant to each Indenture, the Enhancer has the right to direct remedial actions relating to the Notes, including, but not limited to, the acceptance of any settlement or compromise offers. We hereby instruct you to not consider or accept any settlement or compromise offers relating to any claims that may belong to the above-referenced Trusts, including, but not limited to the RMBS Trust Settlement Agreement, dated as of May 13, 2012 (the "Settlement Agreement"), by and between Residential Capital, LLC and its direct and indirect subsidiaries and the Institutional Investors (as defined in the Settlement Agreement). As such, it is the Enhancer's position that it would not be reasonable for you to incur any costs or expenses in evaluating any such settlement or compromise offers and, therefore, the Enhancer will not reimburse you for any such costs or expenses.



Sincerely,

MBIA Insurance Corporation

By: 

Name: David Glehan

Title: Managing Director

**EXHIBIT A**

1. Indenture, dated as of October 28, 2004, among GMACM Home Equity Loan Trust 2004-HE4 and U.S. Bank National Association, successor indenture trustee to Wells Fargo Bank, N.A.
2. Indenture, dated as of September 27, 2006, among GMACM Home Equity Loan Trust 2006-HE4 and U.S. Bank National Association, successor indenture trustee to The Bank of New York Mellon Trust Company, N.A., successor indenture trustee to JPMorgan Chase Bank, National Association
3. Indenture, dated as of March 29, 2007, among GMACM Home Equity Loan Trust 2007-HE1 and U.S. Bank National Association, successor indenture trustee to The Bank of New York Mellon Trust Company, N.A., successor indenture trustee to JPMorgan Chase Bank, National Association



July 23, 2012

**URGENT MATERIAL ENCLOSED**  
**BY E-MAIL AND CERTIFIED MAIL (RETURN RECEIPT REQUESTED)**

U.S. Bank National Association  
60 Livingston Avenue  
EP-MN-WS3D  
St. Paul, Minnesota 55107  
Attention: Global Securities Solutions, RFMSII 2007-HSA1

Re: Home Equity Loan Trust 2007-HSA1, Home Equity Loan-Backed Term Notes, Series 2007-HSA1

Ladies and Gentlemen:

Reference is made to the Indenture, dated as of February 27, 2007 (the "Indenture"), by and between Home Equity Loan Trust 2007-HSA1 and Bank of America, N.A., successor by merger to LaSalle Bank National Association, relating to the series of notes described above (the "Notes"). With respect to the Notes, MBIA Insurance Corporation (the "Credit Enhancer") issued the Policy referred to in the Indenture.

Pursuant to the Indenture, the Credit Enhancer has the right to direct remedial actions relating to the Notes, including, but not limited to, the acceptance of any settlement or compromise offers. We hereby instruct you to not consider or accept any settlement or compromise offers relating to any claims that may belong to the above-referenced Trusts, including, but not limited to the RMBS Trust Settlement Agreement, dated as of May 13, 2012 (the "Settlement Agreement"), by and between Residential Capital, LLC and its direct and indirect subsidiaries and the Institutional Investors (as defined in the Settlement Agreement). As such, it is the Credit Enhancer's position that it would not be reasonable for you to incur any costs or expenses in evaluating any such settlement or compromise offers and, therefore, the Credit Enhancer will not reimburse you for any such costs or expenses.

Sincerely,

MBIA Insurance Corporation

By: 

Name: David Glehan

Title: Managing Director



Proskauer Rose LLP Eleven Times Square New York, NY 10036-8299

August 23, 2012

*By Email*

Ronald L. Cohen, Esq.  
M. William Munno, Esq.  
Seward & Kissell LLP  
One Battery Park Plaza  
New York, New York 10004

Irena M. Goldstein  
Member of the Firm  
d 212 969 4053  
f 212.969.2900  
igoldstein@proskauer.com  
www.proskauer.com

Re: RMBS Settlement

Dear Messrs. Cohen and Munno:

This firm represents Assured Guaranty Municipal Corp. ("Assured") (formerly known as Financial Security Assurance Inc.) in connection with the bankruptcy proceedings of Residential Capital LLC and its related debtors (collectively, "ResCap"). Assured is the "Enhancer" under the Indenture (the "Indenture"), dated as of June 30, 2004, between GMACM Home Equity Loan Trust 2004-HE3, as issuer, and Wells Fargo Bank, N.A., as indenture trustee. It is my understanding that your client, U.S. Bank National Association, is the successor indenture trustee under the Indenture (the "Indenture Trustee").

Pursuant to section 5.11 of the Indenture, "the Enhancer shall have the right to exercise all rights of the Owners of the Notes as specified under this Indenture without any further consent of the Owners of the Term Notes and that the Owners of the Term Notes may not exercise such rights except with the written consent of the Enhancer." Among the rights granted to the Enhancer, is "the right to direct the time, method and place of conducting any Proceeding for any remedy available to the Indenture Trustee with respect to the Notes or exercising any trust or power conferred on the Indenture Trustee." *Id.*

As you are aware, ResCap is seeking approval of certain RMBS settlement agreements, and is requesting the Indenture Trustee to enter into a Joinder and Acceptance of the RMBS Settlement Agreement (the "Joinder"). I am writing to advise you that, notwithstanding any direction the Indenture Trustee may have received from noteholders, Assured does not consent at this time to the Indenture Trustee's entering into the Joinder. Accordingly, the Indenture Trustee cannot enter into the Joinder and must await further instructions from Assured.

Please do not hesitate to contact me if you have any questions or comments.

Regards,



Irena M. Goldstein

cc: Margaret Yanney, Esq.



Financial Guaranty Insurance Company  
125 Park Avenue  
New York, NY 10017  
T 212-312-3000  
F 212-312-3093

August 9, 2012

**VIA OVERNIGHT MAIL**

U.S. Bank National Association  
190 South LaSalle Street  
MK-IL-SL8T  
Chicago, IL 60603  
Attention: Mamta K. Scott, Vice President

Re: RMBS Trust Settlement Agreement with Residential Capital, LLC

Dear Ms. Scott:

We write in response to the letter from your counsel, Seward & Kissel, dated June 26, 2012 (the "Response Letter") to Financial Guaranty Insurance Company ("FGIC"). Reference is hereby made to (i) the RMBS Trust Settlement Agreement dated as of May 13, 2012 (the "Settlement Agreement") by and between Residential Capital, LLC ("ResCap") and its direct and indirect subsidiaries and certain institutional investors identified in such agreement (the "Institutional Investors"), (ii) the Plan Support Agreement between ResCap and the Institutional Investors as described in the Settlement Agreement (the "Plan Support Agreement"), (iii) each of the transactions listed on Exhibit A hereto (each a "Transaction") for which U.S. Bank National Association ("U.S. Bank") currently serves as a Trustee or Indenture Trustee, as applicable (each a "Trustee"), and (iv) the direction letter from FGIC to you dated May 25, 2012 (the "Direction Letter").

**I. FGIC's Rights Under the Governing Agreements**

We are writing to you today so that you are clearly aware of FGIC's rights under the Pooling and Servicing Agreements, Indentures and other documents governing the Transactions (the "Governing Agreements") and your obligations to FGIC in respect thereof. As you are aware, FGIC has issued policies (each a "Policy") insuring certain payments on securities (the "Transaction Securities") in connection with each of the Transactions and has extensive control and direction rights with respect thereto, including the rights to consent to amendments and waivers of the Governing Agreements and the



institution of legal proceedings thereunder, the exclusive right to vote on behalf of the insured securityholders (“Insured Holders”), and, with respect to certain transactions, the express right to direct the Trustee with respect to the exercise of any trust or power conferred upon it. FGIC also has rights and obligations independent of the rights and obligations of the Institutional Investors, the Trustees and the trusts relating to the Transactions, and pursuant to Section 8.02 of the Settlement Agreement, the releases and waivers described in Article VII of the Settlement Agreement are not intended to and shall not release these rights.

The Direction Letter provided notice to you that FGIC does not authorize U.S. Bank, as Trustee, to vote in favor of, or opt in to, the Settlement Agreement or the Plan Support Agreement and directed U.S. Bank, as Trustee, not to vote in favor of, or opt in to, such agreements, to the extent any of the Transactions are subject to such agreements. Moreover, by this letter, FGIC hereby informs the Trustee that the Trustee should not enter into *any* settlement that would impair or otherwise impact FGIC’s rights with respect to the Transactions without FGIC’s express consent. FGIC has the right to withhold such authorization and to direct the Trustee for the following reasons.

Pursuant to Section 5.11 of each indenture (each an “Indenture”) for the Transactions listed in Schedule I hereto (the “Note Transactions”), FGIC has the right to direct the Trustee with respect to the exercise of any trust or power conferred on it under such Indenture. Consequently, the Trustee is prohibited from taking any action contrary to the direction of FGIC.

We also note that, pursuant to Section 4.12 of each Indenture, the Trustee is required to cooperate in all respects with any reasonable requests by FGIC for actions to preserve FGIC’s interests under the Indentures. As stated in the Direction Letter, FGIC believes that the Settlement Agreement and the Plan Support Agreement may be materially adverse to FGIC’s interests under the Indentures. Therefore, to the extent any Note Transaction is subject to the Settlement Agreement or the Plan Support Agreement, pursuant to the terms of Section 5.11 of the related Indenture, FGIC hereby repeats its direction to you, as Trustee, not to vote in favor of, or opt into, the Settlement Agreement or Plan Support Agreement. Moreover, FGIC hereby directs the Trustee to not enter into any settlement that is materially adverse to FGIC without FGIC’s express consent.

Pursuant to the terms of the Pooling and Servicing Agreements (each a “Pooling and Servicing Agreement”) for the Transactions listed on Schedule II hereto (the “Certificate Transactions”), FGIC may exercise all rights of the Insured Holders without the consent of such holders, and such holders may exercise such rights only with FGIC’s prior written consent. Accordingly, to the extent any Certificate Transaction is subject to the Settlement Agreement and Plan Support Agreement, we note that any actions instituted by the Institutional Investors directing the Trustee with respect thereto are not valid because FGIC’s consent to such direction was not obtained. FGIC hereby repeats its direction to you, as Trustee, not to vote in favor of, or opt into, the Settlement Agreement or Plan Support Agreement with respect to such Certificate Transaction.





## **II. The 1310 Order and Rehabilitation Order**

In connection with the order of the New York Superintendent of Insurance pursuant to Section 1310 of the New York Law Insurance Law, dated November 24, 2009 and Supplemental Order Pursuant to Insurance Law §1310 March 25, 2010 (the “1310 Order”), which can be viewed at [www.fgic.com](http://www.fgic.com), FGIC retains full rights under the operative documents relating to each of the Transactions, including the related indenture, pooling and servicing agreement, sale and servicing agreement, servicing agreement, mortgage loan purchase agreement and/or other operative documents, as the case may be (the “Transaction Documents”), including its direction and consent rights under the Indentures and the Pooling and Servicing Agreements described above.

In addition, pursuant to Section 14 of the Rehabilitation Order, attached hereto as Exhibit B (the “Rehabilitation Order”), all persons and entities (other than FGIC and FGIC Credit Products, LLC (“FGIC CP”)) are enjoined and restrained from, among other things, exercising or taking any action to exercise any approval, consent, direction, determination, voting, or other right or remedy that FGIC or FGIC CP would or may have directly or indirectly but for the commencement or continuation of the Rehabilitation Proceeding (as defined in the Rehabilitation Order) or the occurrence or the existence of any Rehabilitation Circumstances (as defined in the Rehabilitation Order). Therefore, any rights of FGIC, the suspension of which was asserted due to any purported default under the Transaction Documents that is a direct result of the 1310 Order and/or a Rehabilitation Circumstance are reinstated and other parties, including the Institutional Investors, are enjoined and restrained from exercising FGIC’s rights under the Transaction Documents, which include FGIC’s right to direct the Indenture Trustee for each Note Transaction and its right to consent to actions by the holders of the Certificate Transactions.

Because there is very little information publicly available concerning the Settlement Agreement or the Plan Support Agreement, we again request that the Trustee provide to FGIC copies of any non-public information that it may receive concerning the Settlement Agreement or Plan Support Agreement.

As stated in the Direction Letter, the terms of the Settlement Agreement and the Plan Support Agreement, which may increase FGIC’s potential claims and losses under the Transactions, may be materially adverse to FGIC’s interests with respect to the Transactions. FGIC does not waive any of its rights, under the Indentures and Pooling and Servicing Agreements or in any way relating to the Transactions, all of which are expressly reserved.

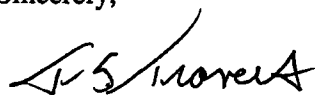
This letter shall constitute a “Direction” within the definition of Section 14 of the Rehabilitation Order at such time as the Settlement Agreement or the Plan Support Agreement are submitted to the Trustee for approval, support, or opt-in. Should the Trustee fail to comply with the Direction Letter or the Rehabilitation Order at that time, FGIC will pursue any rights and remedies it may have under the Transaction Documents or the Rehabilitation Order.

# FGIC

In addition, if the Trustee intends to take any action to support, including indicating support for, the Settlement Agreement or the Plan Support Agreement prior to the time the Settlement Agreement or Plan Support Agreement are formally submitted to it, the Trustee must provide FGIC prior notice of such action, as required by the Rehabilitation Order.

If you have any questions or wish to discuss our concerns, the Settlement Agreement or the Plan Support Agreement in more detail, please contact me at 212-312-2784.

Sincerely,



Timothy S. Travers  
Executive Vice President

cc: Seward & Kissel LLP  
One Battery Park Plaza  
New York, NY 10004  
Attention: M. William Munno, Partner

U.S. Bank National Association  
EP-MN-WS3D  
60 Livingston Avenue  
St. Paul, MN 55107  
Attn: Client Services Manager:  
RFMSII 2007-HI1, RFMSII 2006-HI5,  
RFMSI 2005-S7, RFMSI 2005-S2,  
RASC 2007-EMX1, RASC 2005-EMX5,  
RAMP 2005-NC1, RAMP 2005-EFC7

**EXHIBIT A**  
**TRANSACTIONS**

RFMSII 2007-HI1  
RFMSII 2006-HI5  
RFMSI 2005-S7  
RFMSI 2005-S2  
RASC 2007-EMX1  
RASC 2005-EMX5  
RAMP 2005-NC1  
RAMP 2005-EFC7

**EXHIBIT B**

Attach Rehabilitation Order

AT IAS PART 36 OF THE SUPREME COURT  
OF THE STATE OF NEW YORK, COUNTY OF  
NEW YORK, AT THE COURTHOUSE,  
60 CENTRE STREET, IN THE COUNTY, CITY  
AND STATE OF NEW YORK. ON THE 28<sup>TH</sup>  
DAY OF JUNE, 2012

PRESENT:

HON. DORIS LING-COHAN, J.S.C.

----- X  
:  
In the Matter of :  
:  
the Application of :  
:  
Benjamin M. Lawsky, Superintendent of Financial :  
Services of the State of New York, for an order to :  
take possession of the property of and rehabilitate :  
:  
FINANCIAL GUARANTY INSURANCE :  
COMPANY. :  
----- X

Index No. 401265/2012

**ORDER OF REHABILITATION**

Petitioner, Benjamin M. Lawsky, Superintendent of Financial Services of the State of New York (the "**Superintendent**"), having moved this Court for an order placing Financial Guaranty Insurance Company ("**FGIC**") into rehabilitation, and upon reading and filing the Order to Show Cause dated June 11, 2012, the verified petition of the Superintendent, duly verified the 11th day of June, 2012 (the "**Rehabilitation Petition**"),<sup>1</sup> the exhibits attached to the Rehabilitation Petition, and the Memorandum of Law in Support of the Rehabilitation Petition, and the Court having held a full hearing to consider the requested relief, this Court finds that:

- a. FGIC is a New York State stock insurance company that issued financial guaranty insurance;
- b. FGIC's statutory home office is located at 125 Park Avenue, New York, New York 10017;

<sup>1</sup> Capitalized terms not otherwise defined shall have the meanings ascribed to them in the Rehabilitation Petition.

- c. FGIC is subject to the New York Insurance Law ("NYIL") and, in particular, to Article 74 thereof;
- d. FGIC has consented to entry of an order of rehabilitation pursuant to Article 74 of the NYIL by a resolution of FGIC's board of directors;
- e. FGIC is insolvent within the meaning of Section 1309 of the NYIL;
- f. FGIC has been unable to comply, within the time designated by the Superintendent, with an order of the Superintendent pursuant to Section 1310 of the NYIL, to make good an impairment of its capital or minimum surplus to policyholders;
- g. It is in the best interest of FGIC's policyholders, creditors, and the general public that the Superintendent be directed to take possession of FGIC's property and to rehabilitate its business and affairs;
- h. FGIC is the sole member of FGIC Credit Products, LLC ("FGIC CP"), a Delaware limited liability company that issued credit default swaps ("CDS") to certain buyers of credit protection. FGIC wrote financial guaranty insurance policies for the benefit of counterparties to CDS with FGIC CP (collectively, "Counterparties"), which policies insure FGIC CP's obligations under such CDS. The financial obligations of FGIC and FGIC CP, with respect to such CDS, are sufficiently interconnected to warrant a grant of the relief requested herein with respect to FGIC CP; and
- i. Judicial immunity applies to the Rehabilitator, the New York Liquidation Bureau (the "NYLB"), and their respective employees, attorneys, representatives, and agents for any action taken by them when acting in good faith, in accordance with the orders of this Court, and/or, in the case of the Rehabilitator and the NYLB, in the performance of their duties pursuant to Article 74 of the NYIL.

NOW, on motion of Eric T. Schneiderman, Attorney General of the State of New York, it is ORDERED as follows:

- 1. The relief requested in the Rehabilitation Petition is granted;
- 2. The Superintendent, and his successors in office, is appointed rehabilitator (the "Rehabilitator") of FGIC and is vested with all powers and authority expressed or implied under Article 74 of NYIL and this Order;
- 3. The Rehabilitator is authorized and directed to take possession and/or control of FGIC's property and assets and to conduct FGIC's business;
- 4. The Rehabilitator may deal with the property and business of FGIC in FGIC's name or in the name of the Rehabilitator including, without

limitation, continue, commence, advance, defend, or prosecute any action, claim, lawsuit, arbitration, alternative dispute resolution proceeding, or other formal legal or administrative proceedings in any municipal, state, federal, or foreign court, administrative body, or other tribunal;

5. The Rehabilitator is directed to take such steps toward the removal of the causes and conditions that make this rehabilitation proceeding (the "Rehabilitation Proceeding") necessary as the Rehabilitator may deem prudent and advisable;
6. All persons and entities, other than the Rehabilitator, are permanently enjoined and restrained, except as authorized by the Rehabilitator or his designee in writing, from: (i) transacting FGIC's business, (ii) disposing of FGIC's property; (iii) interfering with the Rehabilitator's possession, control, or management of FGIC's property or the discharge of the Rehabilitator's duties with regard to FGIC or the Rehabilitation Proceeding; and (iv) disclosing the name, address, or contact information of FGIC's policyholders, or any other information that is proprietary to FGIC or not in the public domain;
7. All persons and entities are permanently enjoined and restrained from wasting or permitting to be done any act or thing that might waste FGIC's property;
8. All persons and entities are enjoined and restrained from commencing, continuing, advancing, or otherwise prosecuting any actions, claims, lawsuits, arbitrations, alternative dispute resolution proceedings, or other formal legal or administrative proceedings in any municipal, state, federal, or foreign court, administrative body, or other tribunal, against (i) the Rehabilitator, the New York State Department of Financial Services ("NYSDFS"), the Superintendent, the NYLB, any of their respective officers, employees, attorneys, representatives, or agents, or any directors, officers, employees, attorneys, representatives, or agents of FGIC or FGIC CP, in each case as related to FGIC, FGIC CP, the Rehabilitation Circumstances (as defined below), or the Rehabilitation Proceeding; or (ii) FGIC or FGIC CP.
9. All persons and entities are enjoined and restrained from taking any steps to transfer, foreclose, sell, assign, garnish, levy, encumber, attach, dispose of, exercise, or enforce purported rights in or against any claimed interest in any property or assets of FGIC or FGIC CP or any part thereof;
10. All directors, trustees, officers, employees, agents, or representatives, if any, of FGIC and FGIC CP are hereby enjoined and restrained from paying any claims or performing any other obligations of FGIC or FGIC CP under any policy, contract, or other instrument to which FGIC or FGIC CP is a party or by which FGIC or FGIC CP is bound (a "FGIC

Policy/Contract") except as authorized by the Rehabilitator or his designee in writing;

11. All persons and entities are enjoined and restrained from seeking to acquire, acquiring, or exercising voting or other corporate governance rights pursuant to or under FGIC's outstanding preferred stock;
12. All persons and entities are enjoined and restrained from withholding or continuing to withhold, subordinating, failing to pay, setting-off, or taking similar action with respect to payments (including, without limitation, recoveries or reimbursements) owed (or that would have been or would be owed but for the commencement or continuation of the Rehabilitation Proceeding or the occurrence or existence of any of the Rehabilitation Circumstances) to FGIC or FGIC CP under any FGIC Policy/Contract, or any Transaction Document (as defined below) executed in connection with the issuance of or entry into such FGIC Policy/Contract or related to such FGIC Policy/Contract or any obligations insured or covered thereby, regardless of the existence of any provisions in such FGIC Policy/Contract or Transaction Document that would or may otherwise permit such withholding, subordination, failure to pay, setting-off, or similar action; *provided, however*, that if this Court enters an order that becomes final and non-appealable holding that a particular person or entity or group of persons or entities should have been able to set-off or recoup any given payment during the pendency of the Rehabilitation Proceeding, the Rehabilitator shall refund as an administrative expense any such payment that was made to FGIC or FGIC CP during the pendency of the Rehabilitation Proceeding. As used herein, the term "Rehabilitation Circumstances" means the circumstances and events, whenever arising, giving rise to the Rehabilitation Proceeding or in existence from and after, or giving rise to or at any time resulting from, issuance of the 1310 Order, including (i) the financial condition of FGIC or FGIC CP, (ii) the grounds for the Rehabilitation Proceeding described in the Rehabilitation Petition, (iii) actions taken or statements made by FGIC, FGIC CP, the NYSDFS, the Superintendent, the NYLB or any other person or entity in connection with or in contemplation of the 1310 Order or the Rehabilitation Proceeding, (iv) any ratings downgrade of FGIC or any affiliate thereof, (v) any failure by FGIC or FGIC CP to pay any amount (whether due to the 1310 Order, the injunctive relief in the Order to Show Cause, this Order, or otherwise), and (vi) the issuance and existence of the 1310 Order;
13. All persons and entities (other than the Rehabilitator or as authorized in writing by the Rehabilitator or his designee) are enjoined and restrained from (i) terminating, accelerating, liquidating, closing out, collecting on, claiming against, making any demand or delivering any notice under, or otherwise exercising or enforcing rights or remedies or taking any action under or with respect to, or attempting to terminate, accelerate, liquidate,



close out, collect on, claim against, make any demand or deliver any notice under, or otherwise exercise or enforce rights or remedies or take action under or with respect to any FGIC Policy/Contract or any Transaction Document (as defined below) executed in connection with the issuance of or entry into such FGIC Policy/Contract or related to such FGIC Policy/Contract or any obligations insured or covered thereby, on the basis of the commencement or continuation of the Rehabilitation Proceeding or the occurrence or existence of any of the Rehabilitation Circumstances, regardless of the existence of any provisions in such FGIC Policy/Contract or Transaction Document (as defined below) that would or may otherwise permit or require such termination, acceleration, liquidation, closing out, collection, claim, demand, notice, exercise, enforcement, or action, and/or (ii) asserting claims as a result of any actual or attempted early termination of any FGIC Policy/Contract including without limitation Termination Payments (whether calculated on the basis of "Market Quotation", "Loss", "Close-out Amount," or other methodologies) under or in relation to such FGIC Policy/Contract;

14. All persons and entities (other than the Rehabilitator or as authorized in writing by the Rehabilitator or his designee) are enjoined and restrained from: (i) exercising or taking any action to exercise any approval, consent, direction, determination, appointment, request, voting, veto, waiver, or other right or remedy that FGIC or FGIC CP has (through the right to direct or grant or withhold consent with respect to such exercise or otherwise) (or that FGIC or FGIC CP would have but for the commencement or continuation of the Rehabilitation Proceeding or the occurrence or existence of any of the Rehabilitation Circumstances) under or with respect to any policies, contracts, or other instruments or documents relating to any FGIC Policy/Contract or any obligations insured or covered thereby, including without limitation any financial guaranty policies, fee letters or premium agreements, insurance and indemnification agreements, credit default swaps or other credit derivative transaction agreements, interest rate or currency rate swap agreements, basis swap agreements, total return swap agreements, indentures, trust deeds, pooling and servicing agreements, pooling agreements, sale and servicing agreements, sale agreements, collateral management or administration agreements, servicing agreements, credit or loan agreements, residential mortgage-backed securities transaction documents, guarantee investment certificates, custodial account agreements, note purchase agreements, or other financing or transaction documents of any kind (collectively, "Transaction Documents" and each a "Transaction Document") ~~or under applicable law (collectively, the "FGIC Rights")~~; or (ii) failing to take, or taking any action inconsistent with, any action (or inaction) directed (whether actively or passively) to be taken pursuant to the exercise by FGIC, FGIC CP, or the Rehabilitator of any FGIC Rights; or (iii) failing to provide, or causing to be provided, to FGIC or FGIC CP any notice, request, or other communication or document that FGIC or

*all rights and remedies described in this clause (i)*

FGIC CP may have the right to receive (or that FGIC or FGIC CP would or may have the right to receive but for the commencement or continuation of the Rehabilitation Proceeding or the occurrence or the existence of any of the Rehabilitation Circumstances). For the avoidance of doubt, this paragraph does not enjoin or restrain any servicer (including any master servicer, sub-servicer or special servicer) from servicing underlying collateral to the extent it would be permitted to do so under the applicable Transaction Documents (without regard to the commencement or continuation of the Rehabilitation Proceeding or the occurrence or existence of any Rehabilitation Circumstances). In addition, notwithstanding anything to the contrary in this Paragraph 14, (i) if the Rehabilitator (or his designee) directs an indenture trustee or another type of corporate trustee (collectively, an "Indenture Trustee") or servicer to take an action or refrain from taking an action (collectively, the "Direction") that the Indenture Trustee or servicer believes it is not obligated to take or refrain from taking, the Indenture Trustee or servicer may seek a ruling from this Court (on an expedited basis if necessary) as to whether it is required to comply with the Direction, and the Indenture Trustee or servicer shall not be in contempt of Court for not complying with the Direction prior to this Court's ruling so long as the Indenture Trustee or servicer (a) seeks a ruling no later than five (5) business days after the Rehabilitator (or his designee) gives it the Direction and (b) provides prompt notice to the Rehabilitator of its request for a ruling; *provided, however*, that nothing herein shall prohibit the Rehabilitator from seeking a ruling (on an expedited basis if necessary) with respect to the Direction at any time; and (ii) if an Indenture Trustee or servicer intends to exercise any FGIC Right, (x) the Indenture Trustee or servicer shall provide the Rehabilitator with prompt notice of its intent to exercise such FGIC Right, and (y) if the Rehabilitator believes that the Indenture Trustee or servicer is not permitted to exercise such FGIC Right, the Rehabilitator may seek a ruling from this Court as to whether to preclude such exercise (on an expedited basis if necessary) within five (5) business days after receiving notification of the intended exercise of a FGIC Right;

and the Rehabilitator shall provide prompt notice to the Indenture Trustee or servicer of its request for a ruling

15. FGIC and all persons and entities having any property belonging to or relating to FGIC, as applicable, including but not limited to, business records, insurance policies, claims files (electronic or paper), software programs, bank records, or any tangible or intangible items of value, shall preserve such property and are directed, immediately upon the Rehabilitator's request, to assign, transfer, turn over and deliver such property to the Rehabilitator or his designees;
16. Any person or entity providing claims processing services, data processing services, electronic records retention services, or other information technology services to or on behalf of FGIC shall maintain and preserve all information in its possession ("Information") relating in any way to FGIC and its rights and obligations, wherever located, including but not

limited to all documents, data, electronic files and records, computer equipment (e.g., servers and printers), software programs and software licenses owned or leased by FGIC and are directed, upon the Rehabilitator's request, to promptly submit all such Information to the Rehabilitator or his designees;

17. Any bank, savings and loan association, other financial institution or any other entity or person, which has on deposit or in its possession, custody, or control any of FGIC's funds, accounts or assets, shall immediately upon the Rehabilitator's request and direction: (i) turn over custody and control of such funds, accounts, or assets to the Rehabilitator or his designees; (ii) transfer title of such funds, accounts, or assets to the Rehabilitator or his designees; (iii) change the name of such accounts to the name of the Rehabilitator; (iv) transfer funds from such bank, savings and loan association or other financial institution; or (v) take any other action necessary for the proper conduct of the Rehabilitation Proceeding;
18. Without limiting the ability of the Rehabilitator to reject, modify, or renegotiate any contract, lease, or arrangement concerning FGIC, all persons and entities that provide goods or services to FGIC shall continue to provide such goods or services to the Rehabilitator pursuant to the terms of any contract, lease, or other arrangement with FGIC, regardless of the existence of any provisions in any contract or lease that would otherwise excuse performance on the basis of the commencement or continuation of the Rehabilitation Proceeding or the occurrence or existence of any of the Rehabilitation Circumstances;
19. All persons and entities are enjoined and restrained from seeking to impose liability upon the Rehabilitator, the NYLB, or any of their respective employees, attorneys, representatives, or agents relating to or arising out of the Rehabilitation Proceeding or the Rehabilitation Circumstances;
20. The injunctive relief granted by this Order shall issue without the furnishing of an undertaking by the Superintendent. CPLR § 2512(a);
21. Notwithstanding anything to the contrary in this Order, nothing herein prevents any person or entity from asserting a claim in the Rehabilitation Proceeding; *provided, however*, that no person or entity may trigger or submit claims for Termination Payments (or take any action in furtherance thereof) or otherwise take any action prohibited by the provisions of this Order. Pending further Court order, policyholders and other claimants should submit their notices of claim or similar demands pursuant to the deadlines, procedures, and service requirements specified in their policies or contracts. Without extending the deadlines for filing claims that may be set forth in any FGIC Policy/Contract, the deadline set forth in Section 7432(b) of the NYIL for all persons and entities having claims against

- FGIC to file or present their claims to the Rehabilitator is deferred until further order of this Court;
22. Any person seeking modification of, or relief from, the injunctive relief set forth in this Order (an "**Objecting Party**") shall submit a written request to the Rehabilitator setting forth good cause for such modification or relief. If the Objecting Party and the Rehabilitator reach a settlement regarding such modification or relief, the Rehabilitator shall submit a request to this Court seeking approval of such settlement. If the Objecting Party and the Rehabilitator fail to reach a settlement within 30 days of the Rehabilitator's receipt of such request, or such longer time as both the Rehabilitator and the Objecting Party agree, the Objecting Party may seek relief with this Court;
  23. The failure by any person or entity to have objected to the injunctive relief set forth in this Order by June 22, 2012, any delay in seeking modification of, or relief from, the injunctive relief set forth in this Order through the procedures set forth in Paragraph 22 of this Order, and any delay in seeking a ruling from this Court pursuant to Paragraph 14 of this Order shall not waive, bar, or otherwise impair the right of such person or entity to challenge the validity of or seek to set aside all or any portion of the injunctive relief set forth in this Order or be deemed a waiver of any right to take any action that has been stayed by this Order if the injunctive relief applicable to such action is modified or lifted. Any person or entity that intends to challenge or seek to set aside all or any portion of the injunctive relief set forth in this Order shall follow the procedures set forth in Paragraph 22 hereof. Nothing in this Order shall be deemed to constitute a determination of any person's or entity's rights under any Transaction Documents or applicable law so long as the procedures in Paragraphs 14 and 22 are complied with;
  24. The Rehabilitator may at any time make further application to this Court for such further and different relief as he sees fit;
  25. A copy of this Order shall be served forthwith by certified and regular mail upon: John S. Dubel, Chief Executive Officer of FGIC, at the statutory home office of FGIC, located at 125 Park Avenue, New York, New York 10017, and Stroock & Stroock & Lavan LLP attn. William D. Latza, counsel for FGIC, located at 180 Maiden Lane, New York, NY 10038;
  26. The Rehabilitator shall provide notice of this Order to all creditors and policyholders by (i) mailing such notice to all known creditors and policyholders by first class mail; (ii) publishing such notice in the Wall Street Journal and The Bond Buyer; and (iii) posting such notice on the internet website maintained by the NYLB for the Rehabilitation Proceeding at <http://www.fgicrehabilitation.com> (which shall be

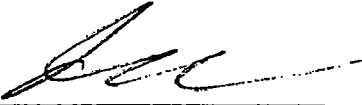
accessible from <http://www.nyfb.org> and <http://www.fgic.com>) within 30 days after the entry of this Order;

- 27. This Court shall have exclusive jurisdiction to interpret, implement, and enforce the provisions of this Order and to hear any and all matters relating to the Rehabilitation Proceeding; and
- 28. All further papers with respect to FGIC in this proceeding shall bear the caption:

SUPREME COURT OF THE STATE OF NEW YORK  
COUNTY OF NEW YORK

----- X  
 : Index No. 401265/2012  
 :  
 In the Matter of the Rehabilitation of :  
 FINANCIAL GUARANTY INSURANCE :  
 COMPANY. :  
 :  
 ----- X

E N T E R



J.S.C.  
DORIS LING-COHAN

**Schedule I**

RFMSII 2007-HI1  
RFMSII 2006-HI5

**Schedule II**

RFMSI 2005-S7  
RFMSI 2005-S2  
RASC 2007-EMX1  
RASC 2005-EMX5  
RAMP 2005-NC1  
RAMP 2005-EFC7

**SEWARD & KISSEL LLP**

ONE BATTERY PARK PLAZA  
NEW YORK, NEW YORK 10004

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WASHINGTON, DC 20001  
TELEPHONE: (202) 737-8833  
FACSIMILE: (202) 737-5184

June 26, 2012

**VIA FEDERAL EXPRESS**

Financial Guaranty Insurance Company  
125 Park Avenue  
New York, New York 10017

Attention of Walter Wohr  
Managing Director

Re: RMBS Trust Settlement Agreement with Residential  
Capital, LLC

Dear Mr. Wohr:

We represent U.S. Bank National Association, solely in its capacity as Trustee under the Pooling and Servicing Agreements (the "PSAs") for approximately 300 RMBS Securitization Trusts (in such capacity, "U.S. Bank"), in connection with the Chapter 11 cases of Residential Capital, LLC and its direct and indirect subsidiaries (collectively, "ResCap").

We have your letter dated May 25, 2012 (the "Letter") stating that FGIC does not authorize U.S. Bank to vote in favor of, or opt into, the RMBS Trust Settlement Agreement with ResCap with respect to the 8 Trusts identified on Exhibit B to the Letter.

FGIC notes in its letter that it has not made payments under its policies relating to the 8 Trusts in accordance with an order issued by the New York Superintendent of Insurance (the "1310 Order").

Please provide us with a copy of the 1310 Order. Please explain how the 1310 Order, in your view, preserves FGIC's rights under the applicable PSAs to provide any instruction to U.S. Bank.



Financial Guaranty Insurance Company  
June 26, 2012  
Page 2

We look forward to your response.

Thank you.

Sincerely,

*M. William Munno*

M. William Munno

caw



Financial Guaranty Insurance Company  
125 Park Avenue  
New York, NY 10017  
T 212-312-3000  
F 212-312-3093

May 25, 2012

**VIA OVERNIGHT MAIL**

U.S. Bank National Association  
EP-MN-WS3D  
60 Livingston Avenue  
St. Paul, Minnesota 55107  
Attention: Client Services Manager:  
RFMSII 2007-H11, RFMSII 2006-H15,  
RFMSI 2005-S7, RFMSI 2005-S2,  
RASC 2007-EMX1, RASC 2005-  
EMX5, RAMP 2005-NC1, RAMP  
2005-EFC7

Re: RMBS Trust Settlement Agreement with Residential Capital, LLC

Ladies and Gentlemen:

Reference is hereby made to (i) the RMBS Trust Settlement Agreement dated as of May 13, 2012 by and between Residential Capital, LLC ("ResCap") and its direct and indirect subsidiaries and certain institutional investors as defined in such agreement ("Institutional Investors") (attached hereto as Exhibit A, the "Settlement Agreement"), (ii) the Plan Support Agreement between ResCap and the Institutional Investors as described in the Settlement Agreement (the "Plan Support Agreement") and (iii) each of the transactions listed on Exhibit B hereto whereby U.S. Bank National Association currently serves as a Trustee or Indenture Trustee, as applicable (each a "Transaction"). Financial Guaranty Insurance Company ("FGIC") has issued policies insuring the repayment of certain of the securities (the "Transaction Securities") issued in connection with each of the Transactions.

FGIC is not only the financial guaranty insurer of the Transaction Securities issued in each of the Transactions, but it is also an express third party beneficiary of the operative documents relating to each of the Transactions, including the related indenture, pooling and servicing agreement, sale and servicing agreement, servicing agreement, mortgage loan purchase agreement and/or other operative documents, as the case may be. FGIC has rights and obligations independent of the rights and obligations of the Institutional Investors, the trustees and the trusts relating to the Transactions. In addition, to the extent FGIC has paid claims with respect to any of the Transactions, it is subrogated to the rights of the holders of the Transaction Securities, including but not limited to the right to receive payment of the Transaction Securities.

# FGIC

The terms of the Settlement Agreement and the Plan Support Agreement, which will increase FGIC's potential claims and losses under the Transactions, are materially adverse to FGIC's interest with respect to the Transactions. As you are aware, FGIC was ordered to suspend payment of all claims effective November 24, 2009 pursuant to an order by the New York Superintendent of Insurance (the "1310 Order"). However, FGIC retains its obligation to make payments under the policies relating to each Transaction and will resume making claims payments if and when allowed pursuant to the 1310 Order.

The Plan Support Agreement purports to release all claims against Ally Financial Inc. and its non-debtor affiliates, including Residential Funding Company, LLC, an indirect wholly owned subsidiary of ResCap ("RFC"), which is a seller in each of the Transactions. FGIC has filed complaints, however, against RFC alleging, *inter alia*, that RFC made material misrepresentations and omissions about the quality of the mortgage loans relating to certain of the Transactions. In addition, FGIC has claims against Ally Bank that could also be affected by the Plan Support Agreement. It would not be appropriate for the Trustee to consent to the proposed Settlement Agreement and Plan Support Agreement while certain Transactions are subject to separate litigation.

Finally, we note that there is very little information publicly available concerning the Settlement Agreement or the Plan Support Agreement. The Trustee should not in any event make any decisions with respect to the Settlement Agreement or Plan Support Agreement before it has obtained complete information concerning the terms and conditions of the Settlement Agreement or Plan Support Agreement and all other information necessary to make a fully informed decision. The Trustee should also provide to FGIC and the holders of the Transaction Securities copies of any non-public information that it may receive concerning the Settlement Agreement or Plan Support Agreement, in order for us to provide direction to the Trustee on a fully informed basis.

Accordingly, to the extent any of the Transactions are subject to the Settlement Agreement or the Plan Support Agreement, FGIC hereby provides notice that it does not authorize the Trustee to vote in favor of, or opt in to, such Settlement Agreement or Plan Support Agreement and hereby directs the Trustee not to vote in favor of, or opt in to, the Settlement Agreement or Plan Support Agreement.

If you have any questions or wish to discuss our concerns, the Settlement Agreement, the Plan Support Agreement and the filed complaints in more detail, please contact me at 212-312-3423.

Sincerely,



Winston Wohr  
Managing Director

**EXHIBIT A**

**Attach Settlement Agreement**

**EXHIBIT B**

**TRANSACTIONS**

RFMSII 2007-HI1  
RFMSII 2006-HI5  
RFMSI 2005-S7  
RFMSI 2005-S2  
RASC 2007-EMX1  
RASC 2005-EMX5  
RAMP 2005-NC1  
RAMP 2005-BFC7

*EXECUTION VERSION*

***TO BE SIGNED BY THE PARTIES  
IMMEDIATELY FOLLOWING THE PETITION DATE***

***SETTLEMENT AND PLAN SPONSOR AGREEMENT***

---

THIS SETTLEMENT AND PLAN SPONSOR AGREEMENT (the "Agreement"), dated as of May 14, 2012 (the "Execution Date"), is made and entered into by and among Residential Capital, LLC and certain of its direct and indirect subsidiaries, as debtors and debtors-in-possession on behalf of each such entity and its estate (collectively, the "Debtors"),<sup>1</sup> and Ally Financial Inc. ("AFI"), on behalf of its direct and indirect subsidiaries and affiliates other than the Debtors and the Debtors' direct and indirect subsidiaries (collectively, "Ally") (each of the Debtors and Ally is a "Party," and collectively, the "Parties").

**RECITALS**

WHEREAS, on the date hereof (the "Petition Date"), each of the Debtors filed a voluntary petition for relief under chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code") with the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") commencing cases (the "Chapter 11 Cases"), which are proposed to be jointly administered for procedural purposes;

WHEREAS, the Debtors believe certain claims exist against Ally related to the corporate relationship between the Debtors and Ally, including with respect to certain transactions between the Debtors and Ally, including equitable subordination, debt recharacterization, fraudulent conveyance, avoidance liability under federal or state laws, and other causes of action under theories of veil piercing and alter ego liability;

WHEREAS, Ally denies each allegation of the Debtors and has substantial claims against the Debtors;

---

<sup>1</sup> The Debtors are: Ditech, LLC; DOA Holding Properties, LLC; DOA Holdings NoteCo, LLC; DOA Properties IX (Lots-Other), LLC; EPRE LLC; Equity Investment I, LLC; ETS of Virginia, Inc.; ETS of Washington, Inc.; Executive Trustee Services, LLC; GMAC Model Home Finance I, LLC; GMAC Mortgage USA Corporation; GMAC Mortgage, LLC; GMAC Residential Holding Company, LLC; GMACM Borrower LLC; GMACM REO LLC; GMACR Mortgage Products, LLC; GMAC-RFC Holding Company, LLC; GMACRH Settlement Services, LLC; HFN REO SUB II, LLC; Home Connects Lending Services, LLC; Homecomings Financial, LLC; Homecomings Financial Real Estate Holdings, LLC; Ladue Associates, Inc.; Passive Asset Transactions, LLC; PATI A, LLC; PATI B, LLC; PATI Real Estate Holdings, LLC; RAHI A, LLC; RAHI B, LLC; RAHI Real Estate Holdings, LLC; RCSFJV2004, LLC; Residential Accredited Loans, Inc.; Residential Asset Mortgage Products, Inc.; Residential Asset Securities Corporation; Residential Capital, LLC; Residential Consumer Services of Alabama, LLC; Residential Consumer Services of Ohio, LLC; Residential Consumer Services of Texas, LLC; Residential Consumer Services, LLC; Residential Funding Company, LLC; Residential Funding Mortgage Exchange, LLC; Residential Funding Mortgage Securities I, Inc.; Residential Funding Mortgage Securities II, Inc.; Residential Funding Real Estate Holdings, LLC; Residential Mortgage Real Estate Holdings, LLC; RFC Asset Holdings II, LLC; RFC Asset Management, LLC; RFC Borrower LLC; RFC Construction Funding, LLC; RFC REO LLC; RFC SFJV-2002, LLC; and RFC-GSAP Servicer Advance, LLC.

**EXECUTION VERSION**

WHEREAS, certain entities, including AFI, GMAC Mortgage Group LLC, Ally Securities LLC, and Ally Bank have been named as defendants in lawsuits brought by third parties in connection with, or arising from, the Debtors' business activities, including with respect to residential mortgage backed securities issued and/or sold by the Debtors; and

WHEREAS, the Debtors and Ally have resolved all issues and disputes between and among the Parties, and have agreed upon a term sheet for a chapter 11 plan of reorganization for the Debtors' restructuring and to implement the terms of the settlement contained herein.

NOW, THEREFORE, in consideration of the promises and mutual covenants set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

**ARTICLE I**

**Definitions**

Section 1.1 *Terms Defined in the Preamble and Recitals.* The following terms shall have the meaning ascribed thereto in the preamble and recitals of this Agreement: Ally; AFI; Bankruptcy Code; Bankruptcy Court; Chapter 11 Cases; Debtors; Execution Date; Parties and Party; and Petition Date.

Section 1.2 *Other Defined Terms.* The following definitions shall apply and constitute a part of this Agreement and all annexes and exhibits hereto:

"Ally Bank MSR" means the mortgage servicing rights held by Ally Bank.

"Allowed Claims" means the claims to be allowed under the Plan pursuant to Section 3.1(e).

"Ally Claims" means the Claims of Ally against the Debtors as described in Section 3.1(e) of this Agreement.

"Ally Contribution" means such term as defined in Section 2.1.

"Ally DIP Financing Facility" means the debtor-in-possession financing facility to be provided to the Debtors, attached to the Plan Term Sheet as Exhibit 3.

"Ally LOC" means such term as defined in Section 3.1(e).

"Ally Revolver" means such term as defined in Section 3.1(e).

"Bankruptcy Court Order" means an order of the Bankruptcy Court entered after notice and a hearing.

"Barclays DIP Financing Facility" means the debtor-in-possession financing facility to be provided to the Debtors, attached to the Plan Term Sheet as Exhibit 6.

*EXECUTION VERSION*

“Cash” means legal tender of the United States of America.

“Cash Collateral Order” means the order attached hereto as Exhibit 1.

“Cash Contribution” means such term as defined in Section 2.1(a).

“Causes of Action” means any and all Claims, actions, causes of action, choses in action, rights, demands, suits, claims, liabilities, encumbrances, lawsuits, adverse consequences, debts, damages, dues, sums of money, accounts, reckonings, deficiencies, bonds, bills, disbursements, expenses, losses, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, judgments, remedies, rights of set-off, third-party claims, subrogation claims, contribution claims, reimbursement claims, indemnity claims, counterclaims, and cross-claims (including those of the Debtors, and/or the bankruptcy estate of any Debtor created pursuant to sections 301 and 541 of the Bankruptcy Code upon the commencement of the Chapter 11 Cases), whether known or unknown, foreseen or unforeseen, suspected or unsuspected, liquidated or unliquidated, fixed or contingent, matured or unmatured, disputed or undisputed, whether held in a personal or representative capacity, that are or may be pending on the Effective Date or instituted after the Effective Date against any entity, based in law or equity, including under the Bankruptcy Code, whether direct, indirect, derivative, or otherwise and whether asserted or unasserted as of the date of entry of the Confirmation Order.

“Claim” means a claim, as such term is defined in section 101(5) of the Bankruptcy Code.

“Confirmation Order” means an order, in form and substance satisfactory to both Parties, confirming the Plan.

“Consent Materials” means (a) the Board of Governors of the Federal Reserve System Consent Order, dated April 13, 2011, by and among AFI, Ally Bank, ResCap, GMAC Mortgage, LLC, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation, (b) the consent judgment entered by the District Court for the District of Columbia, dated February 9, 2012, and (c) the Order of Assessment of a Civil Money Penalty Issued Upon Consent Pursuant to the Federal Deposit Insurance Act, as amended, dated February 10, 2012.

“Consumer Lending Origination Support” means Ally’s support of ResCap’s consumer origination channel through Ally Bank’s continued (a) origination of conforming loans brokered by ResCap to Ally Bank pursuant to the Client Agreement governing broker activity, (b) performance under the GNMA Origination Agreement, and (c) offering of such other products, such as the origination of jumbo loans and the Purchase Power lending program, consistent with current practices.

“Current Program” means such term as defined in Section 2.2(b).

“Data Center Transaction” means that certain sale and buy-back transaction between AFI and the Debtors of the Debtors’ real estate interests in the data center property known as “Shady Oak” (MN) and the data center in Lewisville, TX as set forth in Exhibit 2.

“Debtors’ Obligations” means such term as defined in Section 3.1.



*EXECUTION VERSION*

“Disclosure Statement” means the disclosure statement for the Plan, as amended, supplemented or modified from time to time, in form and substance reasonably acceptable to both Parties, including all exhibits and schedules thereto, and as approved by the Bankruptcy Court pursuant to section 1125 of the Bankruptcy Code.

“Effective Date” means the date of substantial consummation of the Plan, which shall be the first business day upon which all conditions precedent to the effectiveness of the Plan are satisfied or waived in accordance with the Plan.

“Final Order” means an order or judgment of the Bankruptcy Court (or any other court of competent jurisdiction), which has not been modified, amended, reversed, vacated, or stayed, is in full force and effect, and as to which (a) the time to appeal, petition for certiorari, or move for a new trial, stay, reargument, or rehearing has expired and as to which no appeal, petition for certiorari, or motion for new trial, stay, reargument, or rehearing shall then be pending or (b) if an appeal, writ of certiorari, new trial, stay, reargument, or rehearing thereof has been sought, such order or judgment of the Bankruptcy Court (or other court of competent jurisdiction) shall have been affirmed by the highest court to which such order was appealed, or certiorari shall have been denied, or a new trial, stay, reargument, or rehearing shall have been denied or resulted in no modification of such order, and the time to take any further appeal, petition for certiorari, or move for a new trial, stay, reargument, or rehearing shall have expired, as a result of which such order shall have become final in accordance with Rule 8002 of the Federal Rules of Bankruptcy Procedure; provided that the possibility that a motion under Rule 60 of the Federal Rules of Civil Procedure, or any analogous rule under the Bankruptcy Rules, may be filed relating to such order, shall not cause an order not to be a Final Order.

“GNMA Origination Agreement” means the Amended and Restated Master Mortgage Loan Purchase and Sale Agreement with respect to the FHA, USDA, and VA Residential Mortgage Loans (as such terms are defined therein) between Ally Bank, as Seller, and GMAC Mortgage, LLC, as Purchaser.

“GNMA Origination Order” means the Bankruptcy Court Order approving the GNMA Origination Agreement.

“Governing Documents” means articles or certificates of incorporation and bylaws (or other formation documents relating to limited liability companies, limited partnerships, or other forms of entity).

“HFS APA” means such term as defined in Section 2.1(b).

“HFS Portfolio” means ResCap’s held-for-sale portfolio of mortgage loans, which are the subject of the HFS APA.

“HFS Sale Price” means such term as defined in Section 2.1(b).

“Interest” means any “Equity Security,” as defined in section 101(16) of the Bankruptcy Code, of a Debtor existing immediately prior to the Effective Date.

“Milestones” means the deadlines and conditions set forth in Exhibit A attached hereto.

***EXECUTION VERSION***

“Person” means such term as defined in section 101(41) of the Bankruptcy Code.

“Plan” means the Debtors’ chapter 11 plan, together with all addenda, exhibits, schedules, or other attachments, if any, including the Plan Supplement, and as may be amended, modified, or supplemented from time to time, in form and substance satisfactory to the Debtors and Ally, as set forth in more detail in the Plan Term Sheet.

“Plan Supplement” means the compilation of documents and forms of documents, schedules, and exhibits to the Plan to be filed with the Bankruptcy Court on notice to parties-in-interest, and additional documents to be filed before the Effective Date as supplements or amendments to the Plan Supplement.

“Plan Term Sheet” means the chapter 11 plan term sheet, dated May 14, 2012, which is Exhibit 4 to this Agreement.

“Purchaser” means the buyer of certain of the Debtors’ assets in the ResCap Asset Sale.

“Released Parties” means Ally, and each of theirs and the Debtors’ respective members, officers, directors, agents, financial advisors, attorneys, employees, partners, affiliates, and representatives.

“Reorganized Debtors” means the Debtors, or any successors thereto by merger, consolidation, or otherwise, on and after the Effective Date.

“ResCap Asset Sale” means the sale of certain of the Debtors’ assets pursuant to an Asset Purchase Agreement between the Debtors and Nationstar Mortgage LLC, or such other higher or better offer as may be selected by the Debtors pursuant to the bidding procedures established pursuant to such agreement.

“Restructuring” means the Plan and the transactions contemplated in relation thereto.

“Run Off Period” means such term as defined in Section 2.2(b).

“Section 363 Sale” means a sale under section 363 of the Bankruptcy Code prior to, and outside of, the Plan.

“Shared Services Agreement” means the shared services agreement, dated May 13, 2012, by and between AFI and the Debtors, to be approved by the Bankruptcy Court.

“Solicitation Procedures” means the procedures for soliciting acceptance or rejection of the Plan from each holder of an impaired Claim or Interest that is entitled to vote to accept or reject the Plan.

“Subservicing Agreement” means the Amended and Restated Servicing Agreement, dated May 13, 2012, by and between Ally Bank, as owner, and GMAC Mortgage, LLC, as Servicer.

**EXECUTION VERSION**

**"Subservicing Agreement Order"** means a Bankruptcy Court Order approving the Subservicing Agreement.

**"Stalking Horse Bidder"** means Nationstar Mortgage LLC, as the initially designated bidder for the assets to be purchased in connection with the ResCap Asset Sale.

**"Third Party Release"** means such term as defined in the section entitled Third Party Releases.

**"Transition Services Agreement"** means the transition services agreement to be negotiated with the Purchaser in connection with the ResCap Asset Sale.

**ARTICLE II**

**Ally Obligations**

Section 2.1 *Ally Contribution.* Ally hereby agrees to make the following contributions to the Debtors:

- (a) **Cash Contribution.** Upon satisfaction of the conditions set forth in Section 5.2 hereof, AFI will make a Cash contribution to the Debtors in the amount of \$750,000,000 (the "**Cash Contribution**"); paid to fund the settlement of pending and future claims and to secure the releases in favor of the Released Parties set forth in Section 3.1(d), including third party releases under Section 3.1(d)(ii); provided that if AFI, in its sole discretion, agrees upon an acceptable purchase price for the Ally Bank MSR to be sold in conjunction with the Plan (via a contribution of the Ally Bank MSR by Ally to the Debtors immediately before the Effective Date), Ally shall negotiate with the Debtors in good faith to provide the Debtors with additional consideration from the sale of the Ally Bank MSR.
- (b) **HFS Stalking Horse Bid.**
  - (i) Subject to the conditions set forth in Section 5.2 hereof, AFI will serve as a stalking horse bidder for the HFS Portfolio in the amount (the "**HFS Sale Price**") set forth in the asset purchase agreement attached as **Exhibit 5** hereto (the "**HFS APA**"). Ally shall not receive any break-up fee or other bid protections in the event ResCap receives a higher or better offer for the HFS Portfolio.
  - (ii) Notwithstanding the foregoing, if the conditions set forth in Section 5.2 hereof are not satisfied and the ResCap Asset Sale is consummated pursuant to the Section 363 Sale, AFI shall purchase the HFS Portfolio for 87.5% of the HFS Sale Price, subject to higher or better offers, all as set forth in the HFS APA.

**EXECUTION VERSION**

- (c) **Shared Services Agreement.** Subject to Bankruptcy Court approval, AFI will enter into and perform under the Shared Services Agreement with the Debtors during the Chapter 11 Cases attached hereto as Exhibit 7.
- (d) **Cash Collateral Order.** Subject to Bankruptcy Court approval, Ally shall provide ResCap with use of Cash Collateral pursuant to the terms of the Cash Collateral Order.
- (e) **Transition Services Agreement.** Subject to Bankruptcy Court approval, AFI will negotiate and, upon agreement of the parties, enter into a Transition Services Agreement with the Purchaser in connection with the ResCap Asset Sale.
- (f) **Debtor-in-Possession Financing.** Subject to Bankruptcy Court approval, AFI will provide up to \$220,000,000 of debtor-in-possession financing to the Debtors in accordance with the terms and conditions set forth in the Ally DIP Term Sheet attached hereto as Exhibit 3.
- (g) **Support of Pension.** AFI will honor in the ordinary course of business, obligations under the Employees' Retirement Plan sponsored by GMAC Mortgage Group LLC.
- (h) **Continued Consumer Lending Origination Support.** Subject to Bankruptcy Court approval, Ally Bank will provide Consumer Lending Origination Support to the Debtors during the Chapter 11 Cases through and until the closing of the ResCap Asset Sale.

**Section 2.2** *ResCap Director and Officer Issues.*

(a) **Indemnification.** AFI stands by and re-affirms its indemnification obligations under its Amended and Restated Certificate of Incorporation regarding ResCap's current and former Directors and Officers to the full extent of Delaware law.

(b) **Insurance.** Ally will use commercially reasonable efforts to continue to renew its current blended directors and officers liability and fiduciary liability insurance program (the "Current Program"), for a period of six years following the Effective Date (the "Run Off Period"), on substantially the same terms and conditions as the Current Program and including prior acts coverage with respect to claims arising from acts or omissions that occurred prior to the Effective Date; provided that if Ally is unable to continue the Current Program for the entire Run Off Period despite its commercially reasonable efforts it shall promptly notify the Debtors and use best efforts to obtain run off coverage for the balance of the Run Off Period.

**Section 2.3** *Ally Release.* Subject to the Debtors' satisfaction of their obligations set forth in Section 3.1, on the Effective Date of the Plan, Ally shall release the Debtors and each of their respective members, officers, directors, agents, financial advisors, attorneys, employees, partners, affiliates, and representatives and their respective properties from any and all Causes of Action, whether known or unknown, whether for tort, fraud, contract, violations of federal or state securities laws, or otherwise, arising from or related in any way to the Debtors, including

**EXECUTION VERSION**

those that any Ally entity would have been legally entitled to assert against any of the parties above in their own right (whether individually or collectively), other than the Allowed Claims.

**Section 2.4 Ally Plan Sponsor Obligations.**

(a) **Support of Restructuring.** As long as this Agreement has not been terminated in accordance with Article VII, AFI agrees to:

(i) support the relief requested in each of the Debtors' first day pleadings (including interim and final relief thereof, as applicable);

(ii) support the Debtors' efforts to pursue the Restructuring contemplated by the Plan Term Sheet;

(iii) support the Debtors' prosecution of their Chapter 11 Cases consistent with this Agreement and the Plan Term Sheet;

(iv) support entry of an order approving the Disclosure Statement to permit solicitation of the Plan;

(v) vote to accept the Plan, provided that (i) the Bankruptcy Court has entered an order approving the Disclosure Statement, (ii) the Consenting Claimants have been properly solicited pursuant to section 1125 of the Bankruptcy Code, (iii) the material terms of the Plan and the Disclosure Statement are consistent with the terms of the Plan Term Sheet and incorporate the terms of the AFI Settlement Agreement, and (iv) the Plan and the Disclosure Statement are satisfactory to the Consenting Claimants; and

(vi) support confirmation of the Plan and approval of this Agreement incorporated therein.

(b) **Transfer of Claims.** AFI hereby agrees, for so long as this Agreement shall remain in effect, not to sell, assign, transfer, pledge, hypothecate or otherwise dispose of, directly or indirectly, any of the Ally Claims or any right related thereto and including any voting rights associated with such Ally Claims.

(c) **Further Acquisition of Claims.** This Agreement shall in no way be construed to preclude AFI or any of its affiliates (as defined in section 101(2) of the Bankruptcy Code) from acquiring additional claims following its execution of this Agreement; provided, that any such additional claims acquired by AFI shall automatically be deemed to be subject to the terms of this Agreement unless AFI does not have the authority to make any such additional claim subject to the Agreement. AFI further agrees that it will not create any subsidiary or affiliate for the sole purpose of acquiring any claims against or interests in any of the Debtors without causing such affiliate to become a Party hereto prior to such acquisition.

(d) **Representations of AFI's Holdings.** AFI represents that, as of the date hereof (i) it is the legal owner of the Ally Claims; and (ii) it has full power to vote, dispose of, and compromise the Ally Claims.

**EXECUTION VERSION**

### ARTICLE III

#### **Debtors' Obligations**

Section 3.1 *Debtors' Obligations.* The Debtors hereby agree to do the following and to use good faith efforts to do the following:

(a) **Agreement.** The Debtors shall file this Agreement on the Petition Date and shall use commercially reasonable efforts to obtain approval of the Debtors' obligations under this Agreement contemporaneously with approval of the Disclosure Statement.

(b) **Plan.** The Debtors shall use good faith efforts to file and prosecute the Plan as set forth in the Plan Term Sheet.

(c) **Regulatory Obligations.** The Debtors shall perform all of the obligations required under the Consent Materials, and fund any and all costs related to such performance during the Chapter 11 Cases through and until the closing of the ResCap Asset Sale. The Debtors shall (i) escrow proceeds from the ResCap Asset Sale in an amount to be agreed upon between Ally and Debtors (or determined by the Bankruptcy Court to the extent no agreement can be reached) for the purpose of funding any and all remaining obligations under the Consent Materials following the ResCap Asset Sale, or (ii) the Purchaser shall assume such obligations as part of the ResCap Asset Sale on terms reasonably acceptable to Ally.

(d) **Plan Releases.** The Confirmation Order and Plan shall include the following provisions in the Plan and the Confirmation Order or such other release provisions as are acceptable to Ally.

(i) **Debtor Releases.** On and as of the Effective Date, for the good and valuable consideration provided by each of the Released Parties, including: (a) the discharge of debt and all other good and valuable consideration provided pursuant to the Plan; (b) pursuant to the terms of this Agreement; and (c) the services of the Debtors' present officers and directors in facilitating the expeditious implementation of the restructuring contemplated by the Plan, each of the Debtors shall provide a full discharge and release to the Released Parties (and each such Debtor Releasee so released shall be deemed released and discharged by the Debtors)) and their respective properties from any and all Causes of Action, whether known or unknown, whether for tort, fraud, contract, violations of federal or state securities laws, or otherwise, including those Causes of Action based on avoidance liability under federal or state laws, veil piercing or alter-ego theories of liability, a theory of debt recharacterization, or equitable subordination liability, arising from or related in any way to the Debtors, including those that any of the Debtors or Reorganized Debtors would have been legally entitled to assert against a Released Party in their own right (whether individually or collectively) or that any holder of a Claim or Interest or other entity, would have been legally entitled to assert on behalf of any of the Debtors or any of their Estates, including those in any way related to the Bankruptcy Cases or the Plan to the fullest extent of the law; provided that Ally shall reaffirm its obligations under Section 2.2 in conjunction with the Plan; provided, further, that the Debtors' rights to any insurance shall not be adversely affected.

***EXECUTION VERSION***

(ii) Third Party Releases. On and as of the Effective Date, the holders of Claims and Interests shall be deemed to provide a full discharge and release to the Released Parties and their respective property from any and all Causes of Action, whether known or unknown, whether for tort, fraud, contract, violations of federal or state securities laws, veil piercing or alter-ego theories of liability, or otherwise, arising from or related in any way to the Debtors, including those in any way related to residential mortgage backed securities issued and/or sold by Debtors and/or the Chapter 11 Cases or the Plan; provided that claims of the Debtors' directors and officers against Ally pursuant to Ally's indemnification obligations and Section 2.2 hereof (as well as any applicable insurance related thereto) shall not be released. Entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the releases set forth in this Section 3.1(d)(ii) (the "Third Party Releases"), and further, shall constitute its finding that the Third Party Releases are: (a) in exchange for the good, valuable, and substantial consideration provided by the Released Parties; (b) in the best interests of the Debtors and all holders of Claims; (c) fair, equitable, and reasonable; (d) given and made after due notice and opportunity for hearing; (e) justified by truly unusual circumstances; (f) an essential component and important to the success of the Plan; (g) resulted in increased distributions to the creditors that would otherwise have been unavailable; (h) the result of an identity of interest between the Debtors and the Released Parties regarding the restructuring; and (i) a bar to any party asserting any claim released by the Third Party Release against any of the Released Parties. The Confirmation Order will permanently enjoin the commencement or prosecution by any person or entity, whether directly, derivatively or otherwise, of any Claims, obligations, damages, demands, debts, rights, suits, Causes of Action, judgments, or liabilities released pursuant to the Plan.

(e) Allowed Claims. The Confirmation Order shall allow all Claims in full that arise (i) under the Amended and Restated Credit Agreement, dated as of December 30, 2009 (as amended, supplemented, or otherwise modified), among the GMAC Mortgage, LLC and Residential Funding Company, LLC, as borrowers, Residential Capital, LLC, GMAC Residential Holding Company, LLC, GMAC-RFC Holding Company, LLC, and Homecomings Financial, LLC, as guarantors, AFI as initial lender and agent, and Wells Fargo Bank, N.A., as first priority collateral agent (the "Ally Revolver"), (ii) under the Amended and Restated Loan Agreement, dated as of December 30, 2009 (as amended, supplemented, or otherwise modified), by and among GMAC Mortgage, LLC and Residential Funding Company, LLC, as borrowers, Residential Capital, LLC, RFC Asset Holdings II, LLC, Passive Asset Transactions, LLC, GMAC Residential Holding Company, LLC, GMAC-RFC Holding Company, LLC, Homecomings Financial, LLC, and Equity Investment I, LLC, as guarantors, and AFI as lender and agent (the "Ally LOC"), and (iii) claims from and after the Petition Date, which are held by Ally against the Debtors and arise in the ordinary course of business or otherwise agreed to by the Debtors and Ally.

**Section 3.2 *Debtors Plan Support Obligations.***

(a) Implementation of the Restructuring. As long as this Agreement has not been terminated in accordance with Article VII, the Debtors agree to:

**EXECUTION VERSION**

(i) effectuate and consummate the Restructuring contemplated by the Plan Term Sheet in accordance with the Milestones;

(ii) obtain any and all required regulatory approvals and material third-party approvals for the Restructuring; and

(iii) take any and all reasonably necessary actions in furtherance of the Restructuring.

(b) **Representation of the Debtors.** None of the materials and information provided by or on behalf of the Debtors to AFI in connection with the Restructuring, when read or considered together, contains any untrue statement of a material fact or omits to state a known material fact necessary in order to prevent the statements made therein from being materially misleading.

(c) **Alternative Restructuring.** Notwithstanding anything contained in this Agreement to the contrary, following the good faith determination by the Debtors and their respective Boards of Directors that a proposal or offer for a chapter 11 plan or other restructuring transaction that is not consistent with the Plan Term Sheet (an "Alternative Restructuring") constitutes a proposal that is reasonably likely to be more favorable to the Debtors' estates, their creditors, and other parties to whom the Debtors owe fiduciary duties than the Restructuring, and receipt of approval by the Boards of Directors to pursue such Alternative Restructuring, the Debtors may immediately terminate their obligations under this Agreement (and Ally shall have similar termination rights as set forth in section 7.3) by written notice to Ally.

**ARTICLE IV**

**Mutual Plan Support Obligations**

Section 4.1 *Mutual Plan Support Obligations.* As long as this Agreement has not been terminated in accordance with Article VII, each of the Parties agrees that it:

- (a) shall negotiate in good faith the Definitive Documents (as defined in the Plan Term Sheet), including the Plan and Disclosure Statement, both of which shall contain the same terms set forth in, and be consistent with, the Plan Term Sheet and this Agreement;
- (b) shall not directly or indirectly seek, solicit, support, or vote in favor of any alternative restructuring that could reasonably be expected to prevent, delay, or impede the Restructuring contemplated by the Plan Term Sheet or that is inconsistent with this Agreement, unless the Debtors and AFI have agreed, in writing, to pursue an alternative restructuring;
- (c) shall not directly nor indirectly (i) engage in, continue, or otherwise participate in any negotiations regarding any alternative restructuring, (ii) enter into a letter of intent, memorandum of understanding, agreement in principle, or other agreement relating to any alternative restructuring or (iii) withhold, withdraw, qualify, or



**EXECUTION VERSION**

modify its approval or recommendation of this Agreement, the Plan Term Sheet, the Plan, or the Restructuring;

- (d) shall not encourage any other entity to object to, delay, impede, appeal, or take any other action, directly or indirectly, to interfere with the Restructuring; and
- (e) shall not take any action that is inconsistent with this Agreement, the Plan Term Sheet, or the Plan, or that would obstruct or delay approval of the Disclosure Statement or confirmation and consummation of the Plan.

**ARTICLE V**

**Conditions to Effectiveness of the Agreement**

Section 5.1 *Conditions to Effectiveness.* This Agreement is effective immediately upon satisfaction of the following conditions precedent:

- (a) **Bankruptcy Filing.** The Debtors shall have filed cases under chapter 11 of the Bankruptcy Code on or before May 15, 2012.
- (b) **Data Center Transaction.** The Data Center Transaction shall have been executed on or before the date that the Debtors file their cases under chapter 11 of the Bankruptcy Code.

Section 5.2 *Additional Conditions to Effectiveness.* Ally's obligations pursuant to Section 2.1(a), Section 2.2(b)(i) and Section 2.3 shall only apply upon the satisfaction of the following conditions precedent:

- (a) **Plan and Confirmation Order.** The Plan and the Confirmation Order shall incorporate the terms and conditions of this Agreement and shall include the Third Party and Debtor Releases.
- (b) **Bankruptcy Court Approval.** The Bankruptcy Court shall have entered the Confirmation Order, which shall have become a Final Order.
- (c) **Plan Effective Date.** The Effective Date shall have occurred.

**ARTICLE VI**

**Representations And Warranties Of The Parties**

The Parties, solely on behalf of themselves and their respective subsidiaries, represent and warrant as of the Effective Date:

Section 6.1 *Due Organization, Standing, and Authority.* Such Party is duly organized, validly existing, and in good standing under the laws of the jurisdiction of its formation. Subject to entry of the Bankruptcy Court Orders set forth herein, such Party has all necessary power and

**EXECUTION VERSION**

authority to execute, deliver, and perform its obligations under this Agreement as contemplated by its Governing Documents.

Section 6.2 *Authorization and Validity of the Agreement.* Subject to entry of the Bankruptcy Court Orders set forth herein, the execution, delivery, and performance of this Agreement (a) are within such Party's powers, (b) have been duly authorized by all necessary action on its behalf and all necessary consents or approvals have been obtained and are in full force and effect, and (c) do not violate any of the terms and conditions of (i) such Party's Governing Documents, (ii) any applicable law, or (iii) any contract to which it is a party.

Section 6.3 *Enforceability.* This Agreement has been duly executed and delivered on behalf of such Party and constitutes a legal, valid, and binding obligation of such Party enforceable against it in accordance with its terms and the terms of the Plan and Confirmation Order.

Section 6.4 *Acknowledgment of Party.* Each Party acknowledges that, except with respect to the representations and warranties made in this Agreement: (a) it has relied on its own independent investigation, and has not relied on any information or representations furnished by any Party or any representative or agent thereof in determining whether or not to enter into this Agreement; (b) it has conducted its own due diligence as well as undertaken the opportunity to review information, ask questions, and receive satisfactory answers concerning the terms and conditions of this Agreement; and (c) it possesses the knowledge, experience, and sophistication to allow it to fully evaluate and accept the merits and risks of entering into the transactions contemplated by this Agreement.

**ARTICLE VII**

**Termination of the Agreement**

Section 7.1 *Termination of the Agreement by Ally.* This Agreement shall automatically terminate upon failure to satisfy any of the conditions set forth in Article III, Article IV or Article V hereof, any breach of the Debtors of their obligations under this Agreement, or in the event satisfaction of such conditions becomes a legal impossibility; provided that Ally may waive conditions or a breach by the Debtors in its sole discretion.

Section 7.2 *Termination of the Agreement by the Debtors.* This Agreement may be terminated by the Debtors upon failure to satisfy any of the conditions set forth in Article V or the breach of any of Ally's obligations under Article II hereof; provided that Ally shall have 15 days to cure any such alleged breach of Article II or the Debtors' exercise of their rights pursuant to Section 3.2(c).

Section 7.3 *Additional Termination Events.* Unless waived in writing by Ally, this Agreement shall terminate automatically if:

(a) any material modification is made to the Plan Term Sheet or the Plan that is not in form and substance satisfactory to AFI and the Debtors;

**EXECUTION VERSION**

(b) any of the Definitive Documents (as defined in the Plan Term Sheet), including the Plan, is filed with the Bankruptcy Court by the Debtors and is inconsistent with the Plan Term Sheet in any material respects, unless otherwise acceptable to AFI;

(c) the Bankruptcy Court has entered an order in any of the Debtors' chapter 11 cases appointing (i) a trustee under chapter 7 or chapter 11 of the Bankruptcy Code, (ii) a responsible officer or (iii) an examiner, in each case with enlarged powers relating to the operation of the business (powers beyond those set forth in sub-clauses (3) and (4) of section 1106(a) of the Bankruptcy Code) under section 1106(b) of the Bankruptcy Code;

(d) the obligations of the Debtors under any debtor-in-possession credit facility are accelerated;

(e) any of the Debtors' chapter 11 cases is dismissed;

(f) the Debtors publicly announce their intention not to support the Restructuring or provide written notice to AFI of their intention to do so;

(g) the Debtors' Boards of Directors approve an Alternative Restructuring or the Debtors execute a letter of intent (or similar document) indicating their intention to pursue an Alternative Restructuring;

(h) any court has entered a final, non-appealable judgment or order declaring this Agreement or any material portion hereof to be unenforceable; and

(i) the Debtors fail to achieve any of the Milestones.

**Section 7.4 Automatic Termination.** Unless extended in writing by the Debtors, Ally and Purchaser, this Settlement Agreement shall terminate automatically if (i) the Confirmation Order has not been entered on or before October 31, 2012, or (ii) any of the conditions set forth in Article V have not been satisfied on or before December 15, 2012.

**Section 7.5 Termination Event Procedure.** The Parties hereby waive any requirement under section 362 of the Bankruptcy Code to lift the automatic stay thereunder solely in connection with giving any termination notice (and agree not to object to any non-breaching Party seeking to lift the automatic stay solely in connection with giving any such notice, if necessary), subject to all rights of the Party to contest any such alleged Termination.

**Section 7.6 Survival.** Notwithstanding termination of this Agreement pursuant to this Article VII, Ally's obligations in Section 2.1(b)(ii)-(h), and Section 2.2 shall survive; provided that Ally shall have no remaining obligations under this Agreement to the extent of a breach by the Debtors of Section 3.1(a) or 3.1(b) hereof unless such breach was as a result of the Debtors' determination to pursue an Alternative Restructuring in accordance with the terms hereof, in which case Ally's only remaining obligations shall be those set forth in Section 2.1(c) and (d); provided further that, notwithstanding anything in this Agreement to the contrary, in the event of any Alternative Restructuring or any termination of this Agreement on account thereof, Ally's only remaining obligations shall be those set forth in Section 2.1(c) and (d) hereof.

**EXECUTION VERSION**

**ARTICLE VIII**

**Miscellaneous**

Section 8.1 *Notices.* All notices, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given: (a) when personally delivered; (b) upon actual receipt (as established by confirmation of receipt or otherwise) during normal business hours, otherwise on the first business day thereafter, if transmitted by facsimile, e-mail, or telecopier with confirmation of receipt; (c) five business days after being mailed by certified mail, return receipt requested, first class postage prepaid; or (d) one business day after being sent by nationally recognized overnight courier; in each case, to the following addresses, or to such other addresses as a Party may from time to time specify by notice to the other Parties given pursuant hereto.

If to the Debtors, to:

Tammy Hamzehpour  
Residential Capital LLC  
1100 Virginia Drive  
Fort Washington, PA 19034

And with a copy to (which copy shall not constitute notice):

Mr. Darren M. Nashelsky  
Mr. Gary S. Lee  
Morrison & Foerster  
1290 Avenue of the Americas  
New York, NY 10100

If to Ally, to:

Mr. William B. Solomon Jr.  
Ally Financial Inc.  
200 Renaissance Center  
Mail Code 482-B09-B11  
Detroit, Michigan 48265

And with a copy to (which copy shall not constitute notice):

Mr. Richard M. Cieri  
Mr. Ray C. Schrock  
Kirkland & Ellis LLP  
601 Lexington Avenue  
New York, NY 10022

Section 8.2 *Specific Performance.* Each Party acknowledges that the other Party would be irreparably damaged if this Agreement were not performed in accordance with its

**EXECUTION VERSION**

specific terms or were otherwise breached. Accordingly, each Party's sole remedy shall be to seek an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically the terms of this Agreement.

**Section 8.3 Governing Law/Jurisdiction.** This Agreement, the rights and duties of the Parties and all other matters arising out of or relating to this Agreement (whether in contract, tort, or otherwise) will be governed by and construed, enforced, and performed in accordance with the laws of the State of New York, without giving effect to principles of conflicts of laws that would require the application of laws of another jurisdiction. The Parties acknowledge and agree that the Bankruptcy Court shall have the exclusive jurisdiction over this Agreement and that any claims arising out of or related to the interpretation and enforcement of this Agreement shall be properly brought only before the Bankruptcy Court. If and to the extent that the Chapter 11 Cases are closed or dismissed, the United States District Court located in the borough of Manhattan in New York City shall have exclusive jurisdiction over this Agreement and any such claims. This provision shall not constitute a consent by any Party to personal jurisdiction over it for any purpose, other than with respect to the enforcement of this Agreement.

**Section 8.4 Entire Agreement.** This Agreement contains the entire agreement between the Parties with respect to the subject matter hereof and there are no agreements, understandings, representations, or warranties between the Parties other than those set forth or referred to herein.

**Section 8.5 Acknowledgement.** THIS AGREEMENT, THE PLAN TERM SHEET, AND THE TRANSACTIONS CONTEMPLATED HEREIN AND THEREIN, ARE THE PRODUCT OF NEGOTIATIONS BETWEEN THE PARTIES AND THEIR RESPECTIVE REPRESENTATIVES. EACH PARTY HEREBY ACKNOWLEDGES THAT THIS AGREEMENT IS NOT AND SHALL NOT BE DEEMED TO BE A SOLICITATION OF VOTES FOR THE ACCEPTANCE OF A CHAPTER 11 PLAN FOR THE PURPOSES OF SECTIONS 1125 AND 1126 OF THE BANKRUPTCY CODE OR OTHERWISE. THE DEBTORS WILL NOT SOLICIT ACCEPTANCES OF THE PLAN FROM AFI UNTIL AFI HAS BEEN PROVIDED WITH COPIES OF A DISCLOSURE STATEMENT APPROVED BY THE BANKRUPTCY COURT. EACH PARTY FURTHER ACKNOWLEDGES THAT NO SECURITIES OF ANY DEBTOR ARE BEING OFFERED OR SOLD HEREBY AND THAT THIS AGREEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OF ANY DEBTOR.

**Section 8.6 Amendment and Waiver.** This Agreement may not be amended, and no right or obligation under this Agreement may be waived, except by written instrument signed by the Parties.

**Section 8.7 Severability.** Each of the provisions of this Agreement is an integrated, essential and non-severable part of this Agreement. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced, all other terms and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic and legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to the Parties. Upon any determination that any term or other provision is invalid, illegal, or incapable of being enforced, each Party hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of this Agreement as closely as possible in a

**EXECUTION VERSION**

mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible.

Section 8.8 *Reliance on Representations.* All representations, warranties, agreements, covenants, and obligations herein are material, and shall be deemed to have been relied upon by the other Parties.

Section 8.9 *Successors and Assigns.* This Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and assigns, and is intended to be binding upon any chapter 11 or chapter 7 trustee, any successor trustee, and the estates of any or all of the Debtors. Without in any manner limiting the scope, extent, or effect of the foregoing, no Party hereto shall transfer, assign, or otherwise dispose of their right, title, and interests in and to any claims or causes of action of such Party that are the subject of this Agreement, and any such transfer shall be void and of no force and effect unless and until such transferee or assignee agrees in writing at the time of such transfer or assignment to be bound by this Agreement in its entirety without revision.

Section 8.10 *No Admission of Liability.* This Agreement is not an admission of any liability, but is a compromise and settlement and this Agreement shall not be treated as an admission of liability. All communications (whether oral or in writing) between and/or among the Parties, their counsel, and/or their respective representatives relating to, concerning, or in connection with this Agreement, or the matters covered hereby and thereby, shall be governed and protected in accordance with the Federal Rule of Evidence 408 and New York Civil Practice Law and Rules Section 4547 to the fullest extent permitted by law.

Section 8.11 *Interpretation.* This Agreement has been jointly drafted by the Parties at arm's-length and each Party has had ample opportunity to consult with independent legal counsel. No provision or ambiguity in this Agreement shall be resolved against any Party solely by virtue of its participation in the drafting of this Agreement.

Section 8.12 *Expenses.* Except as specifically provided otherwise, the Parties shall be responsible for the payment of their own respective costs and expenses (including reasonable attorneys' fees) in connection with the negotiation, participation, execution, and delivery of, and the observance or performance of their obligations under, this Agreement. Nevertheless, in any action or proceeding to enforce this Agreement, the prevailing Party shall be entitled to payment of its reasonable costs and expenses (including reasonable attorneys' fees). The Parties agree that claims for enforcement of this Agreement shall not be released by any of the provisions contained herein.

Section 8.13 *Captions.* The captions of this Agreement are for convenience only and are not a part of this Agreement and do not in any way limit or amplify the terms and provisions of this Agreement and shall have no effect on its interpretation.

Section 8.14 *Counterparts.* This Agreement may be executed in counterparts, by either an original signature or signature transmitted by facsimile transmission, other electronic copy, or other similar process and each copy so executed shall be deemed to be an original and all copies so executed shall constitute one and the same agreement.

***EXECUTION VERSION***

Section 8.15 *Further Assurances*. From time to time, upon request, the Parties shall, without further consideration, promptly execute, deliver, acknowledge, and file all such further documents, agreements, certificates, and instruments and do such further acts as the persons or entities entitled to the benefit of this Agreement may reasonably require to effectuate the transactions contemplated by this Agreement.

Section 8.16 *Taxes*. It is acknowledged and agreed to by each of the Parties hereto that each such Party shall be responsible for paying all taxes, if any, arising out of any payments or transfers made to it pursuant hereto and that it shall pay all such taxes in accordance with applicable law.

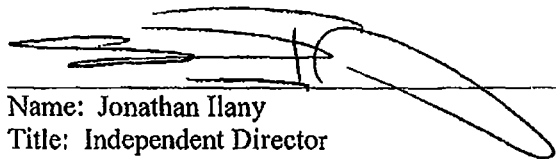
Section 8.17 *Construction of Agreement*. Each of the functional words "each", "every", "any", and "all" shall be deemed to include each of the other functional words. This Agreement or any uncertainty or ambiguity herein shall not be construed against any one party but shall be construed as if all parties to this Agreement jointly prepared all aspects of this Agreement.

[SIGNATURE PAGE FOLLOWS]

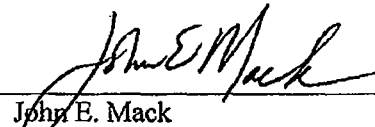
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**RESIDENTIAL CAPITAL, LLC for itself and its debtor subsidiaries**

By: \_\_\_\_\_

  
Name: Jonathan Ilany  
Title: Independent Director

By: \_\_\_\_\_

  
Name: John E. Mack  
Title: Independent Director

**ALLY FINANCIAL INC. on behalf of itself and its subsidiaries and affiliates (excluding  
the Debtors and their direct and indirect subsidiaries)**

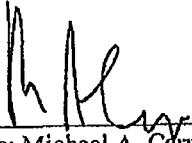
By: \_\_\_\_\_

Name:  
Title:



***EXECUTION VERSION***

**ALLY FINANCIAL INC. on behalf of itself and its subsidiaries and affiliates (excluding  
the Debtors and their direct and indirect subsidiaries)**

By:   
Name: Michael A. Carpenter  
Title: Chief Executive Officer

*EXECUTION VERSION*

Exhibit A

**MILESTONES**

**EXECUTION VERSION**

**MILESTONES**

The Debtors' failure to comply with the following milestones (the "Milestones") will result in a termination under Section 7.3 of this Agreement, unless waived pursuant to the terms of this Agreement:

- 1) The Debtors shall have commenced the Chapter 11 Cases on or before May 15, 2012;
- 2) On or before the Petition Date, the Debtors shall have:
  - a) executed the Asset Purchase Agreement with the Stalking Horse Bidder that is in form, scope, and substance satisfactory to AFI;
  - b) executed the Held-For-Sale Asset Purchase Agreement with AFI that is in form, scope, and substance satisfactory to AFI;
  - c) executed the Barclays DIP Financing Facility that is substantially consistent with the term sheet attached as Exhibit 6 to this Agreement; and
  - d) agreed upon the term sheet for the Ally DIP Financing Facility that is substantially consistent with the form as Exhibit 3 attached to this Agreement.
- 3) On or before May 18, 2012, the Debtors shall have obtained entry of orders of the Bankruptcy Court on an interim basis approving the Barclays DIP Financing Facility and the Ally DIP Financing Facility that are in form, scope, and substance satisfactory to AFI;
- 4) On or before May 18, 2012, the Debtors shall have obtained entry of the Cash Collateral Order, on an interim basis, in form, scope, and substance satisfactory to AFI;
- 5) On or before May 18, 2012, the Debtors shall have filed with the Bankruptcy Court a motion to approve their proposed bidding procedures with respect to the ResCap Asset Sale, which bidding procedures will propose a timeline for the asset sale consistent with the terms of the Plan Term Sheet and provide for the ResCap Asset Sale to be approved in conjunction with the Plan;
- 6) On or before May 18, 2012, the Debtors shall have entered into the following agreements and have obtained entry of the following Bankruptcy Court Orders on an interim basis, in each case in form, scope and substance satisfactory to the Debtors and AFI:
  - a) the Subservicing Agreement and the Subservicing Agreement Order;
  - b) the Shared Services Agreement and the Shared Services Agreement Order; and
  - c) the GNMA Origination Agreement and the GNMA Origination Order.
- 7) On or before May 25, 2012, the Debtors shall have filed a motion, in form and substance satisfactory to AFI, to extend the automatic stay of section 362(a) of the Bankruptcy Code to AFI and certain of its affiliates;
- 8) On or before June 15, 2012, the Debtors shall have filed a motion seeking the Bankruptcy Court's approval of this Agreement;
- 9) On or before June 15, 2012, the Debtors shall have filed with the Bankruptcy Court the Plan, Disclosure Statement, a motion to approve the Disclosure Statement, and a motion to approve solicitation procedures in relation to the Plan and Disclosure Statement, all of which shall be in form and substance satisfactory to AFI;

***EXECUTION VERSION***

- 10) On or before 50 days following the Petition Date, the Debtors shall have obtained entry of the Bankruptcy Court of Final Orders approving the Barclays DIP Financing Facility, Ally DIP Financing Facility, the Shared Servicing Agreement, the GNMA Origination Agreement and the Subservicing Agreement, in each case in form, scope and substance satisfactory to AFI;
- 11) On or before ninety (90) days following the Petition Date], the Bankruptcy Court shall have entered (a) an order approving the Disclosure Statement, which shall be in form and substance satisfactory to AFI, (b) an order approving the Debtors' proposed bidding procedures related to the ResCap Asset Sale, in each case in form and substance satisfactory to the Debtors and AFI, and (c) an order approving this Agreement;
- 12) On or before October 31, 2012, the Bankruptcy Court shall have entered the Confirmation Order, which such order will grant final approval of the Plan, the ResCap Asset Sale and the Agreement, in the form and substance satisfactory to AFI; and
- 13) On or before December 15, 2012, the effective date of the Plan shall have occurred.

**SEWARD & KISSEL LLP**

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September 14, 2012

**VIA FEDEX & EMAIL**

Mr. David Glehan  
Managing Director  
MBIA Insurance Corporation  
113 King Street  
Armonk, New York 10504

**RMBS Trust Settlement Agreement with Residential Capital, LLC**

Dear Mr. Glehan:

We represent U.S. Bank National Association, solely in its capacity as Trustee (“U.S. Bank”) under various Pooling and Servicing Agreements and Indentures (together, the “Governing Agreements”) for approximately 300 RMBS securitization trusts in connection with the Chapter 11 cases of Residential Capital, LLC and its direct and indirect subsidiaries (collectively, “ResCap”), including the six trusts (the “Trusts”) identified in your three July 23, 2012 letters to U.S. Bank (collectively, the “MBIA Letters”) and write in response to those letters.<sup>1</sup>

The MBIA Letters state that MBIA Insurance Corporation (“MBIA”), “directs” or “instructs” U.S. Bank “to not consider or accept any settlement or compromise offers relating to any claims that may belong to the [ ] Trusts, including, but not limited to the RMBS Trust Settlement Agreement, dated as May 13, 2012 (the “Settlement Agreement”), by and between [ResCap] and the Institutional Investors (as defined in the Settlement Agreement).”

While the MBIA Letters describe MBIA’s purported right to “direct” U.S. Bank as trustee under certain circumstances, no reference is made to Section 8.02(iii) of the relevant Pooling and Servicing Agreement. That section, in relevant part, provides that:

The Trustee shall be under no obligation to exercise any of the trusts or powers vested in it by this Agreement or to institute, conduct or defend any litigation hereunder or in relation hereto at

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<sup>1</sup> Capitalized terms used herein and not otherwise defined have the meanings specified in the MBIA Letters or in the Governing Agreements for the Trusts.

Mr. David Glehan  
September 14, 2012  
Page 2

the request, order or direction of [MBIA], pursuant to the provisions of this Agreement, unless [MBIA] shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which may be incurred therein or thereby...

The Indentures governing the relevant Trusts impose similar indemnification obligations on a party seeking to “direct” the trustee in the manner MBIA seeks to direct U.S. Bank. Section 6.01(f) of those Indentures, in relevant part, states:

No provision of this Indenture shall require the Indenture Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers, if it shall have reasonable grounds to believe that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

Section 5.11 of the relevant Indentures, in pertinent part, further provides:

[S]ubject to Section 6.01, the Indenture Trustee need not take any action that it determines (in its sole discretion)<sup>2</sup> might involve it in liability or might materially adversely affect the rights of any Noteholders not consenting to such action, unless the Trustee has received satisfactory indemnity from [MBIA].

Finally, three of the relevant Indentures provide additional indemnification obligations on MBIA, stating in Section 6.02(h) that:

The Indenture Trustee shall be under no obligation to exercise any of the trusts and powers vested in it by this Indenture or to institute, conduct or defend any litigation hereunder or in relation hereto at the request, order or direction of [MBIA], pursuant to the provisions of this Indenture, unless [MBIA] shall have offered to the Indenture Trustee reasonable security or indemnity against the costs, expenses and liabilities which may be incurred therein or thereby...

The relevant Governing Agreements, in sum, make clear that U.S. Bank is not obligated to comply with MBIA’s purported “direction” unless MBIA first provides U.S. Bank with adequate security or indemnity. If MBIA believes that adequate indemnity or security is not

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<sup>2</sup> Two of the five relevant Indentures do not contain the parenthetical “(in its sole discretion).”

Mr. David Glehan  
September 14, 2012  
Page 3

necessary, or that not consenting to the Settlement Agreement will not “materially adversely affect the rights of any noteholders” in the Trusts, U.S. Bank requests that MBIA explain why proceeding with its purported “direction” (i) will not expose U.S. Bank to certain costs, expenses and liabilities, and (ii) will not materially adversely affect the interest of noteholders in the Trusts.

Regardless of whether the MBIA Letters would constitute a valid, binding direction or instruction, U.S. Bank will, of course, consider MBIA’s request that it not accept the Settlement Agreement on behalf of the Trusts, along with any other Noteholder or Certificateholder requests and any other relevant information that U.S. Bank receives. In that regard, as MBIA may be aware, U.S. Bank has received correspondence from Institutional Investors who hold 25% in one or more classes of numerous RMBS trusts that “urge and direct” U.S. Bank to accept the Settlement Agreement on behalf of those trusts, including at least five of the Trusts identified in the MBIA Letters. Enclosed is a copy of the relevant correspondence from the Institutional Investors. To assure full disclosure, we are providing to the Institutional Investors copies of the MBIA Letters, as well as our response.


On July 31, 2012, the Court entered a scheduling order (the “Order”) in the ResCap bankruptcy proceeding concerning the Debtors’ efforts to seek approval of the Settlement Agreement. To the extent MBIA has any objections to the Settlement Agreement, the Order provides that those objections should be filed by October 5, 2012. The Order also provides that U.S. Bank must accept or reject the Settlement Agreement by “the later of November 12, 2012 or five business days after the entry of an order approving the [Settlement Agreement].” U.S. Bank will consider any objections that are filed prior to deciding whether to accept or reject the terms of the Settlement Agreement. We encourage you to reach out to the Institutional Investors to resolve the conflicting “directions” regarding the Settlement Agreement in advance of the date by which U.S. Bank must accept or reject the Settlement Agreement.

U.S. Bank reserves its right to contest whether the MBIA Letters would constitute a “Direction” under the relevant Governing Agreements, or whether U.S. Bank has any other obligations thereunder.

Mr. David Glehan  
September 14, 2012  
Page 4

Please call me if you have any questions or we can help facilitate your contacting the Institutional Investors. Thank you.

Sincerely,

A handwritten signature in black ink that reads "M. William Munno". The signature is written in a cursive style with a large, prominent initial "M".

M. William Munno

Enclosures

SK 03687 0119 1319148



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September 14, 2012

**VIA FEDEX & EMAIL**

Irena M. Goldstein, Esq.  
Proskauer Rose LLP  
Eleven Times Square  
New York, New York 10036-8299

**RMBS Trust Settlement Agreement with Residential Capital, LLC**

Dear Ms. Goldstein:

We represent U.S. Bank National Association, solely in its capacity as Trustee (“U.S. Bank”) under various Pooling and Servicing Agreements and Indentures for approximately 300 RMBS securitization trusts in connection with the Chapter 11 cases of Residential Capital, LLC and its direct and indirect subsidiaries (collectively, “ResCap”), including the trust (the “Trust”) governed by the Indenture, dated as of June 30, 2004 between GMACM Home Equity Loan Trust 2004-HE3 and Wells Fargo Bank, N.A. (the “Indenture”). We respond to your August 23, 2012 letter regarding the “direction” of your client, Assured Guaranty Municipal Corp. (“Assured”), with respect to the Trust and the RMBS Settlement.<sup>1</sup>

Your letter states that “notwithstanding any direction [U.S. Bank] may have received from noteholders, Assured does not consent at this time to [U.S. Bank] entering into the Joinder. Accordingly, [U.S. Bank] cannot enter the Joinder and must await further instructions from Assured.”

While your letter relies on Section 5.11 of the Indenture with regard to Assured’s purported right to “direct” U.S. Bank as trustee under certain circumstances, no reference is made to the penultimate paragraph of that section, which, in relevant part, provides:

[S]ubject to Section 6.01, the Indenture Trustee need not take any action that it determines (in its sole discretion) might involve it in liability or might materially adversely affect the rights of any

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<sup>1</sup> Capitalized terms used herein and not otherwise defined have the meanings specified in your August 23 Letter or in the Indenture.

Irena M. Goldstein, Esq.  
September 14, 2012  
Page 2

Noteholders not consenting to such action unless the Indenture Trustee has received satisfactory indemnity from [Assured].

Section 6.01(f) of the Indenture, in relevant part, further states:

No provision of this Indenture shall require the Indenture Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of its duties hereunder or in the exercise of any of its rights or powers, if it shall have reasonable grounds to believe that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

Finally, Section 6.02(h) of the Indenture provides, in relevant part, that:

The Indenture Trustee shall be under no obligation to exercise any of the trusts and powers vested in it by this Indenture or to institute, conduct or defend any litigation hereunder or in relation hereto at the request, order or direction of [Assured], pursuant to the provisions of this Indenture, unless [Assured] shall have offered to the Indenture Trustee reasonable security or indemnity against the costs, expenses and liabilities which may be incurred therein or thereby...

The Indenture, in sum, makes clear that U.S. Bank is not obligated to comply with Assured's purported "direction" unless Assured first provides U.S. Bank with adequate indemnity or reasonable security. If Assured believes that adequate indemnity is not necessary, or that not joining the RMBS Settlement will not "materially adversely affect the rights of any noteholders" in the Trust, U.S. Bank requests that Assured explain why proceeding with its purported "direction" (i) will not expose U.S. Bank to potential financial liability, and (ii) will not materially adversely affect the interest of noteholders in the Trust.

Regardless of whether your letter would constitute a valid, binding direction or instruction on behalf of Assured, U.S. Bank will, of course, consider Assured's request that it not join the RMBS Settlement on behalf of the Trust, along with any other Noteholder or Certificateholder requests and any other relevant information that U.S. Bank receives. In that regard, as Assured may be aware, U.S. Bank has received correspondence from Institutional Investors who hold 25% in one or more classes of numerous RMBS trusts, including the Trust, that "urge and direct" U.S. Bank to accept the RMBS Settlement. Enclosed is a copy of the relevant correspondence from the Institutional Investors. To assure full disclosure, we are providing to the Institutional Investors copies of your letter, as well as this response.

Irena M. Goldstein, Esq.  
September 14, 2012  
Page 3

On July 31, 2012, the Court entered a scheduling order (the "Order") in the ResCap bankruptcy proceeding concerning the Debtors' efforts to seek approval of the RMBS Settlement. To the extent Assured has any objections to the RMBS Settlement, the Order provides that those objections should be filed by October 5, 2012. The Order also provides that U.S. Bank must accept or reject the RMBS Settlement by "the later of November 12, 2012 or five business days after the entry of an order approving the [RMBS Settlement]." U.S. Bank will consider any objections that are filed prior to deciding whether to accept or reject the terms of the RMBS Settlement. We encourage you to reach out to the Institutional Investors to resolve the conflicting "directions" regarding the RMBS Settlement in advance of the date by which U.S. Bank must accept or reject the RMBS Settlement.

U.S. Bank reserves its right to contest whether your letter would constitute a "Direction" on behalf of Assured under the Indenture, or whether U.S. Bank has any other obligations thereunder.

Please call me if you have any questions or we can help facilitate your contacting the Institutional Investors. Thank you.

Sincerely,

A handwritten signature in cursive script that reads "M. William Munno".

M. William Munno

Enclosures

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September 14, 2012

**VIA FEDEX & EMAIL**

Mr. Timothy S. Travers  
Executive Vice President  
Financial Guaranty Insurance Company  
125 Park Avenue  
New York, New York 10017

**RMBS Trust Settlement Agreement with Residential Capital, LLC**

Dear Mr. Travers:

We represent U.S. Bank National Association, solely in its capacity as Trustee (“U.S. Bank”) under various Pooling and Servicing Agreements and Indentures (together, the “Governing Agreements”) for approximately 300 RMBS securitization trusts in connection with the Chapter 11 cases of Residential Capital, LLC and its direct and indirect subsidiaries (collectively, “ResCap”). We respond to your August 9, 2012 letter to U.S. Bank (the “August 9 Letter”) and further respond to Winston Wohnr’s May 25, 2012 letter to U.S. Bank (the “May 25 Letter,” together with the August 9 Letter, the “FGIC Letters”).<sup>1</sup>

The May 25 Letter stated that “to the extent any of the Transactions are subject to the Settlement Agreement or the Plan Support Agreement, FGIC hereby provides notice that it does not authorize [U.S. Bank] to vote in favor of, or opt in to, such Settlement Agreement or Plan Support Agreement and hereby directs [U.S. Bank] not to vote in favor of, or to opt in to, the Settlement Agreement or Plan Support Agreement.” The August 9 Letter further informs U.S. Bank that “it should not enter into *any* settlement that would impair or otherwise impact FGIC’s rights with respect to the Transactions without FGIC’s express consent.” (Emphasis in the original). The August 9 Letter states that the FGIC Letters shall constitute a “Direction” for purposes of Section 14 of the Rehabilitation Order at the time the Settlement Agreement or Plan Support Agreement are submitted to U.S. Bank for approval, support or opt-in.

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<sup>1</sup> Capitalized terms used herein and not otherwise defined have the meanings specified in the August 9 Letter or in the Transactions’ Governing Agreements.

Mr. Timothy S. Travers  
September 14, 2012  
Page 2

While the August 9 Letter describes the basis for FGIC's "right to withhold such authorization and to direct" U.S. Bank under the Governing Agreements for the Transactions, it makes no reference to Section 8.02(a)(iii) of the relevant Pooling and Servicing Agreements. The language of those agreements vary slightly, however, in substance, each provides that the Trustee shall be under no obligation to exercise any of the trusts or powers vested in it by those agreements, to institute, conduct or defend any litigation, or to follow the request, order or direction of FGIC pursuant to the provisions of the agreements, unless FGIC "shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which may be incurred therein or thereby."

The Indentures governing the Transactions identified in the FGIC Letters impose similar indemnification obligations on a party seeking to "direct" the trustee in the manner FGIC seeks to direct U.S. Bank. Section 6.01(f) of those Indentures, in relevant part, states:

No provision of this Indenture shall require the Indenture Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers, if it shall have reasonable grounds to believe that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

Section 5.11 of the relevant Indentures, in pertinent part, further provides:

[S]ubject to Section 6.01, the Indenture Trustee need not take any action that it determines might involve it in liability or might materially adversely affect the rights of any Noteholders not consenting to such action unless the Indenture Trustee has received satisfactory indemnity from [FGIC].

The Transactions' Governing Agreements, in sum, make clear that U.S. Bank is not obligated to comply with FGIC's purported "direction" unless FGIC first provides U.S. Bank with adequate security or indemnity. If FGIC believes that adequate indemnity or security is not necessary, or that not consenting to the Settlement Agreement or Plan Support Agreement will not "materially adversely affect the rights of any noteholders" in the Transactions, U.S. Bank requests that FGIC explain why proceeding with its purported "direction" (i) will not expose U.S. Bank to certain costs, expenses and liabilities, and (ii) will not materially adversely affect the interest of noteholders in the Transactions.

Regardless of whether the FGIC Letters would constitute a valid, binding direction or instruction, U.S. Bank will, of course, consider FGIC's request that it not accept the

Mr. Timothy S. Travers  
September 14, 2012  
Page 3

Settlement Agreement on behalf of the Transactions, along with any other Noteholder or Certificateholder requests and any other relevant information that U.S. Bank receives. In that regard, as FGIC may be aware, U.S. Bank has received correspondence from Institutional Investors who hold 25% in one or more classes of numerous RMBS trusts that “urge and direct” U.S. Bank to accept the Settlement Agreement on behalf of those trusts, including at least four of the Transactions identified in the FGIC Letters. Enclosed are copies of the relevant correspondence from the Institutional Investors. To assure full disclosure, we are providing to the Institutional Investors copies of the FGIC Letters, as well as our responses.

On July 31, 2012, the Court entered a scheduling order (the “Order”) in the ResCap bankruptcy proceeding concerning the Debtors’ efforts to seek approval of the Settlement Agreement. To the extent FGIC has any objections to the Settlement Agreement, the Order provides that those objections should be filed by October 5, 2012. The Order also provides that U.S. Bank must accept or reject the Settlement Agreement by “the later of November 12, 2012 or five business days after the entry of an order approving the [Settlement Agreement].” U.S. Bank will consider any objections that are filed prior to deciding whether to accept or reject the terms of the Settlement Agreement. We encourage you to reach out to the Institutional Investors to resolve the conflicting “directions” regarding the Settlement Agreement in advance of the date by which U.S. Bank must accept or reject the Settlement Agreement.

The Order further provides that any party that has an interest in the Settlement Agreement may seek discovery immediately. If FGIC wants additional information regarding the Settlement Agreement, FGIC may seek such information from the Debtors under the terms of the Order.

U.S. Bank reserves its right to contest whether the FGIC Letters would constitute a “Direction” under the Rehabilitation Order or the relevant Governing Agreements, or whether U.S. Bank has any other obligations thereunder.

Please call me if you have any questions or we can help facilitate your contacting the Institutional Investors. Thank you.

Sincerely,



M. William Munno

Enclosures

# EXHIBIT 6

**MATERIAL AND ADVERSE OPINION**  
**OF PROFESSOR BARRY E. ADLER**

I have been retained by Mayer Brown LLP (“Mayer Brown”) to provide an expert opinion on issues of contract interpretation in connection with a potential settlement (the “Potential Settlement”) involving securitization trusts for which Mayer Brown’s client, The Bank of New York Mellon (“BNY Mellon”) is trustee. I have not been retained as a lawyer in connection with this matter, nor do I owe any duty to Mayer Brown or BNY Mellon in connection with this matter. In this opinion, I make no recommendation to Mayer Brown or BNY Mellon. My compensation is based on hours worked and does not depend on the content of my opinion.

**1. Qualifications**

I am the Bernard Petrie Professor of Law and Business, New York University (“NYU”). I have taught at NYU since 1996. I have also held permanent or visiting appointments at Columbia University School of Law, Emory University School of Law, George Mason University School of Law, University of Virginia School of Law, and Yale Law School. I am the director of the annual NYU Workshop on Bankruptcy and Business Reorganizations and have been a director of the American Law and Economics Association. I teach or have taught Contracts, Bankruptcy, and Corporations, and have been the convener of the Contracts and Commercial Law Area Group at NYU School of Law. I have written a casebook and an edited reader in bankruptcy law, and have written numerous articles in the fields of bankruptcy, commercial, and corporate law.



## 2. Question Presented

For the purposes of this report, I have reviewed §2.03(c) of a document identified to me by Mayer Brown as an agreement (the “Pooling and Servicing Agreement”) that governs mortgage loans (each a “Mortgage Loan”) sold by, among others, Countrywide Home Loans, Inc. (“Countrywide”) to a Depositor, which in turn deposited the Mortgage Loans with BNY Mellon as trustee or indenture trustee for holders of certificates or notes that comprise the beneficial ownership of the mortgages (the owners of or investors in such certificates or notes “Certificateholders”). This provision addresses specified breaches of certain representations and warranties in connection with specified Mortgage Loans. Under the provision, in the event such a breach is discovered in connection with such a loan, if such breach “materially and adversely affects the interests of the Certificateholders in that Mortgage Loan,” the seller is obligated to cure the breach or replace or repurchase the Mortgage Loan.

In a document identified to me by Mayer Brown as the most recent Form10-Q filed with the Securities and Exchange Commission by Countrywide’s parent, Bank of America Corp. (“Bank of America”), Bank of America takes what I assume to be the position that in order for a breach of a representation or warranty to materially and adversely affect the interests of Certificateholders and thus trigger a repurchase obligation it is not sufficient that the breach may have been instrumental to a purchaser in its decision to accept a Mortgage Loan. Rather I assume it to be Bank of America’s position that there is no repurchase obligation unless a breach causes the Certificateholders to suffer a significant loss.

Below are my general views on the above-quoted language from §2.03(c) of the Pooling and Servicing Agreement and on the above-referenced Bank of America position. My opinion here is based solely on general principles of contract law as supported by references provided below. I have not broadly reviewed documents relevant to the Potential Settlement. I do not have knowledge of relevant events or of customary documents or practice in the commercial lending industry.

### **3. Opinion**

An interpretive issue is presented by the phrase “materially and adversely affects the interests of the Certificateholders in that Mortgage Loan” as used in §2.03(c) of the Pooling and Servicing Agreement between Countrywide and BNY Mellon. Because the phrase applies to a breach of a representation or warranty used by the seller to induce a sale of a mortgage loan under the agreement, one might say that “material and adverse” refers to the mortgage buyer’s purchase decision. Under this interpretation, if at the time of the sale a purchaser would not have accepted the mortgage had it been aware of facts inconsistent with a representation or warranty, then the breach is “material and adverse” to the interests of the purchaser (or owner), which could then demand that the seller buy back a mortgage subject to a repurchase obligation in the event of such breach.\* (For simplicity here and hereafter, I ignore the possibility that a seller might satisfy its obligations under the Pooling

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\* Functionally, a warranty is a promise to make a promisee whole in the event that a factual assertion is false. So one might prefer to think of a warranty breach as a failure to cure or to provide compensation in the event of such falsity rather than as the falsity itself. That said, it is common for a breach of warranty to mean merely that a factual assertion is false and this the sense in which I use the term here.

and Servicing Agreement through cure or replacement.) The significance of any loss caused by the breach would be irrelevant.

This interpretation was apparently approved at least in part by the court in *Lehman Brothers Holdings, Inc. v. Laureate Realty Services, Inc.*, 2007 WL 2904591 (S.D. Ind. Sept. 28, 2007) [hereinafter *Laureate*]. *Laureate* addressed a dispute over a mortgage loan purchase and sale agreement between Laureate as seller and Lehman as purchaser of mortgage loans. Under the agreement, in the event that a party discovered a breach of specified seller's representation or warranty with respect to a mortgage loan, the purchaser could demand cure or repurchase of the mortgage loan provided that the breach "materially and adversely affects the interest of the owner of such" loan. *Id.* at \*12. An issue in the case was whether Laureate's alleged failure to disclose relevant information about a loan sold under the agreement constituted a breach of representation or warranty sufficient to trigger the repurchase obligation. In Laureate's view, Lehman designated no evidence to suggest that the alleged breach would materially and adversely affect the owner of the loan and so Laureate moved for summary judgment against Lehman's repurchase demand. The court denied Laureate's motion for summary judgment in part because Lehman had proffered evidence that Lehman would not have purchased the loan in question "had they known about the negative information" that was the basis of the alleged breach. *Id.* at \*13; *Cf., e.g., Resolution Trust Corp. v. Key Fin. Servs.*, 280 F.3d 12, 16 (1st Cir. 2002) [hereinafter *Resolution Trust*] (affirming that breach of a representation or warranty in connection with the sale of a mortgage loan is material if the breach "concerns a fact likely to influence the decision-

making process,” quoting, *U.S. ex rel. Roman v. Schlesinger*, 404 F.Supp 77, 85 (E.D.N.Y. 1975)).

The court’s opinion in *Laureate* is not entirely clear on the question of how one is to interpret “material and adversely affects.” The court observed that Lehman had designated evidence that the alleged breach “had an adverse effect on Lehman as it remains undisputed that Lehman lost \$13 million on the transaction.” *Laureate*, 2007 WL 2904591, at \*13. This observation raises the possibility that the court believed “material” goes to the loan purchase decision while “adverse” goes to the loan outcome. Such a reading is awkward and may not have been intended. Still, *Laureate* suggests that a court might determine that there is a repurchase obligation at least in part by reference to how a breach could have affected the initial purchase decision.

The contractual language at issue in *Laureate* is similar to that in §2.03(c) of the Pooling and Servicing agreement between Countrywide and BNY Mellon and so the court’s interpretation of the repurchase obligation in *Laureate* may suggest a similar interpretation of the Pooling and Servicing Agreement. But the *Laureate* approach, or one like it, is not the only word on how to interpret such language. For example, in *Wells Fargo Bank N.A. v. LaSalle Bank Nat’l Ass’n*, 643 F. Supp. 2d 1014 (S.D. Ohio 2009), as in *Laureate*, a court was asked to address alleged breaches of representations and warranties in connection with the sale of mortgage loans placed in a trust on behalf of certificateholders. Although the reported opinion is somewhat opaque on the point, apparently the related pooling and servicing agreement provided that the seller could be subject to a repurchase obligation if

there were “a breach of any representation or warranty with respect to a [m]ortgage [l]oan ... which ... materially and adversely affects the value of such [m]ortgage [l]oan, the related [m]ortgaged [p]roperty or the interests of the [t]rustee or any [c]ertificateholder in the [m]ortgage [l]oan or the related [m]ortgaged [p]roperty”. First Amended Complaint at ¶35, *Wells Fargo Bank N.A. v. LaSalle Bank Nat’l Ass’n*, 3:07-cv-0049-MRM (Apr., 22, 2009) (Doc. # 17) (ellipses in the original). In a motion, Wells Fargo, as trustee for certificateholders, asked that the court clarify how it might demonstrate a material and adverse effect. The court responded, in part, as follows:

Wells Fargo appears to be arguing here that it can prove a material and adverse effect on the loans or the mortgaged property by showing that this loan would have been rejected by the investors had they known what Wells Fargo claims should have been [disclosed]. In the Court’s opinion, that position begs the question. To put it another way, the fact that an investor might have made a different decision had he or she different information may make that information material to the investor’s decision, but it does not make the omission of that information cause a material and adverse effect on the loan. “Material information” and “material effect” are not the same thing.

*Wells Fargo Bank N.A. v. LaSalle Bank Nat’l Ass’n*, Case No. 3:07-cv-0049-MRM, Doc. # 299, slip op. at 2 (S.D. Ohio Oct. 27, 2009) (Decision and Order Granting In Part and Denying in Part Plaintiff’s Motion for Clarification) [hereinafter *Wells Fargo*].

The rejection by *Wells Fargo* of a purchase-decision approach to “material and adverse” suggests that whether a breach of a representation or warranty materially and adversely affects the interests of a purchaser (or owner) turns on whether the breach caused a significant loss to the purchaser (or owner). And this is presumably what the court intended in a related jury instruction, which provided that the plaintiff must “prove by a preponderance of the evidence” that a breach of a representation or warranty “caused a material and adverse effect on the value of the loan, the value of the property, or the interests of the investors.” General Jury Charge at 22, *Wells Fargo Bank N.A. v. LaSalle Bank Nat’l Ass’n*, Case No. 3:07-cv-0049-MRM (Nov. 24, 2009) (Doc. # 351).

It is possible to distinguish *Laureate* from *Wells Fargo* based on the contractual language applicable in each case. As noted, the language in *Laureate* refers to a breach that materially and adversely affects the interest of the owner of a mortgage loan. In contrast, the comparable language in *Wells Fargo* refers to a breach that materially and adversely affects “the value of” a mortgage loan, the related mortgaged property or the interests of the trustee or any certificateholder in the mortgage loan or the related mortgaged property. *Cf., e.g., LaSalle Bank Nat’l Ass’n v. Citicorp Real Estate, Inc.*, 2002 WL 181703 (S.D.N.Y. Feb. 5, 2002) (addressing similar language). The difference between the two provisions and between the respective interpretations may suggest that unless a repurchase obligation is expressly conditioned on a material and adverse effect on “value” such obligation may be triggered by a mere determination that the purchaser would not have accepted the loan but for the breach. This would mean that §2.03(c) of Pooling and Servicing agreement between

Countrywide and BNY Mellon, which does not expressly condition the seller's repurchase obligation on a breach that materially and adversely affects "value," could be triggered if the breach merely affects the buyer's purchase decision, and this interpretation could be bolstered by the observation that the parties *elsewhere*, in another portion of §2.03(c) addressed to a particular set of representations and warranties, expressly conditioned a contractual outcome on a change in value.\*\*

Such interpretation is not necessary, however. The omission of an express reference to "value" need not imply that "material and adverse" refers to something other than a loss in value of an owner's interest caused by a breach, as a material and adverse effect on an owner's interest in a mortgage loan can be read as a reference to a significant loss caused by the breach and suffered by the owner in any manner—whether through a reduction in the value of a mortgage loan or through some other means—rather than as a reference to a purchase decision.\*\*\* Indeed, it might seem more natural for the parties to have expressly

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\*\* According to §2.03(c), for specified representations and warranties made to the best of a seller's knowledge, if it is discovered "that the substance of such representation and warranty is inaccurate and such inaccuracy materially and adversely affects the value of the related Mortgage Loan or the interests of the Certificateholders therein, notwithstanding that Seller's lack of knowledge with respect to the substance of such representation or warranty, such inaccuracy shall be deemed a breach of the applicable representation or warranty."

\*\*\* Under this approach, §2.03(c) of the Pooling and Servicing agreement between Countrywide and BNY Mellon could be interpreted such that a breach could not trigger a repurchase obligation if it caused a Mortgage Loan but not the Certificateholders' interests in that Loan to lose value, while an inaccuracy in a best-of-seller's-knowledge representation or warranty could be deemed a breach regardless of the seller's knowledge even if only the Mortgage Loan, but not the Certificateholders' interests, lost value. Such an interpretation would give meaning to "value of the related Mortgage Loan" as that language appears in the section even while "materially and adversely affects the interests of the Certificateholders in that Mortgage Loan" is interpreted as a reference to a loss of value in those interests caused by a breach. In any case, and regardless whether there is a plausible argument that there can be a loss of value in a Mortgage Loan without a loss of value in the interests of Certificateholders in that Loan, the law will

(. . . Continued)

addressed the buyer's purchase decision if they meant for an influence on that decision to be the basis for a determination that a breach materially and adversely affects the interests of a mortgage owner. Thus, the *Wells Fargo* approach may, but need not, depend on a reference to "value" in the applicable contractual language.

Turning now to the merits of the alternative approaches, an advantage of the *Wells Fargo* approach is that it can limit purchaser opportunism. This point may be illustrated by the following hypothetical case.

Assume that a seller of mortgage loans represents that the origination practices used by the seller have in all material respects met customary industry standards. Imagine that a seller substantially disregards such standards in the origination of a loan sold to a purchaser on behalf of certificateholders but that the breach does not significantly diminish the value of the loan. Imagine further that subsequent to this transaction, the real estate market crashes and as a consequence of this external event the loan declines precipitously in value. Now consider the question of how to interpret a provision in the contract between the seller and the buyer that gives the latter an option to insist on a repurchase if a breach in a representation or warranty with respect to a mortgage loan materially and adversely affects the interests of the certificateholders.

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(Continued . . .)

not necessarily interpret a contract to give every term meaning. As explained by a leading treatise, although the law "prefers an interpretation which gives effect to all parts of the contract rather than one which leaves a portion of the contract ineffective or meaningless ... sometimes particular words or provisions of a contract will be disregarded in order to give effect to the general meaning of a contract." 11 Williston on Contracts §32:9 (4th ed.) (database updated 2011).



Under the *Laureate* approach, or one like it, the purchaser might prevail and force the seller to repurchase the loan because, at the time of purchase, the seller might have rejected the loan had it known of the seller's poor origination practices. If, however, events subsequent to the sale, but prior to the real estate market collapse, revealed the loan to be of then acceptable value notwithstanding the seller's breach, the buyer might never have asked the seller to repurchase the loan but for the market collapse. It is not clear why the parties would have desired a contractual provision that permitted what they might, at the time of contract, have agreed would be buyer opportunism in a case such as this. That is, one might doubt that the permissibility of such strategic behavior by the buyer constitutes an accurate interpretation of the parties' agreement.

While the *Laureate* interpretation of "material and adverse" invites the sort of opportunism just described, the *Wells Fargo* interpretation is consistent with what may well have been the parties' contractual intent to combat such opportunism. This is so because, under the *Wells Fargo* approach, not any breach triggers the repurchase obligation, only one that significantly injures the buyer. Such a result is a seemingly reasonable outcome for this illustration.

This illustration is hypothetical, but it is not fanciful. In another case, based on events in Nevada, to which Wells Fargo (as well as LaSalle Bank) was a party, *Wells Fargo Bank N.A. v. LaSalle Bank Nat'l Ass'n*, 2011 WL 743929 (D. Nev. Feb. 23, 2011), Wells Fargo, again as trustee for certificateholders' interests in mortgage loans, sought a capacious definition of "material and adverse." In this pursuit, Wells Fargo unsuccessfully sought to exclude the

testimony of the seller's expert, who concluded, in the court's words, "that the decline in the housing and real estate markets in Las Vegas in 2007-2009 caused material and adverse affects, not a breach of any representation." *Id.* at \*4. This expert's conclusion, while perhaps not a legal opinion, does put forward the merit in an interpretation of "material and adverse" that precludes a repurchase obligation when the buyer's motivation to invoke the clause is not a loss caused by the seller's breach.

Although not directly on point here, the interpretive approach adopted in *Wells Fargo* also parallels aspects of the common law material breach doctrine. That doctrine addresses the situation where a party breaches a contract but nevertheless seeks to hold her counterparty to the agreement. In general terms (and at the risk of oversimplification), if the party's breach is material and uncured, she may not insist on her counterparty's performance. If the party's breach is not material, however, although the party is liable in damages for her breach, her counterparty is not released from the contract and the breaching party can thus enjoy the benefit of her bargain despite her breach. *See, e.g.*, Restatement (Second) Contracts §§ 237; 241; 242; 243; 250 (1981). A virtue of this common law rule is that the counterparty is unable to use a trivial breach as an excuse to free himself from what turns out to be—for reasons unrelated to the breach—a burdensome bargain. Similarly, the *Wells Fargo* interpretation of a provision such as §2.03(c) of the Pooling and Servicing Agreement could

prevent purchaser abrogation of a transaction that has—for reasons other than the seller’s breach—become burdensome.\*\*\*\*

None of the foregoing suggests that the *Wells Fargo* approach is ideal. It is not. Notably, to say that a material adverse effect on an interest in a loan is one that reduces the value of that interest does not help determine how much of a reduction in value constitutes a “material” reduction. The few cases cited here as examples suggest that an inquiry into the consequences of a breach of a representation or warranty may require case-by-case analysis regardless of how one interprets “material and adverse” (though I offer no view as to whether this is in fact the case). Such an inquiry would be difficult under any circumstances but would be further complicated, and subject to inconsistent results across cases, where the standard provides no principled guidance, and a court might be reluctant to embark on such a course.


In sum, then, it is not possible to conclude with any confidence how a court would interpret a provision such as §2.03(c) of the Pooling and Servicing Agreement. And I make no such prediction. Notably, in addition to the competing considerations discussed here, there may be cases or circumstances of which I am unaware, including but not limited to industry standards or practices, that would lead a court—through the admission of extrinsic

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\*\*\*\* *Resolution Trust Corp.*, cited earlier in the text, opined that the standard for material breach is different, and may include a higher threshold, when the victim of breach attempts to “walk away from” an agreement rather than merely enforce a contractual repurchase obligation that is expressly triggered by a material breach in a representation or warranty. 280 F.3d at 17. The court was not, however, interpreting the language that appears in §2.03(c) of the Pooling and Servicing Agreement between Countrywide and BNY Mellon and, in any case, for the reasons given, the argument made above about the possible intention of the parties to avoid opportunism applies even to a repurchase obligation provided for as part of a contract.

evidence or otherwise—to reach one conclusion or another.\*\*\*\* But, for the reasons described here, based solely on general contract principles, and taking the language of the provision at face value, it appears to be a reasonable position that a determination of whether a breach materially and adversely affects the interests of Certificateholders should turn on the harm caused by the breach.

Dated: May 27, 2011



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Professor Barry E. Adler

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\*\*\*\* Different jurisdictions have different rules and standards regarding contract interpretation and the admissibility of evidence. I offer no opinion on such differences or on the particular rules or standards that would apply to this case.

# EXHIBIT 7-A

RESIDENTIAL ASSET MORTGAGE PRODUCTS, INC.,  
Company,

GMAC MORTGAGE CORPORATION,  
Servicer

and

JPMORGAN CHASE BANK, N.A.  
Trustee

POOLING AND SERVICING AGREEMENT

Dated as of March 30, 2006

GMACM Mortgage Loan Trust 2006-AR2  
Residential Asset Mortgage Products, Inc.  
GMACM Mortgage Pass-Through Certificates, Series 2006-AR2

TABLE OF CONTENTS

	PAGE
ARTICLE I	DEFINITIONS.....2
Section 1.01.	Definitions.....2
Section 1.02.	Use of Words and Phrases.....2
ARTICLE II	CONVEYANCE OF MORTGAGE LOANS; ORIGINAL ISSUANCE OF CERTIFICATES.....2
Section 2.01.	Conveyance of Mortgage Loans.....2
Section 2.02.	Acceptance by Trustee.....2
Section 2.03.	Representations, Warranties and Covenants of the Servicer.....2
Section 2.04.	Representations and Warranties of the Seller.....2
Section 2.05.	Execution and Authentication of Certificates.....2
Section 2.06.	Purposes and Powers of the Trust Fund.....2
ARTICLE III	ADMINISTRATION AND SERVICING OF MORTGAGE LOANS.....2
Section 3.01.	Servicer to Act as Servicer.....2
Section 3.02.	Subservicing Agreements Between Servicer and Subservicers; Enforcement of Subservicers' and Seller's Obligations.....2
Section 3.03.	Successor Subservicers.....2
Section 3.04.	Liability of the Servicer.....2
Section 3.05.	No Contractual Relationship Between Subservicer and Trustee or Certificateholders.....2
Section 3.06.	Assumption or Termination of Subservicing Agreements by Trustee.....2
Section 3.07.	Collection of Certain Mortgage Loan Payments; Deposits to Custodial Account.....2
Section 3.08.	Subservicing Accounts; Servicing Accounts.....2
Section 3.09.	Access to Certain Documentation and Information Regarding the Mortgage Loans.....2
Section 3.10.	Permitted Withdrawals from the Custodial Account.....2
Section 3.11.	Maintenance of the Primary Insurance Policies; Collections Thereunder.....2
Section 3.12.	Maintenance of Hazard Insurance and Omissions and Fidelity Coverage.....2
Section 3.13.	Enforcement of Due-on-Sale Clauses; Assumption and Modification Agreements; Certain Assignments.....2

This is the Pooling and Servicing Agreement, dated as of March 30, 2006 (the "Pooling and Servicing Agreement" or "Agreement"), among RESIDENTIAL ASSET MORTGAGE PRODUCTS, INC., as the company (together with its permitted successors and assigns, the "Company"), GMAC MORTGAGE CORPORATION, as servicer (together with its permitted successors and assigns, the "Servicer"), and JPMORGAN CHASE BANK, N.A., a banking association organized under the laws of the United States, as Trustee (together with its permitted successors and assigns, the "Trustee").

PRELIMINARY STATEMENT:

The Company intends to sell mortgage-backed pass-through certificates (collectively, the "Certificates"), to be issued hereunder in fifteen Classes, which in the aggregate will evidence the entire beneficial ownership interest in the Mortgage Loans (as defined herein) and certain other related assets.

REMIC I

As provided herein, the REMIC Administrator will make an election to treat the segregated pool of assets consisting of the Mortgage Loans and certain other related assets subject to this Agreement as a real estate mortgage investment conduit (a "REMIC") for federal income tax purposes, and such segregated pool of assets will be designated as "REMIC I." Component I of the Class R Certificates will represent the sole Class of "residual interests" in REMIC I for purposes of the REMIC Provisions (as defined herein) under federal income tax law. The following table irrevocably sets forth the designation, uncertificated remittance rate (the "Uncertificated REMIC I Pass-Through Rate") and initial Uncertificated Balance for each of the "regular interests" in REMIC I (the "REMIC I Regular Interests"). The "latest possible maturity date" (determined solely for purposes of satisfying Treasury regulation Section 1.860G-1(a)(4)(iii)) for each REMIC I Regular Interest shall be the Maturity Date. None of the REMIC I Regular Interests will be certificated.

CLASS DESIGNATION FOR EACH REMIC I REGULAR INTEREST AND COMPONENT I OF THE CLASS R CERTIFICATES	TYPE OF INTEREST	UNCERTIFICATED REMIC I PASS-THROUGH RATE	INITIAL UNCERTIFICATED BALANCE	FINAL MATURITY DATE*
Class Y-1	Regular	Variable(1)	\$9,267.12	May 2036
Class Y-2	Regular	Variable(2)	\$84,826.50	May 2036
Class Y-3	Regular	Variable(3)	\$28,485.70	May 2036
Class Y-4	Regular	Variable(4)	\$23,497.70	May 2036
Class Y-5	Regular	Variable(5)	\$40,405.84	May 2036
Class Z-1	Regular	Variable(1)	\$18,527,010.71	May 2036
Class Z-2	Regular	Variable(2)	\$169,586,784.02	May 2036
Class Z-3	Regular	Variable(3)	\$56,942,910.94	May 2036
Class Z-4	Regular	Variable(4)	\$46,971,904.22	May 2036
Class Z-5	Regular	Variable(5)	\$80,780,131.23	May 2036
Component I of the Class R	Residual	Variable(1)	\$100.00	May 2036

\* The Distribution Date in the specified month, which is the month following the month the latest maturing Mortgage Loan in the related Loan Group matures. For federal income tax purposes, the "latest possible maturity date" for each REMIC I Regular Interest shall be the Maturity Date.

- (1) Interest distributed to the Class Y-1 and Class Z-1 Regular Interests and Component I of the Class R Certificates on each Distribution Date will have accrued at the Group 1 Net WAC Rate on the applicable Uncertificated Balance outstanding immediately before such Distribution Date.
- (2) Interest distributed to the Class Y-2 and Class Z-2 Regular Interests on each Distribution Date will have accrued at the Group 2 Net WAC Rate on the applicable Uncertificated Balance outstanding immediately before such Distribution Date.
- (3) Interest distributed to the Class Y-3 and Class Z-3 Regular Interests on each Distribution Date will have accrued at the Group 3 Net WAC Rate on the applicable Uncertificated Balance outstanding immediately before such Distribution Date.
- (4) Interest distributed to the Class Y-4 and Class Z-4 Regular Interests on each Distribution Date will have accrued at the Group 4 Net WAC Rate on the applicable Uncertificated Balance outstanding immediately before such Distribution Date.
- (5) Interest distributed to the Class Y-5 and Class Z-5 Regular Interests on each Distribution Date will have accrued at the Group 5 Net WAC Rate on the applicable Uncertificated Balance outstanding immediately before such Distribution Date.

REMIC II

As provided herein, the REMIC Administrator will elect to treat the segregated pool of assets consisting of the REMIC I Regular Interests as a REMIC for federal income tax

- (ii) the interest portion (adjusted to the Net Mortgage Rate (or the Modified Net Mortgage Rate in the case of a Modified Mortgage Loan)) of Realized Losses on the Mortgage Loans in the related Loan Group (including Excess Special Hazard Losses, Excess Fraud Losses, Excess Bankruptcy Losses and Extraordinary Losses) not allocated solely to one or more specific Classes of Certificates pursuant to Section 4.05,
- (iii) the interest portion of Advances that were made with respect to delinquencies related to Mortgage Loans or REO Property in the related Loan Group that were ultimately determined to be Excess Special Hazard Losses, Excess Fraud Losses, Excess Bankruptcy Losses or Extraordinary Losses, and
- (iv) any other interest shortfalls on the Mortgage Loans in the related Loan Group not covered by the subordination provided by the Class M Certificates and Class B Certificates, including interest that is not collectible from the Mortgagor pursuant to the Relief Act,

with the Senior Percentage of all such reductions with respect to the Mortgage Loans in a Loan Group being allocated among the related Senior Certificates in proportion to the amounts of Accrued Certificate Interest payable from the related Loan Group on such Distribution Date absent such reductions, with the remainder of such reductions allocated among the holders of the Class M Certificates and Class B Certificates on the basis of their respective amounts of Accrued Certificate Interest that would have been payable on such Distribution Date absent such reductions. In addition to that portion of the reductions described in the preceding sentence that are allocated to any Class of Class B Certificates or any Class of Class M Certificates, Accrued Certificate Interest on such Class of Class B Certificates or such Class of Class M Certificates will be reduced by the interest portion (adjusted to the Net Mortgage Rate) of Realized Losses that are allocated solely to such Class of Class B Certificates or such Class of Class M Certificates pursuant to Section 4.05.

Adjustment Date: With respect to each Mortgage Loan, each date set forth in the related Mortgage Note on which an adjustment to the interest rate on such Mortgage Loan becomes effective.

Advance: As to any Mortgage Loan, any advance made by the Servicer, pursuant to Section 4.04.

Affiliate: With respect to any Person, any other Person controlling, controlled by or under common control with such first Person. For the purposes of this definition, "control" means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

Aggregate Subordinate Percentage: With respect to any Distribution Date, the percent equivalent of a fraction, the numerator of which is the aggregate Certificate Principal Balance of the Subordinate Certificates immediately prior to such Distribution Date and the denominator of which is the Pool Stated Principal Balance as of such Distribution Date.

Amount Held for Future Distribution: With respect to any Distribution Date and with respect to each Loan Group, the total of the amounts held in the Custodial Account at the close of business on the related Determination Date on account of (i) Liquidation Proceeds, Subsequent Recoveries, Insurance Proceeds, Curtailments, Mortgage Loan purchases made pursuant to Section 2.02, 2.04 or 4.07 and Mortgage Loan substitutions made pursuant to Section 2.04 received or made in the month of such Distribution Date (other than such Liquidation Proceeds, Insurance Proceeds, Subsequent Recoveries and purchases of Mortgage Loans that the Servicer has deemed to have been received in the preceding month in accordance with Section 3.07(b)), and Principal Prepayments in Full received or made after the related Prepayment Period, and (ii) payments which represent early receipt of scheduled payments of principal and interest due on a date or dates subsequent to the related Due Date.

Appraised Value: As to any Mortgaged Property, the lesser of (i) the appraised value of such Mortgaged Property based upon the appraisal made at the time of the origination of the related Mortgage Loan, and (ii) the sales price of the Mortgaged Property at such time of origination, except in the case of a Mortgaged Property securing a refinanced or modified Mortgage Loan as to which it is either the appraised value determined above or the appraised value determined in an appraisal at the time of refinancing or modification, as the case may be, provided that if permitted by the applicable underwriting standards of GMACM, the Appraised Value shall be the value of the Mortgaged Property as stated by the Mortgagor.

Assignment: An assignment of the Mortgage, notice of transfer or equivalent instrument, in recordable form, sufficient under the laws of the jurisdiction wherein the related Mortgaged Property is located to reflect of record the sale of the Mortgage Loan to the Trustee for the benefit of Certificateholders, which assignment, notice of transfer or equivalent instrument may be in the form of one or more blanket assignments covering Mortgages secured by Mortgaged Properties located in the same county, if permitted by law and accompanied by an Opinion of Counsel to that effect.

Assignment of Proprietary Lease: With respect to a Cooperative Loan, the assignment of the related Cooperative Lease from the Mortgagor to the originator of the Cooperative Loan.

Available Distribution Amount: With respect to any Distribution Date and each Loan Group, an amount equal to (a) the sum of (i) the amount relating to the Mortgage Loans on deposit in the Custodial Account as of the close of business on the immediately preceding Determination Date, including any Subsequent Recoveries, and amounts deposited in the Custodial Account in connection with the substitution of Qualified Substitute Mortgage Loans, (ii) the amount of any Advance made on the immediately preceding Payment Account Deposit Date, (iii) any amount deposited in the Payment Account on the related Payment Account Deposit Date pursuant to the second paragraph of Section 3.12(a), (iv) any amount



deposited in the Payment Account pursuant to Section 4.07, and (v) any amount that the Servicer is not permitted to withdraw from the Custodial Account pursuant to Section 3.16(e), 12-1-2020 mg Doc 17407 Filed 10/05/12 Entered 10/05/12 19:18:12 Exhibit 7  
preceding Determination Date of (w) aggregate Foreclosure Profits, (x) the Amount Held for Future Distribution and (y) amounts permitted to be withdrawn by the Servicer from the Custodial Account in respect of the Mortgage Loans pursuant to clauses (ii)-(x), inclusive, of Section 3.10(a). Such amount shall be determined separately for each Loan Group. Additionally, if on any Distribution Date Compensating Interest provided pursuant to Section 3.16(e) is less than Prepayment Interest Shortfalls incurred on the Mortgage Loans in connection with Principal Prepayments in Full received during the related Prepayment Period and Curtailments made in the prior calendar month, such Compensating Interest shall be allocated on such Distribution Date to the Available Distribution Amount for each Loan Group on a pro rata basis in accordance with the respective amounts of such Prepayment Interest Shortfalls incurred on the Mortgage Loans in such Loan Group in respect of such Distribution Date.

**Bankruptcy Amount:** As of any date of determination prior to the first anniversary of the Cut-off Date, an amount equal to the excess, if any, of (A) \$100,000 over (B) the aggregate amount of Bankruptcy Losses allocated solely to one or more specific Classes of Certificates in accordance with Section 4.05. As of any date of determination on or after the first anniversary of the Cut-off Date, an amount equal to the excess, if any, of

(1) the lesser of (a) the Bankruptcy Amount calculated as of the close of business on the Business Day immediately preceding the most recent anniversary of the Cut-off Date coinciding with or preceding such date of determination (or, if such date of determination is an anniversary of the Cut-off Date, the Business Day immediately preceding such date of determination) (for purposes of this definition, the "Relevant Anniversary") and (b) the greater of

(A) the greater of (i) 0.0006 times the aggregate principal balance of all the Mortgage Loans in the Mortgage Pool as of the Relevant Anniversary having a Loan-to-Value Ratio at origination which exceeds 75% and (ii) \$100,000; and

(B) (i) if the aggregate principal balance of the Non-Primary Residence Loans as of the Relevant Anniversary is less than 10% of the Stated Principal Balance of the Mortgage Loans as of the Relevant Anniversary, \$0.00, or (ii) if the aggregate principal balance of the Non-Primary Residence Loans as of the Relevant Anniversary is equal to or greater than 10% of the Stated Principal Balance of the Mortgage Loans as of the Relevant Anniversary, the sum of (I) the aggregate principal balance of the Non-Primary Residence Loans with a Loan-to-Value Ratio of greater than 80.00% but less than or equal to 90.00%, times 0.25%, (II) the aggregate principal balance of the Non-Primary Residence Loans with a Loan-to-Value Ratio of greater than 90.00% but less than or equal to 95.00%, times 0.50%, and (III) the aggregate principal balance of the Non-Primary Residence Loans with a Loan-to-Value Ratio of greater than 95.00% times 0.75%, in each case as of the Relevant Anniversary, over

(2) the aggregate amount of Bankruptcy Losses allocated solely to one or more specific Classes of Certificates in accordance with Section 4.05 since the Relevant Anniversary.

The Bankruptcy Amount may be further reduced by the Servicer (including accelerating the manner in which such coverage is reduced) provided that prior to any such reduction, the Servicer shall (i) obtain written confirmation from each Rating Agency that such reduction shall not reduce the rating assigned to any Class of Certificates by such Rating Agency below the lower of the then-current rating or the rating assigned to such Certificates as of the Closing Date by such Rating Agency and (ii) provide a copy of such written confirmation to the Trustee.

**Bankruptcy Code:** The Bankruptcy Code of 1978, as amended.

**Bankruptcy Loss:** With respect to any Mortgage Loan, a Deficient Valuation or Debt Service Reduction; provided, however, that neither a Deficient Valuation nor a Debt Service Reduction shall be deemed a Bankruptcy Loss hereunder so long as the Servicer has notified the Trustee in writing that the Servicer is diligently pursuing any remedies that may exist in connection with the representations and warranties made regarding the related Mortgage Loan and either (A) the related Mortgage Loan is not in default with regard to payments due thereunder or (B) delinquent payments of principal and interest under the related Mortgage Loan and any premiums on any applicable primary hazard insurance policy and any related escrow payments in respect of such Mortgage Loan are being advanced on a current basis by the Servicer or a Subservicer, in either case without giving effect to any Debt Service Reduction.

**Book-Entry Certificate:** Any Certificate registered in the name of the Depository or its nominee.

**Business Day:** Any day other than (i) a Saturday or a Sunday, or (ii) a day on which banking institutions in the State of New York, State of Minnesota or the Commonwealth of Pennsylvania (and such other state or states in which the Custodial Account or the Payment Account are at the time located) are required or authorized by law or executive order to be closed.

**Buydown Account:** As defined in Section 3.22(a).

**Buydown Funds:** Any amount contributed by the seller of a Mortgaged Property, the Company or other source in order to enable the Mortgagor to reduce the payments required to be made from the Mortgagor's funds in the early years of a Mortgage Loan. Buydown Funds are not part of the Trust Fund prior to deposit into the Custodial Account or Payment Account.

**Buydown Mortgage Loan:** Any Mortgage Loan as to which a specified amount of interest

**Subservicer Advance:** Any delinquent installment of principal and interest on a Mortgage Loan which is advanced by the related Subservicer (net of its Subservicing Fee) pursuant to the Subservicing Agreement.

**Subservicing Account:** An account established by a Subservicer in accordance with Section 3.08.

**Subservicing Agreement:** The written contract between the Servicer and any Subservicer relating to servicing and administration of certain Mortgage Loans as provided in Section 3.02.

**Subservicing Fee:** As to any Mortgage Loan, the fee payable monthly to the related Subservicer, if any.

**Subsequent Recoveries:** As of any Distribution Date, amounts received by the Servicer (net of any related expenses permitted to be reimbursed pursuant to Section 3.10) or surplus amounts held by the Servicer to cover estimated expenses (including, but not limited to, recoveries in respect of the representations and warranties made by the related Seller pursuant to the applicable Seller's Agreement and assigned to the Trustee pursuant to Section 2.04) specifically related to a Mortgage Loan that was the subject of a Cash Liquidation or an REO Disposition prior to the related Prepayment Period that resulted in a Realized Loss.

**Tax Returns:** The federal income tax return on Internal Revenue Service Form 1066, U.S. Real Estate Mortgage Investment Conduit Income Tax Return, including Schedule Q thereto, Quarterly Notice to Class R Certificate Holders of REMIC Taxable Income or Net Loss Allocation, or any successor forms, to be filed on behalf of either of the REMICs due to its classification as a REMIC under the REMIC Provisions, together with any and all other information, reports or returns that may be required to be furnished to the Certificateholders or filed with the Internal Revenue Service or any other governmental taxing authority under any applicable provisions of federal, state or local tax laws.

**Transfer:** Any direct or indirect transfer, sale, pledge, hypothecation or other form of assignment of any Ownership Interest in a Certificate.

**Transferee:** Any Person who is acquiring by Transfer any Ownership Interest in a Certificate.

**Transferor:** Any Person who is disposing by Transfer of any Ownership Interest in a Certificate.

**Trust Fund:** The segregated pool of assets consisting of:

- (i) the Mortgage Loans and the related Mortgage Files and collateral securing such Mortgage Loans,
- (ii) all payments on and collections in respect of the Mortgage Loans due after the Cut-off Date as shall be on deposit in the Custodial Account or in the Payment Account and identified as belonging to the Trust Fund,
- (iii) property that secured a Mortgage Loan and that has been acquired for the benefit of the Certificateholders by foreclosure or deed in lieu of foreclosure,
- (iv) the hazard insurance policies and Primary Insurance Policies, if any, and
- (v) all proceeds of clauses (i) through (iv) above.

A REMIC election with respect to the Trust Fund is made pursuant to this Agreement.

**Two Times Test:** With respect to any Distribution Date, the satisfaction of all of the following conditions: (i) the Aggregate Subordinate Percentage is at least two times the Aggregate Subordinate Percentage as of the Closing Date; (ii) the aggregate of the Stated Principal Balances of all Mortgage Loans Delinquent 60 days or more (including Mortgage Loans in REO and foreclosure) (averaged over the preceding six-month period), as a percentage of the aggregate of the Certificate Principal Balances of the Subordinate Certificates, does not exceed 50%; and (iii) after the 36th Distribution Date, cumulative Realized Losses do not exceed 30% of the aggregate Certificate Principal Balance of the Subordinate Certificates as of the Closing Date or on or prior to the 36th Distribution Date, cumulative Realized Losses do not exceed 20% of the aggregate Certificate Principal Balance of the Subordinate Certificates as of the Closing Date.

**Uncertificated Balance:** For any REMIC I Regular Interest or REMIC II Regular Interest, the applicable initial Uncertificated Balance thereof set forth in the Preliminary Statement hereto, corresponding to the rights of such regular interest in payments of principal due to be passed through to such regular interest from principal payments on the Mortgage Loans or the REMIC I Regular Interests, as applicable, as reduced from time to time by (x) distributions of principal to such regular interest and (y) the portion of Realized Losses allocated to the Uncertificated Balance of such regular interest pursuant to the definition of "Realized Loss" with respect to a given Distribution Date and as increased by Subsequent Recoveries allocated in respect thereof. For any Distribution Date, the reduction of the Uncertificated Balance of any REMIC I Regular Interest pursuant to the definition of "Realized Loss" shall be deemed effective before the determination and distribution of principal on such regular interest pursuant to the definition of "REMIC I Distribution Amount" and the reduction of the Uncertificated Balance of any REMIC II Regular Interest pursuant to the definition of "Realized Loss" shall be deemed effective after the determination and distribution of principal on such regular interest pursuant to the definition of "REMIC II Distribution Amount." Notwithstanding the foregoing, any amounts distributed in respect of principal losses pursuant to paragraph (f)(i) of the definition of

Uncertificated Interest: With respect to any REMIC I Regular Interest or REMIC II Regular Interest for any Distribution Date, an amount equal to one month's interest at the related Uncertificated REMIC I Pass-Through Rate or Uncertificated REMIC II Pass-Through Rate, as applicable, for such Distribution Date, accrued on the Uncertificated Balance thereof immediately prior to such Distribution Date. Uncertificated Interest in respect of any REMIC I Regular Interest or REMIC II Regular Interest shall accrue on the basis of a 360-day year consisting of twelve 30-day months. Uncertificated Interest with respect to each Distribution Date, as to any REMIC I Regular Interest or REMIC II Regular Interest, shall be reduced by any interest shortfalls for such Distribution Date for the related Loan Group, allocated among such REMIC I Regular Interests or REMIC II Regular Interests, as applicable, pro rata according to the amount of Uncertificated Interest accrued with respect thereto prior to reduction by the provisions of this definition. In addition, Uncertificated Interest with respect to each Distribution Date, as to any REMIC I Regular Interest or REMIC II Regular Interest, shall be reduced by the interest portion of Realized Losses (including Excess Special Hazard Losses, Excess Fraud Losses, Excess Bankruptcy Losses and Extraordinary Losses) for the related Loan Group, allocated among such REMIC I Regular Interests or REMIC II Regular Interests, as applicable, pro rata according to the amount of Uncertificated Interest accrued with respect thereto prior to reduction by the provisions of this definition.

Undercollateralized Group: For any Distribution Date, Loan Group 1, if immediately prior to such Distribution Date the aggregate Certificate Principal Balance of the Class 1-A Certificates and Class R Certificates is greater than the aggregate Stated Principal Balance of the Group 1 Loans; for any Distribution Date, Loan Group 2, if immediately prior to such Distribution Date the Certificate Principal Balance of the Class 2-A Certificates is greater than the aggregate Stated Principal Balance of the Group 2 Loans; for any Distribution Date, Loan Group 3, if immediately prior to such Distribution Date the Certificate Principal Balance of the Class 3-A Certificates is greater than the aggregate Stated Principal Balance of the Group 3 Loans; for any Distribution Date, Loan Group 4, if immediately prior to such Distribution Date the Certificate Principal Balance of the Class 4-A Certificates is greater than the aggregate Stated Principal Balance of the Group 4 Loans and for any Distribution Date, Loan Group 5, if immediately prior to such Distribution Date the Certificate Principal Balance of the Class 5-A Certificates is greater than the aggregate Stated Principal Balance of the Group 5 Loans.

Uniform Single Attestation Program for Mortgage Bankers: The Uniform Single Attestation Program for Mortgage Bankers, as published by the Mortgage Bankers Association of America and effective with respect to fiscal periods ending on or after December 15, 1995.

Uninsured Cause: Any cause of damage to property subject to a Mortgage such that the complete restoration of such property is not fully reimbursable by the hazard insurance policies.

United States Person: (i) A citizen or resident of the United States, (ii) a corporation, partnership or other entity treated as a corporation or partnership for United States federal income tax purposes organized in or under the laws of the United States or any state thereof or the District of Columbia (unless, in the case of a partnership, Treasury regulations provide otherwise), provided that, for purposes solely of the restrictions on the transfer of residual interests, no partnership or other entity treated as a partnership for United States federal income tax purposes shall be treated as a United States Person unless all persons that own an interest in such partnership either directly or indirectly through any chain of entities no one of which is a corporation for United States federal income tax purposes are required by the applicable operating agreement to be United States Persons, (iii) an estate the income of which is includible in gross income for United States tax purposes, regardless of its source, or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have authority to control all substantial decisions of the trust. Notwithstanding the preceding sentence, to the extent provided in Treasury regulations, certain trusts in existence on August 20, 1996, and treated as United States persons prior to such date, that elect to continue to be treated as United States persons will also be a United States Person.

Voting Rights: The portion of the voting rights of all of the Certificates which is allocated to any Certificate, as designated in Section 11.09.

Section 1.02. Use of Words and Phrases.

"Herein," "hereby," "hereunder," "hereof," "hereinbefore," "hereinafter" and other equivalent words refer to the Pooling and Servicing Agreement as a whole. All references herein to Articles, Sections or Subsections shall mean the corresponding Articles, Sections and Subsections in the Pooling and Servicing Agreement. The definition set forth herein include both the singular and the plural.

ARTICLE II

CONVEYANCE OF MORTGAGE LOANS;  
ORIGINAL ISSUANCE OF CERTIFICATES

Section 2.01. Conveyance of Mortgage Loans.

(a) The Company, concurrently with the execution and delivery hereof, does hereby assign to the Trustee for the benefit of the Certificateholders without recourse all the right, title and interest of the Company in and to the Mortgage Loans, including all interest and principal received on or with respect to the Mortgage Loans after the Cut-off Date (other

The Company, the Servicer and the Trustee agree that it is not intended that any mortgage loan be included in the Trust Fund that is either (i) a "High-Cost Home Loan" as defined in the New Jersey Home Ownership Act effective November 27, 2003, (ii) a "High-Cost Home Loan" as defined in the New Mexico Home Loan Protection Act effective January 1, 2004, (iii) a "High-Cost Home Loan" as defined in the Massachusetts Predatory Home Loan Practices Act effective November 7, 2004 or (iv) a "High-Cost Home Loan" as defined in the Indiana High Cost Home Loan Law Act effective January 1, 2005.

(b) In connection with such assignment, and contemporaneously with the delivery of this Agreement, the Company does hereby deliver to, and deposit with, the Trustee, or to and with one or more Custodians, as the duly appointed agent or agents of the Trustee for such purpose, the original Mortgage Note, with respect to each Mortgage Loan so assigned, endorsed without recourse in blank, or in the name of the Trustee as trustee, and signed by an authorized officer (which endorsement shall contain either an original signature or a facsimile signature of an authorized officer of GMACM, and if in the form of an allonge, the allonge shall be stapled to the Mortgage Note), with all intervening endorsements showing a complete chain of title from the originator to GMACM. If the Mortgage Loan was acquired by the endorser in a merger, the endorsement must be by "\_\_\_\_\_", successor by merger to [name of predecessor]". If the Mortgage Loan was acquired or originated by the endorser while doing business under another name, the endorsement must be by "\_\_\_\_\_" formerly known as [previous name]."

In lieu of delivering the Mortgage Note relating to any Mortgage Loan, the Company may deliver or cause to be delivered a lost note affidavit from the Seller stating that the original Mortgage Note was lost, misplaced or destroyed, and, if available, a copy of each original Mortgage Note; provided, however, that in the case of Mortgage Loans which have been prepaid in full after the Cut-off Date and prior to the Closing Date, the Company, in lieu of delivering the above documents, may deliver or cause to be delivered to the Custodian, if any, or the Trustee, a certification to such effect and shall deposit all amounts paid in respect of such Mortgage Loan in the Payment Account on the Closing Date.

(c) All other documents contained in the Mortgage File and any original documents relating to the Mortgage Loans not contained in the Mortgage File or delivered to the Custodian, if any, or the Trustee are and shall be held by the Servicer in trust as agent for the Trustee on behalf of the Certificateholders.

In the event that in connection with any Mortgage Loan: (a) the original recorded Mortgage (or evidence of submission to the recording office), (b) all interim recorded assignments, (c) the original recorded modification agreement, if required, or (d) evidence of title insurance (together with all riders thereto, if any) satisfying the requirements of clause (I)(ii), (iv), (vi) or (vii) of the definition of Mortgage File, respectively, have not been delivered to the Servicer concurrently with the execution and delivery hereof because such document or documents have not been returned from the applicable public recording office, or, in the case of each such interim assignment or modification agreement, because the related Mortgage has not been returned by the appropriate recording office, in the case of clause (I)(ii), (iv) or (vi) of the definition of Mortgage File, or because the evidence of title insurance has not been delivered to the Seller by the title insurer in the case of clause (I)(vii) of the definition of Mortgage File, the Servicer shall use its reasonable best efforts to obtain, (A) in the case of clause (I)(ii), (iv) or (vi) of the definition of Mortgage File, such original Mortgage, such interim assignment, or such modification agreement, with evidence of recording indicated thereon upon receipt thereof from the public recording office, or a copy thereof, certified, if appropriate, by the relevant recording office, or (B) in the case of clause (I)(vii) of the definition of Mortgage File, evidence of title insurance.

(d) If any of the documents held by the Servicer pursuant to clause (c) above are missing or defective in any other respect and such missing document or defect materially and adversely affects the interests of the Certificateholders in the related Mortgage Loan, the Servicer shall request that GMACM either (i) cure such defect in all material respects, (ii) substitute for such Mortgage Loan a Qualified Substitute Mortgage Loan, which substitution shall be accomplished in the manner and subject to the conditions set forth in Section 2.04, or (iii) purchase such Mortgage Loan from the Trust Fund at the Purchase Price within 90 days after the date on which GMACM was notified of such defect; provided that if such defect would cause the Mortgage Loan to be other than a "qualified mortgage" as defined in Section 860G(a)(3) of the Code, any such cure, substitution or repurchase must occur within 90 days from the date such breach was discovered. If GMACM fails to comply with such request by the Servicer, the Servicer shall notify the Trustee of such missing document or material defect and the Trustee shall notify GMACM of its obligation to comply with clause (i), (ii) or (iii) of the preceding sentence. It is understood and agreed that the obligation of GMACM to cure a material defect in, or substitute for, or purchase any Mortgage Loan as to which a material defect in or omission of a constituent document exists, shall constitute the sole remedy respecting such material defect or omission available to Certificateholders or the Trustee on behalf of Certificateholders. The Purchase Price for the purchased Mortgage Loan shall be deposited or caused to be deposited upon receipt by the Trustee in the Payment Account, or upon receipt by the Servicer in the Custodial Account. Upon receipt by the Trustee of written notification of such deposit signed by a Servicing Officer, and upon receipt of a Request for Release from the Servicer, the Custodian on behalf of the Trustee, shall (i) release or cause to be released to GMACM the related Mortgage Note, and (ii) cause the Servicer to release to GMACM any remaining documents in the related Mortgage File which are held by the Servicer. The Trustee shall execute and deliver such instruments of transfer or assignment, in each case without recourse, as GMACM shall require as necessary to vest in GMACM ownership of any Mortgage Loan released pursuant hereto and at such time the Trustee shall have no further responsibility with respect to the related Mortgage Note.

(e) The Servicer shall keep in its possession (a) from time to time additional original documents evidencing an assumption or modification of a Mortgage Loan and (b) any other documents required to be held by the Servicer.

Except as may otherwise expressly be provided herein, none of the Seller, the

The Servicer shall cause to be filed the UCC assignment and UCC financing statement referred to in clause (II)(vii) and (x), respectively, of the definition of Mortgage File. If any UCC assignment or amendment or UCC financing statement, as applicable, is lost or returned unfiled to the Servicer because of any defect therein, the Servicer shall prepare a substitute UCC assignment or amendment or UCC financing statement, as applicable, or cure such defect, and cause such UCC assignment or amendment or UCC financing statement, as applicable, to be filed in accordance with this paragraph. In connection with its servicing of Cooperative Loans, the Servicer will use its reasonable best efforts to file timely continuation statements with regard to each financing statement and assignment relating to Cooperative Loans as to which the related Cooperative Apartment is located outside of the State of New York.

In connection with the assignment of any Mortgage Loan registered on the MERS(R) System, the Servicer further agrees that it will cause, at the Servicer's own expense, as soon as practicable after the Closing Date, the MERS(R) System to indicate that such Mortgage Loans have been assigned to the Trustee in accordance with this Agreement for the benefit of the Certificateholders by including (or deleting, in the case of Mortgage Loans which are repurchased in accordance with this Agreement) in such computer files (a) the specific code which identifies the Trustee as the assignee of such Mortgage Loan and (b) the series specific code in the field "Pool Field" which identifies the series of Certificates issued in connection with such Mortgage Loans. The Servicer agrees that it will not alter the codes referenced in this paragraph with respect to any Mortgage Loan during the term of this Agreement unless and until such Mortgage Loan is repurchased in accordance with the terms of this Agreement, and there is filed any financing statement or amendment thereof necessary to comply with the New York Uniform Commercial Code or the Uniform Commercial Code of any applicable jurisdiction.

(f) It is intended that the conveyance by the Company to the Trustee of the Mortgage Loans as provided for in this Section 2.01 be construed as a sale by the Company to the Trustee of the Mortgage Loans for the benefit of the Certificateholders. Further, it is not intended that such conveyance be deemed to be a grant of a security interest in the Mortgage Loans by the Company to the Trustee to secure a debt or other obligation of the Company. However, if the Mortgage Loans are held to be property of the Company or of the Seller, or if for any reason this Agreement is held or deemed to create a security interest in the Mortgage Loans, then it is intended that, (a) this Agreement be and hereby is a security agreement within the meaning of Article 9 of the Uniform Commercial Code of any applicable jurisdiction; (b) the conveyance provided for in Section 2.01 shall be deemed to be, and hereby is, (1) a grant by the Company to the Trustee of a security interest in all of the Company's right, title and interest, whether now owned or hereafter acquired, in and to the following: (A) the Mortgage Loans, including (i) with respect to each Cooperative Loan, the related Mortgage Note, Security Agreement, Assignment of Proprietary Lease, Cooperative Stock Certificate and Cooperative Lease, (ii) with respect to each Mortgage Loan other than a Cooperative Loan, the related Mortgage Note and Mortgage, and (iii) any insurance policies and all other documents in the related Mortgage File, (B) all amounts payable pursuant to the Mortgage Loans in accordance with the terms thereof, (C) all proceeds of the conversion, voluntary or involuntary, of the foregoing into cash, instruments, securities or other property, including without limitation all amounts from time to time held or invested in the Payment Account or the Custodial Account, whether in the form of cash, instruments, securities or other property, (D) all accounts, general intangibles, chattel paper, instruments, documents, money, deposit accounts, goods, letters of credit, letter-of-credit rights, oil, gas, and other minerals, and investment property consisting of, arising from or relating to any of the foregoing, and (E) all proceeds of the foregoing, and (2) an assignment by the Company to the Trustee of any security interest in any and all of the Seller's right (including the power to convey title thereto), title and interest, whether now owned or hereafter acquired, in and to the property described in the foregoing clauses (1)(A), (B), (C), (D) and (E) granted by the Seller to the Company pursuant to the Purchase Agreement; (c) the possession by the Trustee, the Custodian or any other agent of the Trustee of any of the foregoing property shall be deemed to be possession by the secured party, or possession by a purchaser or a person holding for the benefit of such secured party, for purposes of perfecting the security interest pursuant to the Pennsylvania Uniform Commercial Code and the Uniform Commercial Code of any other applicable jurisdiction (including, without limitation, Sections 9-313 and 9-314 thereof); and (d) notifications to persons holding such property, and acknowledgments, receipts or confirmations from persons holding such property, shall be deemed notifications to, or acknowledgments, receipts or confirmations from, securities intermediaries, bailees or agents of, or persons holding for, the Trustee (as applicable) for the purpose of perfecting such security interest under applicable law.

The Company and, at the Company's direction, GMACM and the Trustee shall, to the extent consistent with this Agreement, take such reasonable actions as may be necessary to ensure that, if this Agreement were determined to create a security interest in the Mortgage Loans and the other property described above, such security interest would be determined to be a perfected security interest of first priority under applicable law and will be maintained as such throughout the term of this Agreement. Without limiting the generality of the foregoing, the Company shall prepare and deliver to the Trustee not less than 15 days prior to any filing date and, the Trustee shall forward for filing, in accordance with the Servicer's instructions, or shall cause to be forwarded for filing, at the expense of the Company, all filings necessary to maintain the effectiveness of any original filings necessary under the Uniform Commercial Code as in effect in any jurisdiction to perfect the Trustee's security interest in the Mortgage Loans, as evidenced by an Officer's Certificate of the Company, including without limitation (x) continuation statements, and (y) such other statements as may be occasioned by (1) any change of name of the Seller, the Company or the Trustee (such preparation and filing shall be at the expense of the Trustee, if occasioned by a change in the Trustee's name), (2) any change of type or jurisdiction of organization of the Seller or the Company and (3) any transfer of any interest of the Seller or the Company in any Mortgage Loan. The Company shall file or cause to be filed the original filing necessary under the Uniform Commercial Code to perfect the Trustee's security interest in the Mortgage Loans.

The Trustee acknowledges that the Custodian, acting on behalf of the Trustee, has received (subject to any exceptions noted in the custodian certification described below) the Mortgage Notes and the Trustee declares that it holds or will hold the assets included in the definition of "Trust Fund," in trust for the exclusive use and benefit of all present and future Certificateholders.

The Trustee agrees, for the benefit of the Certificateholders, that pursuant to the Custodial Agreement, the Custodian will review each Mortgage Note and will execute and deliver, or cause to be executed and delivered, to GMACM, the Trustee and the Servicer a custodian certification substantially in the form annexed hereto as Exhibit M on or prior to the Closing Date. Pursuant to the Custodial Agreement, in conducting such review, the Custodian is required to ascertain whether the Mortgage Notes have been executed and received, and whether the Mortgage Notes relate, determined on the basis of the original principal balance and loan number, to the Mortgage Loans. Neither the Custodian nor the Trustee shall be under any duty or obligation to inspect, review or examine said documents, instruments, certificates or other papers to determine that the same are genuine, enforceable or appropriate for the represented purpose or that they have actually been recorded, or are in recordable form or that they are other than what they purport to be on their face.

If, in the process of reviewing the Mortgage Notes and preparing the certifications referred to above, the Custodian finds any Mortgage Note to be missing or contains any defect which materially and adversely affects the interests of the Certificateholders in the related Mortgage Loan, the Custodian is required pursuant to the Custodial Agreement, to notify the Trustee, the Company and the Seller, and the Trustee shall request that GMACM cure any such defect in all material respects within 90 days from the date on which GMACM was notified of such defect, and if GMACM does not cure such defect in all material respects during such period, the Trustee shall request on behalf of the Certificateholders that GMACM either (i) substitute for such Mortgage Loan a Qualified Substitute Mortgage Loan, which substitution shall be accomplished in the manner and subject to the conditions set forth in Section 2.04, or (ii) purchase such Mortgage Loan from the Trust Fund at the Purchase Price within 90 days after the date on which GMACM was notified of such defect; provided that if such defect would cause the Mortgage Loan to be other than a "qualified mortgage" as defined in Section 860G(a)(3) of the Code, any such cure, substitution or repurchase must occur within 90 days from the date such breach was discovered. It is understood and agreed that the obligation of GMACM to cure a material defect in, or substitute for, or purchase any Mortgage Loan as to which a material defect in, or omission of, a Mortgage Note exists shall constitute the sole remedy respecting such material defect or omission available to Certificateholders or the Trustee on behalf of Certificateholders. The Purchase Price for the purchased Mortgage Loan shall be deposited or caused to be deposited upon receipt by the Trustee in the Payment Account, or upon receipt by the Servicer in the Custodial Account. Upon receipt by the Trustee of written notification of such deposit signed by a Servicing Officer, and upon receipt of a Request for Release from the Servicer, the Custodian on behalf of the Trustee, shall (i) release or cause to be released to GMACM the related Mortgage Note, and (ii) cause the Servicer to release to GMACM any remaining documents in the related Mortgage File which are held by the Servicer. The Trustee shall execute and deliver such instruments of transfer or assignment, in each case without recourse, representation or warranty, as GMACM shall require as necessary to vest in GMACM ownership of any Mortgage Loan released pursuant hereto and at such time the Trustee shall have no further responsibility with respect to the related Mortgage Note.

## Section 2.03. Representations, Warranties and Covenants of the Servicer.

The Servicer hereby represents and warrants to the Trustee for the benefit of the Certificateholders that:

- (i) The Servicer is a corporation duly organized, validly existing and in good standing under the laws governing its creation and existence and is or will be in compliance with the laws of each state in which any Mortgaged Property is located to the extent necessary to ensure the enforceability of each Mortgage Loan in accordance with the terms of this Agreement;
- (ii) The execution and delivery of this Agreement by the Servicer and its performance and compliance with the terms of this Agreement will not violate the Servicer's Certificate of Incorporation or Bylaws or constitute a material default (or an event which, with notice or lapse of time, would constitute a material default) under, or result in the material breach of, any material contract, agreement or other instrument to which the Servicer is a party or which may be applicable to the Servicer or any of its assets;
- (iii) This Agreement, assuming due authorization, execution and delivery by the Trustee and the Company, constitutes a valid, legal and binding obligation of the Servicer, enforceable against it in accordance with the terms hereof subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws affecting the enforcement of creditors' rights generally and to general principles of equity, regardless of whether such enforcement is considered in a proceeding in equity or at law and to public policy as it relates to indemnification and contribution under applicable securities laws;
- (iv) The Servicer is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or governmental agency, which default might have consequences that would materially and adversely affect the condition (financial or other) or operations of the Servicer or its properties or might have consequences that would materially adversely affect its performance hereunder;
- (v) No litigation is pending or, to the best of the Servicer's knowledge, threatened against the Servicer which would prohibit its entering into this Agreement or performing its obligations under this Agreement;

- (vii) No information, certificate of an officer, statement furnished in writing or report delivered to the Company, any Affiliate of the Company or the Trustee by the Servicer will, to the knowledge of the Servicer, contain any untrue statement of a material fact or omit a material fact necessary to make the information, certificate, statement or report not misleading; and
- (viii) The Servicer is a member of MERS in good standing, and will comply in all material respects with the rules and procedures of MERS in connection with the servicing of the Mortgage Loans that are registered with MERS.

It is understood and agreed that the representations and warranties set forth in this Section 2.03 shall survive delivery of the respective Mortgage Notes to the Custodian, if any, or the Trustee.

Section 2.04. Representations and Warranties of the Seller.

The Company hereby assigns to the Trustee for the benefit of Certificateholders all of its right, title and interest in respect of the Purchase Agreement insofar as the Purchase Agreement relates to the representations and warranties made by the Seller in respect of the Mortgage Loans and any remedies provided thereunder for any breach of such representations and warranties, such right, title and interest may be enforced by the Servicer on behalf of the Trustee and the Certificateholders. Upon the discovery by the Company, the Servicer, the Trustee or any Custodian of a breach of any of the representations and warranties made by the Seller in the Purchase Agreement (which, for purposes hereof, will be deemed to include any other cause giving rise to a repurchase obligation under the Purchase Agreement) in respect of any Mortgage Loan which materially and adversely affects the interests of the Certificateholders in such Mortgage Loan, the party discovering such breach shall give prompt written notice to the other parties (any Custodian being so obligated under a Custodial Agreement). The Servicer shall promptly notify the Seller of such breach and request that the Seller either (i) cure such breach in all material respects within 90 days from the date the Seller was notified of such breach or (ii) purchase such Mortgage Loan from the Trust Fund at the Purchase Price and in the manner set forth in Section 2.02; provided that in the case of a breach under the Purchase Agreement, the Seller, shall have the option to substitute a Qualified Substitute Mortgage Loan or Loans for such Mortgage Loan if such substitution occurs within two years following the Closing Date; provided that if the breach would cause the Mortgage Loan to be other than a "qualified mortgage" as defined in Section 860G(a)(3) of the Code, any such cure, repurchase or substitution must occur within 90 days from the date the breach was discovered. In the event that the Seller elects to substitute a Qualified Substitute Mortgage Loan or Loans for a Deleted Mortgage Loan pursuant to this Section 2.04, the Seller shall deliver to the Custodian with respect to such Qualified Substitute Mortgage Loan or Loans, the original Mortgage Note endorsed as required by Section 2.01, and the Seller shall deliver to the Servicer with respect to such Qualified Substitute Mortgage Loan, the Mortgage, an Assignment of the Mortgage in recordable form if required pursuant to Section 2.01, and such other documents and agreements as are required to be held by the Servicer pursuant to Section 2.01. No substitution will be made in any calendar month after the Determination Date for such month. Monthly Payments due with respect to Qualified Substitute Mortgage Loans in the month of substitution shall not be part of the Trust Fund and will be retained by the Servicer and remitted by the Servicer to the Seller on the next succeeding Distribution Date. For the month of substitution, distributions to the Certificateholders will include the Monthly Payment due on a Deleted Mortgage Loan for such month and thereafter the Seller shall be entitled to retain all amounts received in respect of such Deleted Mortgage Loan. The Servicer shall amend or cause to be amended the Mortgage Loan Schedule for the benefit of the Certificateholders to reflect the removal of such Deleted Mortgage Loan and the substitution of the Qualified Substitute Mortgage Loan or Loans and the Servicer shall deliver the amended Mortgage Loan Schedule to the Trustee. Upon such substitution, the Qualified Substitute Mortgage Loan or Loans shall be subject to the terms of this Agreement and the related Subservicing Agreement in all respects, and the Seller shall be deemed to have made the representations and warranties with respect to the Qualified Substitute Mortgage Loan contained in the Purchase Agreement as of the date of substitution.

In connection with the substitution of one or more Qualified Substitute Mortgage Loans for one or more Deleted Mortgage Loans, the Servicer will determine the amount (if any) by which the aggregate principal balance of all such Qualified Substitute Mortgage Loans as of the date of substitution is less than the aggregate Stated Principal Balance of all such Deleted Mortgage Loans (in each case after application of the principal portion of the Monthly Payments due in the month of substitution that are to be distributed to the Certificateholders in the month of substitution). The Servicer shall deposit the amount of such shortfall received from the Seller into the Custodial Account on the day of substitution. Prior to the delivery of the Qualified Substitute Mortgage Loan, the Servicer shall give notice in writing to the Trustee of any such shortfall, which notice shall be accompanied by an Officer's Certificate stating that such Mortgage Loan is a Qualified Substitute Mortgage Loan and as to the calculation of any such shortfall and (subject to Section 10.01(f)) by an Opinion of Counsel to the effect that such substitution will not cause (a) any federal tax to be imposed on the Trust Fund, including without limitation, any federal tax imposed on "prohibited transactions" under Section 860F(a)(1) of the Code or on "contributions after the startup date" under Section 860G(d)(1) of the Code or (b) any portion of either of the REMICs to fail to qualify as such at any time that any Certificate is outstanding.

It is understood and agreed that the obligation of the Seller to cure such breach or purchase (or to substitute for) such Mortgage Loan as to which a breach of its representations and warranties has occurred and is continuing shall constitute the sole remedy respecting such breach available to the Certificateholders or the Trustee on behalf of Certificateholders. In connection with the purchase of or substitution for any such Mortgage Loan by the Seller, the Trustee shall assign, pursuant to an assignment delivered to the Trustee by the Seller, to the Seller or its designee all of the right, title and interest in respect of the Purchase Agreement applicable to such Mortgage Loan.

Distribution Date next following the date of such investment (except that (i) any investment in the institution with which the Payment Account is maintained (or any investment which is an obligation of such institution) or any investment which is maintained (or any investment which is an obligation of such institution) in the institution with which the Payment Account is maintained (or any investment which is an obligation of such institution) may mature or be payable on demand on such Distribution Date and (ii) any other investment may mature or be payable on demand on such Distribution Date if the Trustee shall advance funds on such Distribution Date to the Payment Account in the amount payable on such investment on such Distribution Date, pending receipt thereof to the extent necessary to make distributions on the Certificates) and shall not be sold or disposed of prior to maturity. All income and gain realized from any such investment or from uninvested balances in the Payment Account shall be for the benefit of the Trustee and shall be subject to its withdrawal or order from time to time. The amount of any losses incurred in respect of any such investments shall be deposited in the Payment Account by the Trustee out of its own funds immediately as realized without any right of reimbursement.

Section 4.02. Distributions.

(a) On each Distribution Date, the amount received by REMIC I pursuant to Section 10.04(a) shall be deemed distributed from REMIC I to REMIC II as the holder of the REMIC I Regular Interests and the amount received by REMIC II pursuant to Section 10.04(b) shall be deemed distributed from REMIC II to REMIC III as the holder of the REMIC II Regular interests in the amounts and in accordance with Section 10.02(b) through (c). On each Distribution Date, the Trustee or the Paying Agent appointed by the Trustee shall distribute in accordance with the Remittance Report first, to the Trustee, payment for any servicing transfer expenses reimbursable to the Trustee pursuant to Section 7.02(a) and that have not been paid or reimbursed to the Trustee by the Servicer, allocated in reduction of the Available Distribution Amounts pro rata, based upon the aggregate Stated Principal Balances of each Loan Group, second, to the Servicer, in the case of a distribution pursuant to Section 4.02(a)(iii) below, the amount required to be distributed to the Servicer or a Subservicer pursuant to Section 4.02(a)(iii) below, and third, to each Certificateholder of record on the next preceding Record Date (other than as provided in Section 9.01 respecting the final distribution) either in immediately available funds (by wire transfer or otherwise) to the account of such Certificateholder at a bank or other entity having appropriate facilities therefor, if such Certificateholder has so notified the Trustee or the Paying Agent, as the case may be, or, if such Certificateholder has not so notified the Trustee or the Paying Agent by the Record Date, by check mailed to such Certificateholder at the address of such Holder appearing in the Certificate Register for such Certificateholder's share (which share with respect to each Class of Certificates, shall be based on the aggregate of the Percentage Interests represented by Certificates of the applicable Class held by such Holder) of the following amounts, in the following order of priority (subject to the provisions of Section 4.02(b) below), in each case to the extent of the related Available Distribution Amount (net of the amounts payable above):

- (i) (I) from the Available Distribution Amount related to the Group 1 Loans, to the Holders of the Class R Certificates and Class 1-A Certificates, on a pro rata basis based on Accrued Certificate Interest payable on such Classes of Certificates with respect to such Distribution Date, Accrued Certificate Interest on such Certificates for such Distribution Date, plus any Accrued Certificate Interest thereon remaining unpaid from any previous Distribution Date except as provided in the last paragraph of this Section 4.02(a), in each case in respect of interest on such Classes;
- (II) from the Available Distribution Amount related to the Group 2 Loans, to the Holders of the Class 2-A Certificates, on a pro rata basis based on Accrued Certificate Interest payable on such Classes of Certificates with respect to such Distribution Date, Accrued Certificate Interest on such Certificates for such Distribution Date, plus any Accrued Certificate Interest thereon remaining unpaid from any previous Distribution Date except as provided in the last paragraph of this Section 4.02(a), in each case in respect of interest on such Class; and
- (III) from the Available Distribution Amount related to the Group 3 Loans, to the Holders of the Class 3-A Certificates, on a pro rata basis based on Accrued Certificate Interest payable on such Classes of Certificates with respect to such Distribution Date, Accrued Certificate Interest on such Certificates for such Distribution Date, plus any Accrued Certificate Interest thereon remaining unpaid from any previous Distribution Date except as provided in the last paragraph of this Section 4.02(a), in each case in respect of interest on such Class;
- (IV) from the Available Distribution Amount related to the Group 4 Loans, to the Holders of the Class 4-A Certificates, on a pro rata basis based on Accrued Certificate Interest payable on such Classes of Certificates with respect to such Distribution Date, Accrued Certificate Interest on such Certificates for such Distribution Date, plus any Accrued Certificate Interest thereon remaining unpaid from any previous Distribution Date except as provided in the last paragraph of this Section 4.02(a), in each case in respect of interest on such Class;
- (V) from the Available Distribution Amount related to the Group 5 Loans, to the Holders of the Class 5-A Certificates, on a pro rata basis based on Accrued Certificate Interest payable on such Classes of Certificates with respect to such Distribution Date, Accrued Certificate Interest on such Certificates for such Distribution Date, plus any Accrued Certificate Interest thereon remaining unpaid from any previous Distribution Date except as provided in the last paragraph of this Section 4.02(a), in each case in respect of interest on such Class; and
- (ii) from the related Available Distribution Amount remaining after the distributions pursuant to Section 4.02(a)(i) above, to the Holders of the Senior Certificates related to a Loan Group, in the priorities and amounts set forth in Section 4.02(b) through (d), the sum of the following (applied to reduce



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the following:

- (1) the principal portion of each Monthly Payment due during the related Due Period on each Outstanding Mortgage Loan in the related Loan Group, whether or not received on or prior to the related Determination Date, minus the principal portion of any Debt Service Reduction in the related Loan Group which together with other Bankruptcy Losses exceeds the Bankruptcy Amount;
- (2) the Stated Principal Balance of any Mortgage Loan in the related Loan Group repurchased during the preceding calendar month (or deemed to have been so repurchased in accordance with Section 3.07(b)) pursuant to Sections 2.02, 2.04 or 4.07, and the amount of any shortfall deposited in the Custodial Account in connection with the substitution of a Deleted Mortgage Loan from the related Loan Group pursuant to Section 2.02 or Section 2.04, during the preceding calendar month; and
- (3) the principal portion of all other unscheduled collections with respect to the related Loan Group (other than Principal Prepayments in Full and Curtailments and amounts received in connection with a Cash Liquidation or REO Disposition of a Mortgage Loan in such Loan Group described in Section 4.02(a)(ii)(B) below, including without limitation Insurance Proceeds, Liquidation Proceeds and REO Proceeds) received during the preceding calendar month or, in the case of Principal Prepayment in Full, during the related Prepayment Period (or deemed to have been so received in accordance with Section 3.07(b)) to the extent applied by the Servicer as recoveries of principal of the related Mortgage Loan pursuant to Section 3.14;
- (B) with respect to each Mortgage Loan from the related Loan Group for which a Cash Liquidation or a REO Disposition occurred during the preceding calendar month (or was deemed to have occurred during such period in accordance with Section 3.07(b)) and did not result in any Excess Special Hazard Losses, Excess Fraud Losses, Excess Bankruptcy Losses or Extraordinary Losses, an amount equal to the lesser of (a) the Senior Percentage for such Loan Group for such Distribution Date times the Stated Principal Balance of such Mortgage Loan and (b) the Senior Accelerated Distribution Percentage for such Loan Group for such Distribution Date times the related unscheduled collections (including without limitation Insurance Proceeds, Liquidation Proceeds and REO Proceeds) to the extent applied by the Servicer as recoveries of principal of the related Mortgage Loan pursuant to Section 3.14);
- (C) the Senior Accelerated Distribution Percentage for such Loan Group for such Distribution Date times the aggregate of all Principal Prepayments in Full received with respect to Mortgage Loans in the related Loan Group in the related Prepayment Period and Curtailments received with respect to Mortgage Loans in the related Loan Group in the preceding calendar month;
- (D) any Excess Subordinate Principal Amount allocated to the related Loan Group for such Distribution Date but only to the extent of Eligible Funds for the related Loan Group on such Distribution Date; and
- (E) any amounts described in subsection (ii), clauses (A), (B) and (C) of this Section 4.02(a), as determined for any previous Distribution Date with respect to such Loan Group, which remain unpaid after application of amounts previously distributed pursuant to this clause (E) to the extent that such amounts are not attributable to Realized Losses which have been allocated to the Subordinate Certificates;
- (iii) from Available Distribution Amounts remaining, if any, if the Certificate Principal Balances of the Subordinate Certificates have not been reduced to zero, to the Servicer or a Subservicer, by remitting for deposit to the Custodial Account, to the extent of and in reimbursement for any Advances or Subservicer Advances previously made with respect to any Mortgage Loan or REO Property which remain unreimbursed in whole or in part following the Cash Liquidation or REO Disposition of such Mortgage Loan or REO Property, minus any such Advances that were made with respect to delinquencies that ultimately constituted Excess Special Hazard Losses, Excess Fraud Losses, Excess Bankruptcy Losses or Extraordinary Losses;
- (iv) from Available Distribution Amounts remaining, if any, to the Holders of the Class M-1 Certificates, the Accrued Certificate Interest thereon for such Distribution Date, plus any Accrued Certificate Interest thereon remaining unpaid from any previous Distribution Date, except as provided below;
- (v) from Available Distribution Amounts remaining, if any, to the Holders of the Class M-1 Certificates, an amount equal to the Subordinate Principal Distribution Amount derived from each Loan Group for such Class of Certificates for such Distribution Date, applied in reduction of the Certificate Principal Balance of the Class M-1 Certificates;
- (vi) from Available Distribution Amounts remaining, if any, to the Holders of the Class M-2 Certificates, the Accrued Certificate Interest thereon for such Distribution Date, plus any Accrued Certificate Interest thereon remaining unpaid from any previous Distribution Date, except as provided below;

- (vii) from Available Distribution Amounts remaining, if any, to the Holders of the Class M-2 Certificates, an amount equal to the Subordinate Principal Distribution Amount derived from each Loan Group for such Class of Certificates for such Distribution Date, applied in reduction of the Certificate Principal Balance of the Class M-2 Certificates;
- (viii) from Available Distribution Amounts remaining, if any, to the Holders of the Class M-3 Certificates, the Accrued Certificate Interest thereon for such Distribution Date, plus any Accrued Certificate Interest thereon remaining unpaid from any previous Distribution Date, except as provided below;
- (ix) from Available Distribution Amounts remaining, if any, to the Holders of the Class M-3 Certificates, an amount equal to the Subordinate Principal Distribution Amount derived from each Loan Group for such Class of Certificates for such Distribution Date, applied in reduction of the Certificate Principal Balance of the Class M-3 Certificates;
- (x) from Available Distribution Amounts remaining, if any, to the Holders of the Class B-1 Certificates, the Accrued Certificate Interest thereon for such Distribution Date, plus any Accrued Certificate Interest thereon remaining unpaid from any previous Distribution Date, except as provided below;
- (xi) from Available Distribution Amounts remaining, if any, to the Holders of the Class B-1 Certificates, an amount equal to the Subordinate Principal Distribution Amount derived from each Loan Group for such Class of Certificates for such Distribution Date, applied in reduction of the Certificate Principal Balance of the Class B-1 Certificates;
- (xii) from Available Distribution Amounts remaining, if any, to the Holders of the Class B-2 Certificates, the Accrued Certificate Interest thereon for such Distribution Date, plus any Accrued Certificate Interest thereon remaining unpaid from any previous Distribution Date, except as provided below;
- (xiii) from Available Distribution Amounts remaining, if any, to the Holders of the Class B-2 Certificates, an amount equal to the Subordinate Principal Distribution Amount derived from each Loan Group for such Class of Certificates for such Distribution Date, applied in reduction of the Certificate Principal Balance of the Class B-2 Certificates;
- (xiv) from Available Distribution Amounts remaining, if any, to the Holders of the Class B-3 Certificates, an amount equal to the Accrued Certificate Interest thereon for such Distribution Date, plus any Accrued Certificate Interest thereon remaining unpaid from any previous Distribution Date, except as provided below;
- (xv) from Available Distribution Amounts remaining, if any, to the Holders of the Class B-3 Certificates, an amount equal to the Subordinate Principal Distribution Amount derived from each Loan Group for such Class of Certificates for such Distribution Date applied in reduction of the Certificate Principal Balance of the Class B-3 Certificates;
- (xvi) from Available Distribution Amounts remaining, if any, to the Holders of the Senior Certificates related to any Loan Group, the portion, if any, of the Available Distribution Amount for such Loan Group remaining after the foregoing distributions, applied to reduce the Certificate Principal Balances of such Senior Certificates, but in no event more than the aggregate of the outstanding Certificate Principal Balances of each such Class of Senior Certificates; and thereafter, to each Class of Subordinate Certificates then outstanding beginning with such Class with the Highest Priority, any portion of the Available Distribution Amount for each Loan Group remaining after the related Senior Certificates have been retired, applied to reduce the Certificate Principal Balance of each such Class of Subordinate Certificates, but in no event more than the outstanding Certificate Principal Balance of each such Class of Subordinate Certificates;
- (xvii) from Available Distribution Amounts remaining, if any, to the Trustee, any fees and/or expenses payable or reimbursable by the Servicer pursuant to Section 8.05 hereof, to the extent not paid by the Servicer; and
- (xviii) to the Class R Certificates, the balance, if any, of the Available Distribution Amount.

Notwithstanding the foregoing, on any Distribution Date, with respect to the Class of Subordinate Certificates outstanding on such Distribution Date with the Lowest Priority, or in the event the Subordinate Certificates are no longer outstanding, the Senior Certificates related to the Loan Group in which Mortgage Loan described below is in, Accrued Certificate Interest thereon remaining unpaid from any previous Distribution Date shall be distributable only to the extent that such unpaid Accrued Certificate Interest was attributable to interest shortfalls relating to the failure of the Servicer to make any required Advance, or the determination by the Servicer that any proposed Advance would be a Nonrecoverable Advance, with respect to the related Mortgage Loan where such Mortgage Loan has not yet been the subject of a Cash Liquidation or REO Disposition.

- (b) Distributions of principal on the Senior Certificates on each Distribution Date shall be made as follows:
  - (i) Group 1. An amount equal to the Group 1 Senior Principal Distribution Amount shall be distributed first, to the Class R Certificates and then to the Class 1-A-1 and Class 1-A-2 Certificates, pro rata, in each case in reduction of its Certificate Principal Balance until the Certificate Principal Balance thereof has been reduced to zero;
  - (ii) Group 2. An amount equal to the Group 2 Senior Principal Distribution Amount shall

(iii) Group 3. An amount equal to the Group 3 Senior Principal Distribution Amount shall be distributed to the Class 3-A-1 and Class 3-A-2 Certificates, pro rata, in each case in reduction of its Certificate Principal Balance until the Certificate Principal Balance thereof has been reduced to zero;

(iv) Group 4. An amount equal to the Group 3 Senior Principal Distribution Amount shall be distributed to the Class 4-A-1 and Class 4-A-2 Certificates, pro rata, in each case in reduction of its Certificate Principal Balance until the Certificate Principal Balance thereof has been reduced to zero;

(v) Group 5. An amount equal to the Group 5 Senior Principal Distribution Amount shall be distributed as follows: (1) an amount equal to the Class 5-A-1A/Class 5-A-1B Senior Distribution Amount to the Class 5-A-1A Certificates in reduction of its Certificate Principal Balance until the Certificate Principal Balance thereof has been reduced to zero and then to the Class 5-A-1B Certificates in reduction of its Certificate Principal Balance until the Certificate Principal Balance thereof has been reduced to zero, and (2) an amount equal to the Class 5-A-2 Senior Distribution Amount to the Class 5-A-2 Certificates in reduction of its Certificate Principal Balance until the Certificate Principal Balance thereof has been reduced to zero; and

(c) Prior to the occurrence of the Credit Support Depletion Date but after the reduction of the Certificate Principal Balances of any of the Class 1-A Certificates, the Class 2-A Certificates, the Class 3-A Certificates, the Class 4-A Certificates or the Class 5-A Certificates to zero, the remaining Senior Certificates shall be entitled to receive, pro rata, based upon their respective aggregate Certificate Principal Balances, in addition to any Principal Prepayments in Full and Curtailments related to such Certificates' respective Loan Group, 100% of the Principal Prepayments in Full and Curtailments on the Mortgage Loans in the Loan Group or Loan Groups with respect to which the aggregate Certificate Principal Balance of the related Senior Certificates has been reduced to zero, in accordance with the priorities set forth in Section 4.02(b) above, in reduction of the Certificate Principal Balances thereof, on any Distribution Date if (i) the Aggregate Subordinate Percentage is less than 200% of the Aggregate Subordinate Percentage as of the Closing Date or (ii) the aggregate of the Stated Principal Balances of all Mortgage Loans Delinquent 60 days or more (including Mortgage Loans in REO and foreclosure) (averaged over the preceding six month period), as a percentage of the aggregate of the Certificate Principal Balances of the Subordinate Certificates, is greater than or equal to 50%.

In addition, on any Distribution Date prior to the Credit Support Depletion Date on which the aggregate Certificate Principal Balance of any of the Class 1-A Certificates, the Class 2-A Certificates, the Class 3-A Certificates, the Class 4-A Certificates or the Class 5-A Certificates, is greater than the aggregate Stated Principal Balance of the Mortgage Loans in the related Loan Group, in each case after giving effect to distributions to be made on such Distribution Date (each such Loan Group, an "Undercollateralized Group"), the Available Distribution Amount for the Overcollateralized Groups otherwise allocable to the Subordinate Certificates shall instead be distributed to such Undercollateralized Group(s), as applicable, pro rata, based upon their respective amounts of undercollateralization, in accordance with the priorities set forth in clause 4.02(b) above, (1) in reduction of the Certificate Principal Balances thereof, until the aggregate Certificate Principal Balance of such Undercollateralized Group(s), as applicable, equals the aggregate Stated Principal Balance of the Mortgage Loans in the related Loan Group(s), and (2) an amount equal to one month's interest at the applicable Pass-Through Rate for such Undercollateralized Group(s), as applicable, on the amount of such difference, first, to pay any unpaid interest on such Class or Classes of Certificates and second, to pay principal on such Classes in the manner described in (1) above.

(d) After the reduction of the Certificate Principal Balances of the Senior Certificates relating to a Loan Group to zero but prior to the Credit Support Depletion Date, such Senior Certificates shall be entitled to no further distributions of principal thereon and the related Available Distribution Amount shall be distributed solely to the holders of the Subordinate Certificates, in each case as described herein, except as is otherwise set forth in Section 4.02(c) above.

(e) In addition to the foregoing distributions, with respect to any Subsequent Recoveries, the Servicer shall deposit such funds into the Custodial Account pursuant to Section 3.07(b)(iii). If, after taking into account such Subsequent Recoveries for a Loan Group, the amount of a previously allocated Realized Loss is reduced, the amount of such Subsequent Recoveries will be applied to increase the Certificate Principal Balance of the Class of Certificates related to such Loan Group with a Certificate Principal Balance greater than zero with the highest payment priority to which Realized Losses have been allocated, but not by more than the amount of Realized Losses previously allocated to that Class of Certificates pursuant to Section 4.05. The amount of any remaining Subsequent Recoveries will be applied to increase from zero the Certificate Principal Balance of the Class of Certificates with the next lower payment priority, up to the amount of Realized Losses previously allocated to that Class of Certificates pursuant to Section 4.05. Any remaining Subsequent Recoveries will in turn be applied to increase from zero the Certificate Principal Balance of the Class of Certificates related to such Loan Group with the next lower payment priority up to the amount of Realized Losses previously allocated to that Class of Certificates pursuant to Section 4.05, and so on. Holders of such Certificates will not be entitled to any payment in respect of Accrued Certificate Interest on the amount of such increases for any Interest Accrual Period preceding the Distribution Date on which such increase occurs. Any such increase shall be applied to the Certificate Principal Balance of each Certificate of such Class in accordance with its respective Percentage Interest.

Each distribution with respect to a Book-Entry Certificate shall be paid to the Depository, as Holder thereof, and the Depository shall be solely responsible for crediting the amount of such distribution to each party of interest in accordance with its normal procedures. Each Depository Participant shall be responsible for disbursing such distribution to the Certificate Owners that it represents and to each indirect participating brokerage firm (a "brokerage firm") for which it acts as agent. Each brokerage firm shall be responsible for disbursing funds to the Certificate Owners that it represents. None of the Trustee, the Certificate Registrar, the Company or the Servicer shall have any responsibility for the allocation of such distributions among Depository Participants, brokerage firms and Certificate Owners.

(g) Except as otherwise provided in Section 9.01, if the Servicer anticipates that a final distribution with respect to any Class of Certificates shall be made on the next Distribution Date, the Servicer shall, no later than the Determination Date in the month of such final distribution, notify the Trustee and the Trustee shall, no later than two (2) Business Days after the later of (i) receipt of such notices or (ii) such Determination Date, mail on such date to each Holder of such Class of Certificates a notice to the effect that: (i) the Trustee anticipates that the final distribution with respect to such Class of Certificates shall be made on such Distribution Date but only upon presentation and surrender of such Certificates at the office designated by the Trustee or as otherwise specified therein, and (ii) no interest shall accrue on such Certificates from and after the end of the related Interest Accrual Period. In the event that Certificateholders required to surrender their Certificates pursuant to Section 9.01(c) do not surrender their Certificates for final cancellation, the Trustee shall cause funds distributable with respect to such Certificates to be withdrawn from the Payment Account and credited to a separate escrow account for the benefit of such Certificateholders as provided in Section 9.01(d).

#### Section 4.03. Statements to Certificateholders.

(a) Concurrently with each distribution charged to the Payment Account and with respect to each Distribution Date, the Trustee shall make available to Certificateholders, the Rating Agencies and other parties to this Agreement via the Trustee's internet website the Remittance Report.

The Trustee's internet website shall initially be located at "www.jpmorgan.com/sfr." Assistance in using the website can be obtained by calling the Trustee's customer service desk at (877) 722-1095. Parties that are unable to use the website are entitled to have a paper copy mailed to them via first class mail by calling the customer service desk and indicating such. The Trustee shall have the right to change the way Distribution Date statements are distributed in order to make such distribution more convenient and/or more accessible to the above parties, provided that such procedures are no less convenient for the Certificateholders and the Trustee shall provide timely and adequate notification to all above parties regarding any such changes. The Trustee shall also be entitled to rely on but shall not be responsible for the content or accuracy of any information provided by third parties for purposes of making the Remittance Report available and may affix to it a disclaimer it deems appropriate in its reasonable discretion.

(b) Within a reasonable period of time after the end of each calendar year, the Trustee shall prepare, or cause to be prepared, and shall forward, or cause to be forwarded, to each Person who at any time during the calendar year was the Holder of a Certificate, other than a Class R Certificate, a statement containing the information set forth in clauses (i)(a) and (ii) of Exhibit L attached hereto aggregated for such calendar year or applicable portion thereof during which such Person was a Certificateholder. Such obligation of the Trustee shall be deemed to have been satisfied to the extent that substantially comparable information shall be provided by the Trustee pursuant to any requirements of the Code.

(c) Within a reasonable period of time after the end of each calendar year, the Trustee shall prepare, or cause to be prepared, and shall forward, or cause to be forwarded, to each Person who at any time during the calendar year was the Holder of a Class R Certificate, a statement containing the applicable distribution information provided pursuant to this Section 4.03 aggregated for such calendar year or applicable portion thereof during which such Person was the Holder of a Class R Certificate. Such obligation of the Trustee shall be deemed to have been satisfied to the extent that substantially comparable information shall be provided by the Servicer pursuant to any requirements of the Code.

(d) Upon the written request of any Certificateholder, the Trustee, as soon as reasonably practicable, shall provide the requesting Certificateholder with such information in the Trustee's possession as is necessary and appropriate, in the Trustee's sole discretion, for purposes of satisfying applicable reporting requirements under Rule 144A. The Company and the Servicer shall cooperate with the Trustee as is reasonably necessary to respond to any such request but the Trustee shall have no liability for failure to provide any information not in the Trustee's possession.

#### Section 4.04. Distribution of Reports to the Trustee and the Company; Advances by the Servicer.

(a) Prior to the close of business on two Business Days succeeding each Determination Date, or if such Determination Date falls on a Friday or a day that is not a Business Day, on the Business Day next succeeding such Determination Date, the Servicer shall furnish the Remittance Report to the Trustee in a mutually agreed upon form of an electromagnetic tape or disk and hard copy, or other automated transmission. The Remittance Report and any information supplemental thereto shall include such information with respect to the Mortgage Loans that is required by the Trustee for purposes of fulfilling its obligations as REMIC Administrator under Article X and making the distributions described in Section 4.02, as set forth in written specifications or guidelines issued by the Servicer or the Trustee from time to time. The Trustee shall be protected in relying upon the information set forth in the Remittance Report without any independent check or verification.

(b) On or before 2:00 P.M. New York time on each Payment Account Deposit Date, the Servicer shall either (i) deposit in the Payment Account from its own funds, or funds received therefor from the Subservicers, an amount equal to the Advances to be made by the Servicer in respect of the related Distribution Date, which shall be in an aggregate amount

EXECUTION COPY

MORTGAGE LOAN PURCHASE AGREEMENT

This is a Mortgage Loan Purchase Agreement (the "Agreement") dated as of March 30, 2006 by and between GMAC Mortgage Corporation, a Pennsylvania corporation, having an office at 100 Witmer Road, Horsham, Pennsylvania 19044 (the "Seller") and Residential Asset Mortgage Products, Inc., a Delaware corporation, and having an office at 8400 Normandale Lake Boulevard, Minneapolis, Minnesota 55437 (the "Purchaser").

The Seller agrees to sell to the Purchaser and the Purchaser agrees to purchase from the Seller certain mortgage loans on a servicing-retained basis as described herein (the "Mortgage Loans"). The following terms are defined as follows:

Aggregate Principal Balance  
(as of the Cut-Off Date): \$372,995,323.98 (after deduction of scheduled principal payments due on or before the Cut-Off Date, whether or not collected, but without deduction of prepayments that may have been made but not reported to the Seller as of the close of business on such date).

Closing Date: March 30, 2006, or such other date as may be agreed upon by the parties hereto.

Cut-Off Date: March 1, 2006.

Mortgage Loan: A hybrid adjustable rate, fully-amortizing, first lien, residential conventional mortgage loan having a term of not more than 30 years and secured by Mortgaged Property.

Mortgaged Property: A single parcel of real property on which is located a detached single-family residence, a two-to-four family dwelling, a townhouse, an individual condominium unit, or an individual unit in a planned unit development, or a proprietary lease in a unit in a cooperatively-owned apartment building and stock in the related cooperative corporation.

Pooling and Servicing Agreement: The pooling and servicing agreement, dated as of March 30, 2006, among Residential Asset Mortgage Products, Inc., as company, GMAC Mortgage Corporation, as servicer and JPMorgan Chase Bank, N.A., as trustee (the "Trustee").

Repurchase Event: With respect to any Mortgage Loan as to which the Seller delivers an affidavit certifying that the original Mortgage Note has been lost or destroyed, a subsequent default on such Mortgage Loan if the enforcement thereof or of the related Mortgage is materially and adversely affected by the absence of such original Mortgage Note.

All capitalized terms used but not defined herein shall have the meanings assigned thereto in the Pooling and Servicing Agreement. The parties intend hereby to set forth the terms and conditions upon which the proposed transactions will be effected and, in consideration of the premises and the mutual agreements set forth herein, agree as follows:

SECTION 1. Agreement to Sell and Purchase Mortgage Loans. The Seller agrees to sell to the Purchaser and the Purchaser agrees to purchase from the Seller certain Mortgage Loans having an aggregate amount equal to the Aggregate Principal Balance as of the Cut-Off Date.

SECTION 2. Mortgage Loan Schedule. The Seller has provided to the Purchaser a schedule setting forth all of the Mortgage Loans to be purchased on the Closing Date under this Agreement, which shall be attached hereto as Schedule I (the "Mortgage Loan Schedule").

SECTION 3. Purchase Price of Mortgage Loans. The purchase price (the "Purchase Price") to be paid to the Seller by the Purchaser for the Mortgage Loans shall be the sum of (i) [REDACTED] and (ii) a 0.01% Percentage Interest in the Class R Certificates issued pursuant to the Pooling and Servicing Agreement. The cash portion of the purchase price shall be paid by wire transfer of immediately available funds on the Closing Date to the account specified by the Seller.

The Purchaser and Seller intend that the conveyance by the Seller to the Purchaser of all its right, title and interest in and to the Mortgage Loans pursuant to this Agreement shall be, and be construed as, a sale of the Mortgage Loans by the Seller to the Purchaser. It is, further, not intended that such conveyance be deemed to be a grant of a security interest in the Mortgage Loans by the Seller to the Purchaser to secure a debt or other obligation of the Seller. However, in the event that the Mortgage Loans are held to be property of the Seller, or if for any reason this Agreement is held or deemed to create a security interest in the Mortgage Loans, then it is intended that (a) this Agreement shall be and hereby is a security agreement within the meaning of Articles 9 of the Pennsylvania Uniform Commercial Code, the Delaware Uniform Commercial Code and the Uniform Commercial

Code of any other applicable jurisdiction; (b) the conveyance provided for in this Section shall be deemed to be, and hereby is, a grant by the Seller to the Purchaser of a security interest in all of the Seller's right, title and interest, whether now owned or hereafter acquired, in and to the following: (A) the Mortgage Loans, including (i) with respect to each Cooperative Loan, the related Mortgage Note, Security Agreement, Assignment of Proprietary Lease, Cooperative Stock Certificate, Cooperative Lease, (ii) with respect to each Mortgage Loan other than a Cooperative Loan, the related Mortgage Note and Mortgage and (iii) any insurance policies and all other documents in the related Mortgage File, (B) all amounts payable pursuant to the Mortgage Loans in accordance with the terms thereof, (C) all proceeds of the conversion, voluntary or involuntary, of the foregoing into cash, instruments, securities or other property, (D) all accounts, general intangibles, chattel paper, instruments, documents, money, deposit accounts, goods, letters of credit, letter-of-credit rights, oil, gas, and other minerals, and investment property consisting of, arising from or relating to any of the foregoing and (E) all proceeds of the foregoing; (c) the possession by the Trustee, the Custodian or any other agent of the Trustee of any of the foregoing shall be deemed to be possession by the secured party, or possession by a purchaser or a person holding for the benefit of such secured party, for purposes of perfecting the security interest pursuant to the Pennsylvania Uniform Commercial Code, the Delaware Uniform Commercial Code and the Uniform Commercial Code of any other applicable jurisdiction (including, without limitation, Sections 9-313 and 9-314 of each thereof); and (d) notifications to persons holding such property, and acknowledgments, receipts or confirmations from persons holding such property, shall be deemed notifications to, or acknowledgments, receipts or confirmations from, securities intermediaries, bailees or agents of, or persons holding for, the Trustee (as applicable) for the purpose of perfecting such security interest under applicable law. The Seller shall, to the extent consistent with this Agreement, take such reasonable actions as may be necessary to ensure that, if this Agreement were determined to create a security interest in the Mortgage Loans and the other property described above, such security interest would be determined to be a perfected security interest of first priority under applicable law and will be maintained as such throughout the term of this Agreement. Without limiting the generality of the foregoing, the Seller shall prepare and deliver to the Purchaser not less than 15 days prior to any filing date, and the Purchaser shall file, or shall cause to be filed, at the expense of the Seller, all filings necessary to maintain the effectiveness of any original filings necessary under the Uniform Commercial Code as in effect in any jurisdiction to perfect the Purchaser's security interest in the Mortgage Loans, including without limitation (x) continuation statements, and (y) such other statements as may be occasioned by (1) any change of name of the Seller or the Purchaser, (2) any change of type or jurisdiction of organization of the Seller, or (3) any transfer of any interest of the Seller in any Mortgage Loan.

Notwithstanding the foregoing, (i) the Seller in its capacity as Servicer shall retain all servicing rights (including, without limitation, primary servicing and master servicing) relating to or arising out of the Mortgage Loans, and all rights to receive servicing fees, servicing income and other payments made as compensation for such servicing granted to it under the Pooling and Servicing Agreement pursuant to the terms and conditions set forth therein (collectively, the "Servicing Rights") and (ii) the Servicing Rights are not included in the collateral in which the Seller grants a security interest pursuant to the immediately preceding paragraph.

SECTION 4. Record Title and Possession of Mortgage Files. The Seller hereby sells, transfers, assigns, sets over and conveys to the Purchaser, without recourse, but subject to the terms of this Agreement and the Seller hereby acknowledges that the Purchaser, subject to the terms of this Agreement, shall have all the right, title and interest of the Seller in and to the Mortgage Loans. From the Closing Date, but as of the Cut-off Date, the ownership of each Mortgage Loan, including the Mortgage Note, the Mortgage, the contents of the related Mortgage File and all rights, benefits, proceeds and obligations arising therefrom or in connection therewith, has been vested in the Purchaser. All rights arising out of the Mortgage Loans including, but not limited to, all funds received on or in connection with the Mortgage Loans and all records or documents with respect to the Mortgage Loans prepared by or which come into the possession of the Seller shall be received and held by the Seller in trust for the exclusive benefit of the Purchaser as the owner of the Mortgage Loans. On and after the Closing Date, any portion of the related Mortgage Files or servicing files related to the Mortgage Loans (the "Servicing Files") in Seller's possession shall be held by Seller in a custodial capacity only for the benefit of the Purchaser. The Seller shall release its custody of any contents of the related Mortgage Files or Servicing Files only in accordance with written instructions of the Purchaser or the Purchaser's designee.

SECTION 5. Books and Records. The sale of each Mortgage Loan has been reflected on the Seller's balance sheet and other financial statements as a sale of assets by the Seller. The Seller shall be responsible for maintaining, and shall maintain, a complete set of books and records for the Mortgage Loans which shall be appropriately identified in the Seller's computer system to clearly reflect the ownership of the Mortgage Loans by the Purchaser.

SECTION 6. Delivery of Mortgage Notes.

(a) On or prior to the Closing Date, the Seller shall deliver to the Purchaser or the Custodian, as directed by the Purchaser, the original Mortgage Note, with respect to each

Mortgage Loan so assigned, endorsed without recourse in blank, or in the name of the Trustee as trustee, and signed by an authorized officer (which endorsement shall contain either an original signature or a facsimile signature of an authorized officer of the Seller, and if in the form of an allonge, the allonge shall be stapled to the Mortgage Note), with all intervening endorsements showing a complete chain of title from the originator to the Seller. If the Mortgage Loan was acquired by the endorser in a merger, the endorsement must be by "\_\_\_\_\_, successor by merger to [name of predecessor]". If the Mortgage Loan was acquired or originated by the endorser while doing business under another name, the endorsement must be by "\_\_\_\_\_ formerly known as [previous name]." The delivery of each Mortgage Note to the Purchaser or the Custodian is at the expense of the Seller.

In lieu of delivering the Mortgage Note relating to any Mortgage Loan, the Seller may deliver or cause to be delivered a lost note affidavit from the Seller stating that the original Mortgage Note was lost, misplaced or destroyed, and, if available, a copy of each original Mortgage Note; provided, however, that in the case of Mortgage Loans which have been prepaid in full after the Cut-off Date and prior to the Closing Date, the Seller, in lieu of delivering the above documents, may deliver to the Purchaser a certification to such effect and shall deposit all amounts paid in respect of such Mortgage Loan in the Payment Account on the Closing Date.

(b) If any Mortgage Note is not delivered to the Purchaser (or the Custodian as directed by the Purchaser) or the Purchaser discovers any defect with respect to a Mortgage Note which materially and adversely affects the interests of the Certificateholders in the related Mortgage Loan, the Purchaser shall give prompt written specification of such defect or omission to the Seller, and the Seller shall cure such defect or omission in all material respects or repurchase such Mortgage Loan or substitute a Qualified Substitute Mortgage Loan in the manner set forth in Section 7.03. It is understood and agreed that the obligation of the Seller to cure a material defect in, or substitute for, or purchase any Mortgage Loan as to which a material defect in, or omission of, a Mortgage Note exists, shall constitute the sole remedy respecting such material defect or omission available to the Purchaser, Certificateholders or the Trustee on behalf of Certificateholders.

(c) All other documents contained in the Mortgage File and any original documents relating to the Mortgage Loans not contained in the Mortgage File or delivered to the Purchaser, are and shall be retained by the Servicer in trust as agent for the Purchaser.

In the event that in connection with any Mortgage Loan: (a) the original recorded Mortgage (or evidence of submission to the recording office), (b) all interim recorded assignments, (c) the original recorded modification agreement, if required, or (d) evidence of title insurance (together with all riders thereto, if any) satisfying the requirements of clause (I)(ii), (iv), (vi) or (vii) of the definition of Mortgage File, respectively, is not in the possession of the Servicer concurrently with the execution and delivery hereof because such document or documents have not been returned from the applicable public recording office, or, in the case of each such interim assignment or modification agreement, because the related Mortgage has not been returned by the appropriate recording office, in the case of clause (I)(ii), (iv) or (vi) of the definition of Mortgage File, or because the evidence of title insurance has not been delivered to the Seller by the title insurer in the case of clause (I)(vii) of the definition of Mortgage File, the Servicer shall use its best efforts to obtain, (A) in the case of clause (I)(ii), (iv) or (vi) of the definition of Mortgage File, such original Mortgage, such interim assignment, or such modification agreement, with evidence of recording indicated thereon upon receipt thereof from the public recording office, or a copy thereof, certified, if appropriate, by the relevant recording office, or (B) in the case of clause (I)(vii) of the definition of Mortgage File, evidence of title insurance.

(d) If any of the documents held by the Servicer pursuant to clause (c) above are missing or defective in any other respect and such missing document or defect materially and adversely affects the interests of the Certificateholders in the related Mortgage Loan, the Seller shall cure or repurchase such Mortgage Loan or substitute a Qualified Substitute Mortgage Loan in the manner set forth in Section 7.03. It is understood and agreed that the obligation of the Seller to cure a material defect in, or substitute for, or purchase any Mortgage Loan as to which a material defect in or omission of a constituent document exists, shall constitute the sole remedy respecting such material defect or omission available to the Purchaser, Certificateholders or the Trustee on behalf of Certificateholders.

(e) If any assignment is lost or returned unrecorded to the Servicer because of any defect therein, the Seller shall prepare a substitute assignment or cure such defect, as the case may be, and the Servicer shall cause such assignment to be recorded in accordance with this Section.

#### SECTION 7. Representations and Warranties.

SECTION 7.01. Representations and Warranties of Seller. The Seller represents, warrants and covenants to the Purchaser that as of the Closing Date or as of such date specifically provided herein:

(a) The Seller is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania and is or will be in

compliance with the laws of each state in which any Mortgaged Property is located to the extent necessary to ensure the enforceability of each Mortgage Loan;

(b) The Seller has the power and authority to make, execute, deliver and perform its obligations under this Agreement and all of the transactions contemplated under this Agreement, and has taken all necessary corporate action to authorize the execution, delivery and performance of this Agreement; this Agreement constitutes a legal, valid and binding obligation of the Seller, enforceable against the Seller in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect affecting the enforcement of creditors' rights in general and except as such enforceability may be limited by general principles of equity (whether considered in a proceeding at law or in equity) or by public policy with respect to indemnification under applicable securities laws;

(c) The execution and delivery of this Agreement by the Seller and its performance and compliance with the terms of this Agreement will not violate the Seller's Certificate of Incorporation or Bylaws or constitute a material default (or an event which, with notice or lapse of time, or both, would constitute a material default) under, or result in the material breach of, any material contract, agreement or other instrument to which the Seller is a party or which may be applicable to the Seller or any of its assets;

(d) No litigation before any court, tribunal or governmental body is currently pending, nor to the knowledge of the Seller is threatened against the Seller, nor is there any such litigation currently pending, nor to the knowledge of the Seller threatened against the Seller with respect to this Agreement that in the opinion of the Seller has a reasonable likelihood of resulting in a material adverse effect on the transactions contemplated by this Agreement;

(e) No consent, approval, authorization or order of any court or governmental agency or body is required for the execution, delivery and performance by the Seller of or compliance by the Seller with this Agreement, the sale of the Mortgage Loans or the consummation of the transactions contemplated by this Agreement except for consents, approvals, authorizations and orders which have been obtained;

(f) The consummation of the transactions contemplated by this Agreement is in the ordinary course of business of the Seller, and the transfer, assignment and conveyance of the Mortgage Notes and the Mortgages relating to the Mortgage Loans by the Seller pursuant to this Agreement are not subject to bulk transfer or any similar statutory provisions in effect in any applicable jurisdiction;

(g) The Seller did not select such Mortgage Loans in a manner that it reasonably believed was adverse to the interests of the Purchaser based on the Seller's portfolio of conventional non-conforming Mortgage Loans;

(h) The Seller will treat the sale of the Mortgage Loans to the Purchaser as a sale for reporting and accounting purposes and, to the extent appropriate, for federal income tax purposes;

(i) The Seller is an approved seller/servicer of residential mortgage loans for Fannie Mae and Freddie Mac. The Seller is in good standing to sell mortgage loans to and service mortgage loans for Fannie Mae and Freddie Mac and no event has occurred which would make the Seller unable to comply with eligibility requirements or which would require notification to either Fannie Mae or Freddie Mac; and

(j) No written statement, report or other document furnished or to be furnished pursuant to the Agreement contains or will contain any statement that is or will be inaccurate or misleading in any material respect.

SECTION 7.02. Representations and Warranties as to Individual Mortgage Loans. The Seller hereby represents and warrants to the Purchaser, as to each Mortgage Loan (except as otherwise specified below), as of the Closing Date, as follows:

(a) The information set forth in the Mortgage Loan Schedule is true, complete and correct in all material respects as of the Cut-Off Date;

(b) The original mortgage, deed of trust or other evidence of indebtedness (the "Mortgage") creates a first lien on an estate in fee simple or a leasehold interest in real property securing the related Mortgage Note, free and clear of all adverse claims, liens and encumbrances having priority over the first lien of the Mortgage subject only to (1) the lien of non-delinquent current real property taxes and assessments not yet due and payable, (2) covenants, conditions and restrictions, rights of way, easements and other matters of public record as of the date of recording which are acceptable to mortgage lending institutions generally, and (3) other matters to which like properties are commonly subject which do not materially interfere with the benefits of the security intended to be provided by the Mortgage or the use, enjoyment, value or marketability of the related Mortgaged Property;

(c) The Mortgage Loan has not been delinquent thirty (30) days or more at



any time during the twelve (12) month period prior to the Cut-off Date for such Mortgage Loan. As of the Cut-Off Date, the Mortgage Loan is not delinquent in payment more than 30 days and has not been dishonored; there are no defaults under the terms of the Mortgage Loan; and the Seller has not advanced funds, or induced, solicited or knowingly received any advance of funds from a party other than the owner of the Mortgaged Property subject to the Mortgage, directly or indirectly, for the payment of any amount required by the Mortgage Loan;

(d) There are no delinquent taxes which are due and payable, ground rents, assessments or other outstanding charges affecting the related Mortgaged Property;

(e) The Mortgage Note and the Mortgage have not been impaired, waived, altered or modified in any respect, except by written instruments which have been recorded to the extent any such recordation is required by applicable law or is necessary to protect the interests of the Purchaser, and which have been approved by the title insurer and the primary mortgage insurer, as applicable, and copies of which written instruments are included in the Mortgage File. No other instrument of waiver, alteration or modification has been executed, and no Mortgagor has been released by the Seller, or to the best of Seller's knowledge, by any other person, in whole or in part, from the terms thereof except in connection with an assumption agreement, which assumption agreement is part of the Mortgage File and the terms of which are reflected on the Mortgage Loan Schedule;

(f) The Mortgage Note and the Mortgage are not subject to any right of rescission, set-off, counterclaim or defense, including the defense of usury, nor will the operation of any of the terms of the Mortgage Note and the Mortgage, or the exercise of any right thereunder, render the Mortgage Note or Mortgage unenforceable, in whole or in part, or subject to any right of rescission, set-off, counterclaim or defense, including the defense of usury, and no such right of rescission, set-off, counterclaim or defense has been asserted with respect thereto;

(g) All buildings upon the Mortgaged Property are insured by a generally acceptable insurer pursuant to standard hazard policies conforming to the requirements of Fannie Mae and Freddie Mac. All such standard hazard policies are in effect and on the date of origination contained a standard mortgagee clause naming the Seller and its successors in interest as loss payee and such clause is still in effect. If the Mortgaged Property is located in an area identified by the Federal Emergency Management Agency as having special flood hazards under the Flood Disaster Protection Act of 1973, as amended, such Mortgaged Property is covered by flood insurance by a generally acceptable insurer in an amount not less than the requirements of Fannie Mae and Freddie Mac. The Mortgage obligates the Mortgagor thereunder to maintain all such insurance at the Mortgagor's cost and expense, and on the Mortgagor's failure to do so, authorizes the holder of the Mortgage to maintain such insurance at the Mortgagor's cost and expense and to seek reimbursement therefor from the Mortgagor;

(h) Each Mortgage Loan as of the time of its origination complied in all material respects with all applicable local, state and federal laws, including, but not limited to, all applicable predatory lending laws;

(i) The Mortgage has not been satisfied, canceled or subordinated, in whole or in part, or rescinded, and the Mortgaged Property has not been released from the lien of the Mortgage, in whole or in part nor has any instrument been executed that would effect any such satisfaction, release, cancellation, subordination or rescission;

(j) The Mortgage Note and the related Mortgage are original and genuine and each is the legal, valid and binding obligation of the maker thereof, enforceable in all respects in accordance with its terms subject to bankruptcy, insolvency and other laws of general application affecting the rights of creditors. All parties to the Mortgage Note and the Mortgage had the legal capacity to enter into the Mortgage Loan and to execute and deliver the Mortgage Note and the Mortgage. The Mortgage Note and the Mortgage have been duly and properly executed by such parties. The proceeds of the Mortgage Note have been fully disbursed and there is no requirement for future advances thereunder;

(k) With respect to each Mortgage Loan, (A) immediately prior to the transfer and assignment to the Purchaser, the Mortgage Note and the Mortgage were not subject to an assignment or pledge, except for any assignment or pledge that had been satisfied and released, (B) the Seller had good and marketable title to and was the sole owner thereof and (C) the Seller had full right to transfer and sell the Mortgage Loan to the Purchaser free and clear of any encumbrance, equity, lien, pledge, charge, claim or security interest;

(l) The Mortgage Loan is covered by an ALTA lender's title insurance policy or other generally acceptable form of policy of insurance, with all necessary endorsements, issued by a title insurer qualified to do business in the jurisdiction where the Mortgaged Property is located, insuring (subject to the exceptions contained in clause (b) (1), (2) and (3) above) the Seller, its successors and assigns, as to the first priority lien of the Mortgage in the original principal amount of the Mortgage Loan. Such title insurance policy affirmatively insures ingress and egress and against encroachments by or upon the Mortgaged Property or any interest therein. The Seller is the sole insured of such lender's title

insurance policy, such title insurance policy has been duly and validly endorsed to the Purchaser or the assignment to the Purchaser of the Seller's interest therein does not require the consent of or notification to the insurer and such lender's title insurance policy is in full force and effect and will be in full force and effect upon the consummation of the transactions contemplated by this Agreement. No claims have been made under such lender's title insurance policy, and no prior holder of the related Mortgage has done, by act or omission, anything which would impair the coverage of such lender's title insurance policy;

(m) To the Seller's knowledge, there is no default, breach, violation or event of acceleration existing under the Mortgage or the related Mortgage Note and no event which, with the passage of time or with notice and the expiration of any grace or cure period, would constitute a default, breach, violation or event permitting acceleration; and neither the Seller nor any prior mortgagee has waived any default, breach, violation or event permitting acceleration;

(n) To the Seller's knowledge, there are no mechanics, or similar liens or claims which have been filed for work, labor or material affecting the related Mortgaged Property which are or may be liens prior to or equal to the lien of the related Mortgage;

(o) To the Seller's knowledge, all improvements lie wholly within the boundaries and building restriction lines of the Mortgaged Property (and wholly with the project with respect to a condominium unit) and no improvements on adjoining properties encroach upon the Mortgaged Property except those which are insured against by the title insurance policy referred to in clause (l) above and all improvements on the property comply with all applicable zoning and subdivision laws and ordinances;

(p) The Mortgage Loan constitutes a "qualified mortgage" under Section 860G(a)(3)(A) of the Code and Treasury Regulation Section 1.860G-2(a)(1), (2), (4), (5), (6), (7) and (9), without reliance on the provisions of Treasury Regulation Section 1.860G-2(a)(3) or Treasury Regulation Section 1.860G-2(f)(2) or any other provision that would allow a Mortgage Loan to be treated as a "qualified mortgage" notwithstanding its failure to meet the requirements of Section 860G(a)(3)(A) of the Code and Treasury Regulation Section 1.860G-2(a)(1), (2), (4), (5), (6), (7) and (9);

(q) The Mortgage Loan complies in all material respects with all the terms, conditions and requirements of the Seller's underwriting standards in effect at the time of origination of such Mortgage Loan. The Mortgage Notes and Mortgages are on uniform Fannie Mae/Freddie Mac instruments or are on forms acceptable to Fannie Mae or Freddie Mac;

(r) The Mortgage Loan contains the usual and enforceable provisions of the originator at the time of origination for the acceleration of the payment of the unpaid principal amount if the related Mortgaged Property is sold without the prior consent of the mortgagee thereunder. The Mortgage Loan has an original term to maturity of not more than 30 years, with interest payable in arrears on the first day of each month. Except as otherwise set forth on the Mortgage Loan Schedule, the Mortgage Loan does not contain terms or provisions which would result in negative amortization nor contain "graduated payment" features or "buydown" features;

(s) To the Seller's knowledge, the Mortgaged Property at origination of the Mortgage Loan was and currently is free of damage and waste and, to the Seller's knowledge, at origination of the Mortgage Loan there was, and there currently is, no proceeding pending for the total or partial condemnation thereof;

(t) The related Mortgage contains enforceable provisions such as to render the rights and remedies of the holder thereof adequate for the realization against the Mortgaged Property of the benefits of the security provided thereby, including, (1) in the case of a Mortgage designated as a deed of trust, by trustee's sale, and (2) otherwise by judicial foreclosure. To the Seller's knowledge, there is no homestead or other exemption available to the Mortgagor which would interfere with the right to sell the Mortgaged Property at a trustee's sale or the right to foreclose the Mortgage;

(u) If the Mortgage constitutes a deed of trust, a trustee, duly qualified if required under applicable law to act as such, has been properly designated and currently so serves and is named in the Mortgage, and no fees or expenses are or will become payable by the Purchaser to the trustee under the deed of trust, except in connection with a trustee's sale or attempted sale after default by the Mortgagor;

(v) If required by the applicable processing style, the Mortgage File contains an appraisal of the related Mortgaged Property made and signed prior to the final approval of the mortgage loan application by an appraiser that is acceptable to Fannie Mae or Freddie Mac and approved by the Seller. The appraisal, if applicable, is in a form generally acceptable to Fannie Mae or Freddie Mac;

(w) To the Seller's knowledge, each of the Mortgaged Properties consists of a single parcel of real property with a detached single-family residence erected thereon, or a two- to four-family dwelling, a townhouse, an individual condominium unit in a condominium project, an individual unit in a planned unit development or a proprietary lease

on a cooperatively owned apartment and stock in the related cooperative corporation. Any condominium unit or planned unit development either conforms with applicable Fannie Mae or Freddie Mac requirements regarding such dwellings or is covered by a waiver confirming that such condominium unit or planned unit development is acceptable to Fannie Mae or Freddie Mac or is otherwise "warrantable" with respect thereto. No such residence is a mobile home or manufactured dwelling;

(x) The ratio of the original outstanding principal amount of the Mortgage Loan to the lesser of the appraised value (or stated value if an appraisal was not a requirement of the applicable processing style) of the Mortgaged Property at origination or the purchase price of the Mortgaged Property securing each Mortgage Loan (the "Loan-to-Value Ratio") is not in excess of 95.00%. The original Loan-to-Value Ratio of each Mortgage Loan either was not more than 80.00% or the excess over 80.00% is insured as to payment defaults by a primary mortgage insurance policy issued by a primary mortgage insurer acceptable to Fannie Mae and Freddie Mac;

(y) The Seller is either, and each Mortgage Loan was originated by, a savings and loan association, savings bank, commercial bank, credit union, insurance company or similar institution which is supervised and examined by a federal or State authority, or by a mortgagee approved by the Secretary of Housing and Urban Development pursuant to Section 203 and 211 of the National Housing Act;

(z) The origination, collection and servicing practices with respect to each Mortgage Note and Mortgage have been in all material respects legal, normal and usual in the Seller's general mortgage servicing activities. With respect to escrow deposits and payments that the Seller collects, all such payments are in the possession of, or under the control of, the Seller, and there exist no deficiencies in connection therewith for which customary arrangements for repayment thereof have not been made. No escrow deposits or other charges or payments due under the Mortgage Note have been capitalized under any Mortgage or the related Mortgage Note;

(aa) No fraud or misrepresentation of a material fact with respect to the origination of a Mortgage Loan has taken place on the part of the Seller;

(bb) If any of the Mortgage Loans are secured by a leasehold interest, with respect to each leasehold interest: residential property in such area consisting of leasehold estates is readily marketable; the lease is recorded and is in full force and effect and is not subject to any prior lien or encumbrance by which the leasehold could be terminated or subject to any charge or penalty; and the remaining term of the lease does not terminate less than ten years after the maturity date of such Mortgage Loan;

(cc) None of the Mortgage Loans are subject to the Home Ownership and Equity Protection Act of 1994 ("HOEPA");

(dd) No Mortgage Loan is a "High Cost Loan" or a "Covered Loan," as applicable (as such terms are defined in the then current Standard & Poor's LEVELS Glossary which is now Version 5.6c Revised, Appendix E);

(ee) No Mortgage Loan originated on or after October 1, 2002 through March 6, 2003 is governed by the Georgia Fair Lending Act; and

(ff) No mortgage loan is a high cost loan under the predatory lending law of any jurisdiction in which a mortgaged property is located.

SECTION 7.03. Repurchase. It is understood and agreed that the representations and warranties set forth in Sections 7.01 and 7.02 shall survive the sale of the Mortgage Loans to the Purchaser and delivery of the related Mortgage Loan documents to the Purchaser or its designees and shall inure to the benefit of the Purchaser, notwithstanding any restrictive or qualified endorsement on any Mortgage Note or Assignment of Mortgage or the examination of any Mortgage File. Upon discovery by either the Seller or the Purchaser of a breach of representations and warranties made by the Seller, or upon the occurrence of a Repurchase Event, in either case which materially and adversely affects interests of the Purchaser or its assignee in any Mortgage Loan, the party discovering such breach or occurrence shall give prompt written notice to each of the other parties. If the substance of any representation or warranty has been breached, the repurchase obligation set forth in the provisions of this Section 7.03 shall apply notwithstanding any qualification as to the knowledge of the Seller. Following discovery or receipt of notice of any such breach of a representation or warranty made by the Seller or the occurrence of a Repurchase Event, the Seller shall either (i) cure such breach in all material respects within 90 days from the date the Seller was notified of such breach or (ii) repurchase such Mortgage Loan at the related Purchase Price within 90 days from the date the Seller was notified of such breach; provided, however, that the Seller shall have the option to substitute a Qualified Substitute Mortgage Loan or Loans for such Mortgage Loan if such substitution occurs within two years following the Closing Date; and provided further that if the breach or occurrence would cause the Mortgage Loan to be other than a "qualified mortgage" as defined in Section 860G(a)(3) of the Code, any such cure, repurchase or substitution must occur within 90 days from the earlier of the date the breach was discovered or receipt of notice of any such breach. In the event that any such breach shall involve any representation or warranty set

forth in Section 7.01 or those relating to the Mortgage Loans or a portion thereof in the aggregate, and such breach cannot be cured within ninety days of the earlier of either discovery by or notice to the Seller of such breach, all Mortgage Loans affected by the breach shall, at the option of the Purchaser, be repurchased by the Seller at the Purchase Price or substituted for in accordance with this Section 7.03. Notwithstanding anything to the contrary herein, upon discovery by either Seller or GMACM or upon notice from the Purchaser, GMACM, the Servicer, the Trustee or the Custodian, as applicable, of a breach of a Seller's representations or warranties in paragraph (s), but only in so far as it relates to damage caused by Hurricane Katrina, Hurricane Rita and Hurricane Wilma, all of which struck the southeast portion of the United States in August, September and October of 2005, the Seller, shall, notwithstanding the Seller's lack of knowledge with respect to the substance of such representation and warranty, within 90 days after the earlier of its discovery or receipt of notice thereof, either (i) cure such breach in all material respects or (ii)(A) repurchase such Mortgage Loan from the Trust Fund at the Purchase Price, or (B) substitute one or more Qualified Substitute Loans for such Mortgage Loan, in each case in the manner and subject to the conditions set forth below. If the Seller elects to substitute a Qualified Substitute Mortgage Loan or Loans for a Deleted Mortgage Loan pursuant to this Section 7.03, the Seller shall deliver to the Custodian with respect to such Qualified Substitute Mortgage Loan or Loans, the original Mortgage Note endorsed as required by Section 6, and the Seller shall deliver to the Servicer with respect to such Qualified Substitute Mortgage Loan, the Mortgage, an Assignment of the Mortgage in recordable form if required pursuant to Section 6, and such other documents and agreements as are required to be held by the Servicer pursuant to Section 6. No substitution will be made in any calendar month after the Determination Date for such month. Monthly Payments due with respect to Qualified Substitute Mortgage Loans in the month of substitution shall not be part of the Trust Fund and will be retained by the Servicer and remitted by the Servicer to the Seller on the next succeeding Distribution Date. For the month of substitution, distributions to the Certificateholders will include the Monthly Payment due on a Deleted Mortgage Loan for such month and thereafter the Seller shall be entitled to retain all amounts received in respect of such Deleted Mortgage Loan. Upon such substitution, the Qualified Substitute Mortgage Loan or Loans shall be subject to the terms of this Agreement in all respects, and the Seller shall be deemed to have made the representations and warranties contained in this Agreement with respect to the Qualified Substitute Mortgage Loan or Loans and that such Mortgage Loans so substituted are Qualified Substitute Mortgage Loans as of the date of substitution. In furtherance of the foregoing, if the Seller repurchases or substitutes a Mortgage Loan and is no longer a member of MERS and the Mortgage is registered on the MERS(R) System, the Purchaser, at the expense of the Seller and without any right of reimbursement, shall cause MERS to execute and deliver an assignment of the Mortgage in recordable form to transfer the Mortgage from MERS to the Seller and shall cause such Mortgage to be removed from registration on the MERS(R) System in accordance with MERS' rules and regulations.

In the event of a repurchase by the Seller pursuant to this Section 7.03, the Purchaser shall (i) forward or cause to be forwarded the Mortgage File for the related Mortgage Loan to the Seller, which shall include the Mortgage Note endorsed without recourse to the Seller or its designee, (ii) cause the Servicer to release to the Seller any remaining documents in the related Mortgage File which are held by the Servicer, and (iii) an assignment in favor of the Seller or its designee of the Mortgage in recordable form and acceptable to the Seller in form and substance and such other documents or instruments of transfer or assignment as may be necessary to vest in the Seller or its respective designee title to any such Mortgage Loan (or with respect to any Mortgage registered on the MERS(R) System, if the Seller is still a member of MERS, the Purchaser shall cause MERS to show the Seller as the owner of record). The Purchaser shall cause the related Mortgage File to be forwarded to Seller immediately after receipt of the related Purchase Price by wire transfer of immediately available funds to an account specified by the Purchaser.

It is understood and agreed that the obligation of the Seller to cure such breach or purchase (or to substitute for) such Mortgage Loan as to which such a breach has occurred and is continuing shall constitute the sole remedy respecting such breach available to the Purchaser or the Trustee on behalf of the Certificateholders.

SECTION 8. Notices. All demands, notices and communications hereunder shall be in writing and shall be deemed to have been duly given when deposited, postage prepaid, in the United States mail, if mailed by registered or certified mail, return receipt requested, or when received, if delivered by private courier to another party, at the related address shown on the first page hereof, or such other address as may hereafter be furnished to the parties by like notice.

SECTION 9. Severability of Provisions. Any provision of this Agreement which is prohibited or unenforceable or is held to be void or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction as to any Mortgage Loan shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by applicable law, the parties hereto waive any provision of law which prohibits or renders void or unenforceable any provision hereof.

SECTION 10. Counterparts; Entire Agreement. This Agreement may be executed simultaneously

in any number of counterparts. Each counterpart shall be deemed to be an original, and all such counterparts shall constitute one and the same instrument. This Agreement is the entire agreement between the parties relating to the subject matter hereof and supersedes any prior agreement or communications between the parties.

SECTION 11. Place of Delivery and Governing Law. This Agreement shall be deemed in effect when counterparts hereof have been executed by each of the parties hereto. This Agreement shall be deemed to have been made in the State of New York. This Agreement shall be construed in accordance with the laws of the State of New York State of New York, without regard to the conflict of law principles thereof, other than Sections 5-1401 and 5-1402 of the New York General Obligations Law, and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with such laws.

SECTION 12. Successors and Assigns; Assignment of Agreement. This Agreement shall bind and inure to the benefit of and be enforceable by the parties hereto and their respective successors and assigns; provided that this Agreement may not be assigned, pledged or hypothecated by the Seller to a third party without the prior written consent of the Purchaser.

SECTION 13. Waivers; Other Agreements. No term or provision of this Agreement may be waived or modified unless such waiver or modification is in writing and signed by the party against whom such waiver or modification is sought to be enforced.

SECTION 14. Survival. The provisions of this Agreement shall survive the Closing Date and the delivery of the Mortgage Loans, and for so long thereafter as is necessary (including, subsequent to the assignment of the Mortgage Loans) to permit the parties to exercise their respective rights or perform their respective obligations hereunder.

[Signature Page Follows]

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IN WITNESS WHEREOF, the Seller and the Purchaser have caused their names to be signed hereto by their respective officers thereunto duly authorized as of the date first above written.

GMAC MORTGAGE CORPORATION

By: \_\_\_\_\_  
Name:  
Title:  
RESIDENTIAL ASSET MORTGAGE PRODUCTS, INC.

By: \_\_\_\_\_  
Name:  
Title:

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SCHEDULE I

MORTGAGE LOAN SCHEDULE

(a copy can be obtained from the Trustee)

# EXHIBIT 7-B

RESIDENTIAL ASSET MORTGAGE PRODUCTS, INC.,

DEPOSITOR,

RESIDENTIAL FUNDING CORPORATION,

MASTER SERVICER,

AND

JPMORGAN CHASE BANK, N.A.,

TRUSTEE

POOLING AND SERVICING AGREEMENT

DATED AS OF AUGUST 1, 2006

MORTGAGE ASSET-BACKED PASS-THROUGH CERTIFICATES

SERIES 2006-SP3

This Pooling and Servicing Agreement, effective as of August 1, 2006, among RESIDENTIAL ASSET MORTGAGE PRODUCTS, INC., as depositor (together with its permitted successors and assigns, the "Depositor"), RESIDENTIAL FUNDING CORPORATION, as master servicer (together with its permitted successors and assigns, the "Master Servicer"), and JPMORGAN CHASE BANK, N.A., a banking association organized under the laws of the United States, as trustee and supplemental interest trust trustee (together with its permitted successors and assigns, the "Trustee" and the "Supplemental Interest Trust Trustee").

PRELIMINARY STATEMENT:

The Depositor intends to sell mortgage asset-backed pass-through certificates (collectively, the "Certificates"), to be issued hereunder in twelve Classes, which in the aggregate will evidence the entire beneficial ownership interest in the Mortgage Loans (as defined herein) and certain other related assets.

REMIC I

As provided herein, the REMIC Administrator will make an election to treat the segregated pool of assets consisting of the Mortgage Loans and certain other related assets (exclusive of the Yield Maintenance Agreement, the Supplemental Interest Trust Account and the Swap Agreement and any payments thereunder) subject to this Agreement as a real estate mortgage investment conduit (a "REMIC") for federal income tax purposes, and such segregated pool of assets will be designated as "REMIC I." The Class R-I Certificates will represent the sole Class of "residual interests" in REMIC I for purposes of the REMIC Provisions (as defined herein) under federal income tax law. The following table irrevocably sets forth the designation, remittance rate (the "Uncertificated REMIC I Pass-Through Rate") and initial Uncertificated Principal Balance for each of the "regular interests" in REMIC I (the "REMIC I Regular Interests"). The "latest possible maturity date" (determined for purposes of satisfying Treasury regulation Section 1.860G-1(a)(4)(iii)) for the REMIC I Regular Interests shall be the 360th Distribution Date. The REMIC I Regular Interests will not be certificated.



Assignment Agreement: The Assignment and Assumption Agreement, dated the Closing Date, between Residential Funding and the Depositor relating to the transfer and assignment of the Mortgage Loans.

Assignment of Proprietary Lease: With respect to a Cooperative Loan, the assignment of the related Cooperative Lease from the Mortgagor to the originator of the Cooperative Loan.

Available Distribution Amount: With respect to any Distribution Date, an amount equal to (a) the sum of (i) the amount relating to the Mortgage Loans on deposit in the Custodial Account as of the close of business on the immediately preceding Determination Date, including any Subsequent Recoveries, and amounts deposited in the Custodial Account in connection with the substitution of Qualified Substitute Mortgage Loans, (ii) the amount of any Advance made on the immediately preceding Certificate Account Deposit Date with respect to the Mortgage Loans, (iii) any amount deposited in the Certificate Account on the related Certificate Account Deposit Date pursuant to Section 3.12(a) in respect of the Mortgage Loans, (iv) any amount that the Master Servicer is not permitted to withdraw from the Custodial Account pursuant to Section 3.16(e) in respect of the Mortgage Loans and (v) any amount deposited in the Certificate Account pursuant to Section 4.07 or 4.08 and any amounts deposited in the Custodial Account pursuant to Section 9.01, reduced by (b) the sum as of the close of business on the immediately preceding Determination Date of: (w) any payments or collections consisting of prepayment charges on the Mortgage Loans that were received during the related Prepayment Period, (x) the Amount Held for Future Distribution and (y) amounts permitted to be withdrawn by the Master Servicer from the Custodial Account pursuant to clauses (ii)-(x), inclusive, of Section 3.10(a) and (z) any Net Swap Payments owed to the Swap Counterparty and Swap Termination Payments owed to the Swap Counterparty not due to a Swap Counterparty Trigger Event for such Distribution Date.

Balloon Loan: Each of the Mortgage Loans having an original term to maturity that is shorter than the related amortization term.

Balloon Payment: With respect to any Balloon Loan, the related Monthly Payment payable on the stated maturity date of such Balloon Loan.

Bankruptcy Code: The Bankruptcy Code of 1978, as amended.

Book-Entry Certificate: Any Certificate registered in the name of the Depository or its nominee.

Business Day: Any day other than (i) a Saturday or a Sunday or (ii) a day on which banking institutions in the States of California, New York, Minnesota or Illinois (and such other state or states in which the Custodial Account or the Certificate Account are at the time located) are required or authorized by law or executive order to be closed.

Call Rights: As defined in Section 9.01(e).

**Servicing Officer:** Any officer of the Master Servicer involved in, or responsible for, the administration and servicing of the Mortgage Loans whose name and specimen signature appear on a list of servicing officers furnished to the Trustee on the Closing Date by the Master Servicer, as such list may from time to time be amended.

**Sixty-Plus Delinquency Percentage:** With respect to any Distribution Date the fraction, expressed as a percentage, equal to (x) the aggregate Stated Principal Balance of the Mortgage Loans that are 60 or more days delinquent in payment of principal and interest for that Distribution Date, including Mortgage Loans in foreclosure and REO Properties, over (y) the aggregate Stated Principal Balance of all of the Mortgage Loans immediately preceding that Distribution Date.

**Standard & Poor's:** Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. or its successors in interest.

**Startup Date:** The day designated as such pursuant to Article X hereof.

**Stated Principal Balance:** With respect to any Mortgage Loan or related REO Property, at any given time, (i) the sum of (a) the Cut-off Date Principal Balance of the Mortgage Loan, (b) any Deferred Interest added to the principal balance of the Mortgage Loan pursuant to the terms of the Mortgage Note, (c) any amount by which the Stated Principal Balance of the Mortgage Loan has been increased pursuant to a Servicing Modification, minus (ii) the sum of (a) the principal portion of the Monthly Payments due with respect to such Mortgage Loan or REO Property during each Due Period commencing on the first Due Period after the Cut-Off Date and ending with the Due Period related to the most recent Distribution Date which were received or with respect to which an Advance was made, and (b) all Principal Prepayments with respect to such Mortgage Loan or REO Property, and all Insurance Proceeds, Liquidation Proceeds and REO Proceeds, to the extent applied by the Master Servicer as recoveries of principal in accordance with Section 3.14 with respect to such Mortgage Loan or REO Property, in each case which were distributed pursuant to Section 4.02 or 4.03 on any previous Distribution Date, and (c) any Realized Loss incurred with respect to such Mortgage Loan allocated to Certificateholders with respect thereto for any previous Distribution Date.

**Stepdown Date** The earlier to occur of (i) the Distribution date after which the Certificate Principal Balance of the Class A Certificates has been reduced to zero, and (ii) the later to occur of (a) the distribution Date occurring in September 2009 and (b) the first Distribution Date on which the aggregate Stated Principal Balance of the Mortgage Loans as of the end of the related due period is less than one-half of the aggregate Stated Principal Balance of the Mortgage Loans as of the Cut-Off Date.

**Subordination:** The provisions described in Section 4.05 relating to the allocation of Realized Losses.

**Subordination Percentage:** With respect to the Class A Certificates, 64.30%; with respect to the Class M-1 Certificates, 74.80%; with respect to the Class M-2 Certificates, 82.90%; with respect to the Class M-3 Certificates, 87.50%; with respect to the Class M-4 Certificates, 89.50%; with respect to the Class M-5 Certificates, 91.20% and with respect to the Class M-6 Certificates, 93.20%.

**Subsequent Recoveries:** As of any Distribution Date, amounts received by the Master Servicer (net of any related expenses permitted to be reimbursed pursuant to Section 3.10) or surplus amounts held by the Master Servicer to cover estimated expenses (including, but not limited to, recoveries in respect of the representations and warranties made by the related Seller pursuant to the applicable Seller's Agreement and assigned to the Trustee pursuant to Section 2.04) specifically related to a Mortgage Loan that was the subject of a Cash Liquidation or an REO Disposition prior to the related Prepayment Period and that resulted in a Realized Loss.

## Part B Pg 6 of 22

such date for loans in U.S. Dollars to leading European banks for a period of one month in amounts approximately equal to the aggregate Certificate Principal Balance of the Class A and Class M Certificates then outstanding. If no such quotations can be obtained, the rate will be LIBOR for the prior Distribution Date; provided however, if, under the priorities described above, LIBOR for a Distribution Date would be based on LIBOR for the previous Distribution Date for the third consecutive Distribution Date, the Trustee, after consultation with the Master Servicer shall select an alternative comparable index (over which the Trustee has no control), used for determining one-month Eurodollar lending rates that is calculated and published (or otherwise made available) by an independent party. The establishment of LIBOR by the Trustee on any LIBOR Rate Adjustment Date and the Master Servicer's subsequent calculation of the Pass-Through Rates applicable to the Class A and Class M Certificates for the relevant Interest Accrual Period, in the absence of manifest error, will be final and binding. Promptly following each LIBOR Rate Adjustment Date the Trustee shall supply the Master Servicer with the results of its determination of LIBOR on such date. Furthermore, the Trustee shall supply to any Certificateholder so requesting by calling the Trustee at 1-800-735-7777 the Pass-Through Rate on the Class A and Class M Certificates for the current and the immediately preceding Interest Accrual Period.

## ARTICLE II

CONVEYANCE OF MORTGAGE LOANS;  
ORIGINAL ISSUANCE OF CERTIFICATES

## Section 2.01. Conveyance of Mortgage Loans.

(a) The Depositor, concurrently with the execution and delivery hereof, does hereby assign to the Trustee without recourse all the right, title and interest of the Depositor in and to (i) the Mortgage Loans, including all interest and principal on or with respect to the Mortgage Loans due on or after the Cut-off Date (other than Monthly Payments due on the Mortgage Loans in the month of the Cut-off Date); and (ii) all proceeds of the foregoing. In addition, on the Closing Date, the Trustee is hereby directed to enter into the Yield Maintenance Agreement on behalf of the Trust Fund with the Yield Maintenance Agreement Provider and the Supplemental Interest Trust Trustee is hereby directed to enter into the Swap Agreement on behalf of the Trust Fund with the Swap Counterparty.

The Depositor, the Master Servicer and the Trustee agree that it is not intended that any mortgage loan be included in the Trust Fund that is either (i) a "High-Cost Home Loan" as defined in the New Jersey Home Ownership Security Act effective November 27, 2003, (ii) a "High-Cost Home Loan" as defined in the New Mexico Home Loan Protection Act effective January 1, 2004, (iii) a "High Cost Home Mortgage Loan" as defined in the Massachusetts Predatory Home Loan Practices Act effective November 7, 2004 or (iv) a "High-Cost Home Loan" as defined in the Indiana Home Loan Practices Act effective as of January 1, 2005.

(b) In connection with such assignment, and contemporaneously with the delivery of this Agreement, the Depositor delivered or caused to be delivered hereunder to the Trustee, the Yield Maintenance Agreement (the delivery of which shall evidence that the fixed payment for the Yield Maintenance Agreement has been paid and the Trustee and the Trust Fund shall have no further payment obligation thereunder and that such fixed payment has been authorized hereby),

## Part B Pg 7 of 22

and except as set forth in Section 2.01(c) below and subject to Section 2.01(d) below, the Depositor does hereby deliver to, and deposit with, the Trustee, or to and with one or more Custodians, as the duly appointed agent or agents of the Trustee for such purpose, the following documents or instruments (or copies thereof as permitted by this Section) with respect to each Mortgage Loan so assigned:

(I) with respect to each Mortgage Loan so assigned (other than a Cooperative Loan):

(i) The original Mortgage Note, endorsed without recourse to the order of the Trustee and showing an unbroken chain of endorsements from the originator thereof to the Person endorsing it to the Trustee, or with respect to any Destroyed Mortgage Note, an original lost note affidavit from the related Seller or Residential Funding stating that the original Mortgage Note was lost, misplaced or destroyed, together with a copy of the related Mortgage Note;

(ii) The original Mortgage, noting the presence of the MIN of the Mortgage Loan and language indicating that the Mortgage Loan is a Mortgage Loan if the Mortgage Loan is a Mortgage Loan, with evidence of recording indicated thereon or, if the original Mortgage has not yet been returned from the public recording office, a copy of the original Mortgage with evidence of recording indicated thereon;

(iii) The Assignment (which may be included in one or more blanket assignments if permitted by applicable law) of the Mortgage to the Trustee with evidence of recording indicated thereon or a copy of such assignment with evidence of recording indicated thereon;

(iv) The original recorded assignment or assignments of the Mortgage showing an unbroken chain of title from the originator to the Person assigning it to the Trustee with evidence of recordation noted thereon or attached thereto, or a copy of such assignment or assignments of the Mortgage with evidence of recording indicated thereon; and

(v) The original of each modification, assumption agreement or preferred loan agreement, if any, relating to such Mortgage Loan, or a copy of each modification, assumption agreement or preferred loan agreement.

and (II) with respect to each Cooperative Loan so assigned:

(i) The original Mortgage Note, endorsed without recourse to the order of the Trustee and showing an unbroken chain of endorsements from the originator thereof to the Person endorsing it to the Trustee, or with respect to any Destroyed Mortgage Note, an original lost note affidavit from the related Seller or Residential Funding stating that the original Mortgage Note was lost, misplaced or destroyed, together with a copy of the related Mortgage Note;

(ii) A counterpart of the Cooperative Lease and the Assignment of Proprietary Lease to the originator of the Cooperative Loan with intervening assignments showing an unbroken chain of title from such originator to the Trustee;

(iii) The related Cooperative Stock Certificate, representing the related Cooperative Stock pledged with respect to such Cooperative Loan, together with an undated stock power (or other similar instrument) executed in blank;

(iv) The original recognition agreement by the Cooperative of the interests of the mortgagee with respect to the related Cooperative Loan;

(v) The Security Agreement;

(vi) Copies of the original UCC-1 financing statement, and any continuation statements, filed by the originator of such Cooperative Loan as secured party, each with evidence of recording thereof, evidencing the interest of the originator under the Security Agreement and the Assignment of Proprietary Lease;

(vii) Copies of the filed UCC-3 assignments of the security interest referenced in clause (vi) above showing an unbroken chain of title from the originator to the Trustee, each with evidence of recording thereof, evidencing the interest of the originator under the Security Agreement and the Assignment of Proprietary Lease;

(viii) An executed assignment of the interest of the originator in the Security Agreement, Assignment of Proprietary Lease and the recognition agreement referenced in clause (iv) above, showing an unbroken chain of title from the originator to the Trustee;

(ix) The original of each modification, assumption agreement or preferred loan agreement, if any, relating to such Cooperative Loan; and

(x) A duly completed UCC-1 financing statement showing Residential Funding as debtor, the Depositor as secured party and the Trustee as assignee and a duly completed UCC-1 financing statement showing the Depositor as debtor and the Trustee as secured party, each in a form sufficient for filing, evidencing the interest of such debtors in the Cooperative Loans.

The Depositor may, in lieu of delivering the original of the documents set forth in Section 2.01(b)(I)((iii), (iv) and (v) and Section (b)(II)(ii), (iv), (vii), (ix) and (x) (or copies thereof as permitted by Section 2.01(b)) to the Trustee or the Custodian or Custodians, deliver such documents to the Master Servicer, and the Master Servicer shall hold such documents in trust for the use and benefit of all present and future Certificateholders until such time as is set forth in the next sentence. Within thirty Business Days following the earlier of (i) the receipt of the original of all of the documents or instruments set forth in Section 2.01(b)(I) (iii), (iv) and (v) and Section (b)(II)(ii), (iv), (vii), (ix) and (x) (or copies thereof as permitted by such Section) for any Mortgage Loan and (ii) a written request by the Trustee to deliver those documents with respect to any or all of the Mortgage Loans then being held by the Master Servicer, the Master Servicer shall deliver a complete set of such documents to the Trustee or the Custodian or Custodians that are the duly appointed agent or agents of the Trustee.

(c) Notwithstanding the provisions of Section 2.01(b), in the event that in connection with any Mortgage Loan, if the Depositor cannot deliver the original of the Mortgage, any assignment, modification, assumption agreement or preferred loan agreement (or copy thereof as permitted by Section 2.01(b)) with

evidence of recording thereon concurrently with the execution and delivery of this Agreement because of (i) a delay caused by the public recording office where such Mortgage, assignment, modification, assumption agreement or preferred loan agreement as the case may be, has been delivered for recordation, or (ii) a delay in the receipt of certain information necessary to prepare the related assignments, the Depositor shall deliver or cause to be delivered to the Trustee or the respective Custodian a copy of such Mortgage, assignment, modification, assumption agreement or preferred loan agreement.

The Depositor shall promptly cause to be recorded in the appropriate public office for real property records the Assignment referred to in clause (iii) of Section 2.01(b), except (a) in states where, in the Opinion of Counsel acceptable to the Master Servicer, such recording is not required to protect the Trustee's interests in the Mortgage Loan or (b) if MERS is identified on the Mortgage or on a properly recorded assignment of the Mortgage as the mortgagee of record solely as nominee for Residential Funding and its successors and assigns; and shall promptly cause to be filed the Form UCC-3 assignment and UCC-1 financing statement referred to in clause (II)(vii) and (x), respectively, of Section 2.01(b). If any Assignment, Form UCC-3 or Form UCC-1, as applicable, is lost or returned unrecorded to the Depositor because of any defect therein, the Depositor shall prepare a substitute Assignment, Form UCC-3 or Form UCC-1, as applicable, or cure such defect, as the case may be, and cause such Assignment, Form UCC-3 or Form UCC-1 to be recorded in accordance with this paragraph. The Depositor shall promptly deliver or cause to be delivered to the Trustee or the respective Custodian such Mortgage or Assignment, Form UCC-3 or Form UCC-1, as applicable (or copy thereof as permitted by Section 2.01(b)), with evidence of recording indicated thereon upon receipt thereof from the public recording office or from the related Subservicer or Seller. In connection with its servicing of Cooperative Loans, the Master Servicer will use its best efforts to file timely continuation statements with regard to each financing statement and assignment relating to Cooperative Loans as to which the related Cooperative Apartment is located outside of the State of New York.

If the Depositor delivers to the Trustee or Custodian any Mortgage Note or Assignment of Mortgage in blank, the Depositor shall, or shall cause the Custodian to, complete the endorsement of the Mortgage Note and the Assignment of Mortgage in the name of the Trustee in conjunction with the Interim Certification issued by the Custodian, as contemplated by Section 2.02.

Any of the items set forth in Sections 2.01(b)(I) (ii) , (iii) , (iv) and (v) and (III)(vi) and (vii) and that may be delivered as a copy rather than the original may be delivered to the Trustee or the Custodian.

In connection with the assignment of any Mortgage Loan registered on the MERS(R) System, the Depositor further agrees that it will cause, at the Depositor's own expense, within 30 Business Days after the Closing Date, the MERS(R) System to indicate that such Mortgage Loans have been assigned by the Depositor to the Trustee in accordance with this Agreement for the benefit of the Certificateholders by including (or deleting, in the case of Mortgage Loans which are repurchased in accordance with this Agreement) in such computer files (a) the code in the field which identifies the specific Trustee and (b) the code in the field "Pool Field" which identifies the series of the Certificates issued in connection with such Mortgage Loans. The Depositor further agrees that it will not, and will not permit the Master Servicer to, and the Master Servicer agrees that it will not, alter the codes referenced in this paragraph with respect to any Mortgage Loan during the term of this Agreement unless and until such Mortgage Loan is repurchased in accordance with the terms of this Agreement.

## Part B Pg 10 of 22

(d) It is intended that the conveyances by the Depositor to the Trustee of the Mortgage Loans as provided for in this Section 2.01 be construed as a sale by the Depositor to the Trustee of the Mortgage Loans for the benefit of the Certificateholders. Further, it is not intended that any such conveyance be deemed to be a pledge of the Mortgage Loans by the Depositor to the Trustee to secure a debt or other obligation of the Depositor. However, in the event that the Mortgage Loans are held to be property of the Depositor or of Residential Funding, or if for any reason this Agreement is held or deemed to create a security interest in the Mortgage Loans, then it is intended that (a) this Agreement shall also be deemed to be a security agreement within the meaning of Articles 8 and 9 of the New York Uniform Commercial Code and the Uniform Commercial Code of any other applicable jurisdiction; (b) the conveyances provided for in this Section 2.01 shall be deemed to be (1) a grant by the Depositor to the Trustee of a security interest in all of the Depositor's right (including the power to convey title thereto), title and interest, whether now owned or hereafter acquired, in and to (A) the Mortgage Loans, including (a) with respect to each Cooperative Loan, the related Mortgage Note, Security Agreement, Assignment of Property Lease, Cooperative Stock Certificate and Cooperative Lease and Mortgage, and (b) with respect to each Mortgage Loan other than a Cooperative Loan, the related Mortgage Note and Mortgage and (c) any insurance policies and all other documents in the related Mortgage Files, (B) all amounts payable pursuant to the Mortgage Loans, the Yield Maintenance Agreement or the Swap Agreement in accordance with the terms thereof and (C) any and all general intangibles, payment intangibles, accounts, chattel paper, instruments, documents, money, deposit accounts, certificates of deposit, goods, letters of credit, advices of credit and investment property and other property of whatever kind or description now existing or hereafter acquired consisting of, arising from or relating to any of the foregoing, and all proceeds of the conversion, voluntary or involuntary, of the foregoing into cash, instruments, securities or other property, including without limitation all amounts from time to time held or invested in the Certificate Account or the Custodial Account, whether in the form of cash, instruments, securities or other property and (2) an assignment by the Depositor to the Trustee of any security interest in any and all of Residential Funding's right (including the power to convey title thereto), title and interest, whether now owned or hereafter acquired, in and to the property described in the foregoing clauses (1)(A), (B), and (C) granted by Residential Funding to the Depositor pursuant to the Assignment Agreement; (c) the possession by the Trustee, the Custodian or any other agent of the Trustee of Mortgage Notes or such other items of property as they constitute instruments, money, payment intangibles, negotiable documents, goods, deposit accounts, letters of credit, advices of credit, investment property, certificated securities or chattel paper shall be deemed to be "possession by the secured party," or possession by a purchaser or a person designated by such secured party, for purposes of perfecting the security interest pursuant to the Uniform Commercial Code as in effect in the States of New York and Minnesota and any other applicable jurisdiction; and (d) notifications to persons holding such property, and acknowledgments, receipts or confirmations from persons holding such property, shall be deemed notifications to, or acknowledgments, receipts or confirmations from, securities intermediaries, bailees or agents of, or persons holding for, (as applicable) the Trustee for the purpose of perfecting such security interest under applicable law.

## Part B Pg 11 of 22

The Depositor and, at the Depositor's direction, Residential Funding and the Trustee shall, to the extent consistent with this Agreement, take such reasonable actions as may be necessary to ensure that, if this Agreement were deemed to create a security interest in the Mortgage Loans and the other property described above, such security interest would be deemed to be a perfected security interest of first priority under applicable law and will be maintained as such throughout the term of this Agreement. Without limiting the generality of the foregoing, the Depositor shall prepare and deliver to the Trustee not less than 15 days prior to any filing date and, the Trustee shall forward for filing, or shall cause to be forwarded for filing, at the expense of the Depositor, all filings necessary to maintain the effectiveness of any original filings necessary under the Uniform Commercial Code as in effect in any jurisdiction to perfect the Trustee's security interest in or lien on the Mortgage Loans, as evidenced by an Officers' Certificate of the Depositor, including without limitation (x) continuation statements, and (y) such other statements as may be occasioned by (1) any change of name of Residential Funding, the Depositor or the Trustee (such preparation and filing shall be at the expense of the Trustee, if occasioned by a change in the Trustee's name), (2) any change of location of the place of business or the chief executive office of Residential Funding or the Depositor or (3) any transfer of any interest of Residential Funding or the Depositor in any Mortgage Loan.

## Section 2.02. Acceptance by Trustee.

The Trustee acknowledges receipt (or, with respect to Mortgage Loans subject to a Custodial Agreement, and based solely upon a receipt or certification executed by the Custodian, receipt by the respective Custodian as the duly appointed agent of the Trustee) of the documents referred to in Section 2.01(b)(I)(i) and Section 2.01(b)(II)(i), (iii), (v), (vi) and (viii) above (except that for purposes of such acknowledgment only, a Mortgage Note may be endorsed in blank and an Assignment of Mortgage may be in blank) and declares that it, or a Custodian as its agent, holds and will hold such documents and the other documents constituting a part of the Mortgage Files delivered to it, or a Custodian as its agent, in trust for the use and benefit of all present and future Certificateholders. The Trustee or Custodian (such Custodian being so obligated under a Custodial Agreement) agrees, for the benefit of Certificateholders, to review each Mortgage File delivered to it pursuant to Section 2.01(b) within 45 days after the Closing Date to ascertain that all required documents (specifically as set forth in Section 2.01(b)), have been executed and received, and that such documents relate to the Mortgage Loans identified on the Mortgage Loan Schedule, as supplemented, that have been conveyed to it, and to deliver to the Trustee a certificate (the "Interim Certification") to the effect that all documents required to be delivered pursuant to Section 2.01(b) above have been executed and received and that such documents relate to the Mortgage Loans identified on the Mortgage Loan Schedule, except for any exceptions listed on Schedule A attached to such Interim Certification. Upon delivery of the Mortgage Files by the Depositor or the Master Servicer, the Trustee shall acknowledge receipt (or, with respect to Mortgage Loans subject to a Custodial Agreement, and based solely upon a receipt or certification (the "Final Certification") executed by the Custodian, receipt by the respective Custodian as the duly appointed agent of the Trustee) of the documents referred to in Section 2.01(b) above.

If the Custodian, as the Trustee's agent, finds any document or documents constituting a part of a Mortgage File to be missing or defective, upon receipt of notification from the Custodian as specified in the succeeding sentence, the Trustee shall promptly so notify or cause the Custodian to notify the Master Servicer and the Depositor; provided, that if the Mortgage Loan related to such Mortgage File is listed on Schedule A of the Assignment Agreement, no notification shall be necessary. Pursuant to Section 2.3 of the Custodial Agreement, the Custodian will notify the Master Servicer, the



## Part B Pg 12 of 22

Depositor and the Trustee of any such omission or defect found by it in respect of any Mortgage File held by it in respect of the items received by it pursuant to the Custodial Agreement. If such omission or defect materially and adversely affects the interests in the related Mortgage Loan of the Certificateholders, the Master Servicer shall promptly notify the related Subservicer of such omission or defect and request that such Subservicer correct or cure such omission or defect within 60 days from the date the Master Servicer was notified of such omission or defect and, if such Subservicer does not correct or cure such omission or defect within such period, that such Subservicer purchase such Mortgage Loan from the Trust Fund at its Purchase Price, in either case within 90 days from the date the Master Servicer was notified of such omission or defect; provided that if the omission or defect would cause the Mortgage Loan to be other than a "qualified mortgage" as defined in Section 860G(a)(3) of the Code, any such cure or repurchase must occur within 90 days from the date such breach was discovered; and provided further, that no cure, substitution or repurchase shall be required if such omission or defect is in respect of a Mortgage Loan listed on Schedule A of the Assignment Agreement. The Purchase Price for any such Mortgage Loan shall be deposited or caused to be deposited by the Master Servicer in the Custodial Account maintained by it pursuant to Section 3.07 and, upon receipt by the Trustee of written notification of such deposit signed by a Servicing Officer, the Trustee or any Custodian, as the case may be, shall release the contents of any the related Mortgage File in its possession and the Trustee shall execute and deliver such instruments of transfer or assignment prepared by the Master Servicer, in each case without recourse, as shall be necessary to vest in the Subservicer or its designee, as the case may be, any Mortgage Loan released pursuant hereto and thereafter such Mortgage Loan shall not be part of the Trust Fund. In furtherance of the foregoing, if the Subservicer or Residential Funding that repurchases the Mortgage Loan is not a member of MERS and the Mortgage is registered on the MERS(R) System, the Master Servicer, at its own expense and without any right of reimbursement, shall cause MERS to execute and deliver an assignment of the Mortgage in recordable form to transfer the Mortgage from MERS to such Subservicer or Residential Funding and shall cause such Mortgage to be removed from registration on the MERS(R) System in accordance with MERS' rules and regulations. It is understood and agreed that the obligation of the Subservicer, to so cure or purchase any Mortgage Loan as to which a material and adverse defect in or omission of a constituent document exists shall constitute the sole remedy respecting such defect or omission available to Certificateholders or the Trustee on behalf of Certificateholders.

Section 2.03. Representations, Warranties and Covenants of the Master Servicer and the Depositor.

(a) The Master Servicer hereby represents and warrants to the Trustee for the benefit of the Certificateholders that:

(i) The Master Servicer is a corporation duly organized, validly existing and in good standing under the laws governing its creation and existence and is or will be in compliance with the laws of each state in which any Mortgaged Property is located to the extent necessary to ensure the enforceability of each Mortgage Loan in accordance with the terms of this Agreement;

(ii) The execution and delivery of this Agreement by the Master Servicer and its performance and compliance with the terms of this Agreement will not violate the Master Servicer's Certificate of Incorporation or Bylaws or constitute a material default (or an event which, with notice or lapse of time, or both, would constitute a material default) under, or result in the material breach of, any material contract, agreement or other instrument to which the Master Servicer is a party or which may be applicable to the Master Servicer or any of its assets;

(iii) This Agreement, assuming due authorization, execution and delivery by the Trustee and the Depositor, constitutes a valid, legal and binding obligation of the Master Servicer, enforceable against it in accordance with the terms hereof subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws affecting the enforcement of creditors' rights generally and to general principles of equity, regardless of whether such enforcement is considered in a proceeding in equity or at law;

(iv) The Master Servicer is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or governmental agency, which default might have consequences that would materially and adversely affect the condition (financial or other) or operations of the Master Servicer or its properties or might have consequences that would materially adversely affect its performance hereunder;

(v) No litigation is pending or, to the best of the Master Servicer's knowledge, threatened against the Master Servicer which would prohibit its entering into this Agreement or performing its obligations under this Agreement;

(vi) The Master Servicer shall comply in all material respects in the performance of this Agreement with all reasonable rules and requirements of each insurer under each Required Insurance Policy;

(vii) No information, certificate of an officer, statement furnished in writing or report delivered to the Depositor, any Affiliate of the Depositor or the Trustee by the Master Servicer will, to the knowledge of the Master Servicer, contain any untrue statement of a material fact or omit a material fact necessary to make the information, certificate, statement or report not misleading;

(viii) The Master Servicer has examined each existing, and will examine each new, Subservicing Agreement and is or will be familiar with the terms thereof. The terms of each existing Subservicing Agreement and each designated Subservicer are acceptable to the Master Servicer and any new Subservicing Agreements will comply with the provisions of Section 3.02; and

(ix) The Master Servicer is a member of MERS in good standing, and will comply in all material respects with the rules and procedures of MERS in connection with the servicing of the Mortgage Loans that are registered with MERS.

It is understood and agreed that the representations and warranties set forth in this Section 2.03(a) shall survive delivery of the respective Mortgage Files to the Trustee or any Custodian. Upon discovery by either the Depositor, the Master Servicer, the Trustee or any Custodian of a breach of any representation or warranty set forth in this Section 2.03(a) which materially and adversely affects the interests of the Certificateholders in any Mortgage Loan, the party discovering such breach shall give prompt written notice to the

## Part B Pg 14 of 22

other parties (any Custodian being so obligated under a Custodial Agreement). Within 90 days of its discovery or its receipt of notice of such breach, the Master Servicer shall either (i) cure such breach in all material respects or (ii) to the extent that such breach is with respect to a Mortgage Loan or a related document, purchase such Mortgage Loan from the Trust Fund at the Purchase Price and in the manner set forth in Section 2.02; provided that if the breach would cause the Mortgage Loan to be other than a "qualified mortgage" as defined in Section 860G(a)(3) of the Code, any such cure or repurchase must occur within 90 days from the date such breach was discovered. The obligation of the Master Servicer to cure such breach or to so purchase such Mortgage Loan shall constitute the sole remedy in respect of a breach of a representation and warranty set forth in this Section 2.03(a) available to the Certificateholders or the Trustee on behalf of the Certificateholders.

(b) The Depositor hereby represents and warrants to the Trustee for the benefit of the Certificateholders that as of the Closing Date (or, if otherwise specified below, as of the date so specified): (i) the information set forth in Exhibit G hereto with respect to each Mortgage Loan or the Mortgage Loans, as the case may be, is true and correct in all material respects at the respective date or dates which such information is furnished; (ii) immediately prior to the conveyance of the Mortgage Loans to the Trustee, the Depositor had good title to, and was the sole owner of, each Mortgage Loan free and clear of any pledge, lien, encumbrance or security interest (other than rights to servicing and related compensation) and such conveyance validly transfers ownership of the Mortgage Loans to the Trustee free and clear of any pledge, lien, encumbrance or security interest; and (iii) each Mortgage Loan constitutes a qualified mortgage under Section 860G(a)(3)(A) of the Code and Treasury Regulations Section 1.860G-2(a)(1).

It is understood and agreed that the representations and warranties set forth in this Section 2.03(b) shall survive delivery of the respective Mortgage Files to the Trustee or the Custodian.

Upon discovery by any of the Depositor, the Master Servicer, the Trustee or the Custodian of a breach of any of the representations and warranties set forth in this Section 2.03(b) which materially and adversely affects the interests of the Certificateholders in any Mortgage Loan, the party discovering such breach shall give prompt written notice to the other parties (the Custodian being so obligated under a Custodial Agreement); provided, however, that in the event of a breach of the representation and warranty set forth in Section 2.03(b)(iii), the party discovering such breach shall give such notice within five days of discovery. Within 90 days of its discovery or its receipt of notice of breach, the Depositor shall either (i) cure such breach in all material respects or (ii) purchase such Mortgage Loan from the Trust Fund at the Purchase Price and in the manner set forth in Section 2.02; provided that the Depositor shall have the option to substitute a Qualified Substitute Mortgage Loan or Loans for such Mortgage Loan if such substitution occurs within two years following the Closing Date; provided that if the omission or defect would cause the Mortgage Loan to be other than a "qualified mortgage" as defined in Section 860G(a)(3) of the Code, any such cure, substitution or repurchase must occur within 90 days from the date such breach was discovered. Any such substitution shall be effected by the Depositor under the same terms and conditions as provided in Section 2.04 for substitutions by Residential Funding. It is understood and agreed that the obligation of the Depositor to cure such breach or to so purchase or substitute for any Mortgage Loan as to which such a breach has occurred and is continuing shall constitute the sole remedy respecting such

breach available to the Certificateholders or the Trustee on behalf of the Certificateholders. Notwithstanding the foregoing, the Depositor shall not be required to cure breaches or purchase or substitute for Mortgage Loans as provided in this Section 2.03(b) if the substance of the breach of a representation set forth above also constitutes fraud in the origination of the Mortgage Loan.

Section 2.04. Representations and Warranties of Residential Funding.

The Depositor, as assignee of Residential Funding under the Assignment Agreement, hereby assigns to the Trustee for the benefit of the Certificateholders all of its right, title and interest in respect of the Assignment Agreement applicable to a Mortgage Loan. Insofar as the Assignment Agreement relates to the representations and warranties made by Residential Funding in respect of such Mortgage Loan and any remedies provided thereunder for any breach of such representations and warranties, such right, title and interest may be enforced by the Master Servicer on behalf of the Trustee and the Certificateholders.

Upon the discovery by the Depositor, the Master Servicer, the Trustee or the Custodian of a breach of any of the representations and warranties made in the Assignment Agreement in respect of any Mortgage Loan or of any Repurchase Event which materially and adversely affects the interests of the Certificateholders in such Mortgage Loan, the party discovering such breach shall give prompt written notice to the other parties (the Custodian being so obligated under a Custodial Agreement). The Master Servicer shall promptly notify Residential Funding of such breach or Repurchase Event and request that Residential Funding either (i) cure such breach or Repurchase Event in all material respects within 90 days from the date the Master Servicer was notified of such breach or Repurchase Event or (ii) purchase such Mortgage Loan from the Trust Fund at the Purchase Price and in the manner set forth in Section 2.02; provided that, in the case of a breach or Repurchase Event under the Assignment Agreement, Residential Funding shall have the option to substitute a Qualified Substitute Mortgage Loan or Loans for such Mortgage Loan if such substitution occurs within two years following the Closing Date; provided that if the breach would cause the Mortgage Loan to be other than a "qualified mortgage" as defined in Section 860G(a)(3) of the Code, any such cure or substitution must occur within 90 days from the date the breach was discovered. If the breach of representation and warranty that gave rise to the obligation to repurchase or substitute a Mortgage Loan pursuant to Section 4 of the Assignment Agreement was the representation and warranty set forth in clause (cc) of Section 4 thereof, then the Master Servicer shall request that Residential Funding pay to the Trust Fund, concurrently with and in addition to the remedies provided in the preceding sentence, an amount equal to any liability, penalty or expense that was actually incurred and paid out of or on behalf of the Trust Fund, and that directly resulted from such breach, or if incurred and paid by the Trust Fund thereafter, concurrently with such payment. In the event that Residential Funding elects to substitute a Qualified Substitute Mortgage Loan or Loans for a Deleted Mortgage Loan pursuant to this Section 2.04, Residential Funding shall deliver to the Trustee for the benefit of the Certificateholders with respect to such Qualified Substitute Mortgage Loan or Loans, the original Mortgage Note, the Mortgage, an Assignment of the Mortgage in recordable form, and such other documents and agreements as are required by Section 2.01, with the Mortgage Note endorsed as required by Section 2.01. No substitution will be made in any calendar month after the Determination Date for such month. Monthly Payments due with respect to Qualified Substitute Mortgage Loans in the month of substitution shall not be part of the Trust Fund and will be retained by the Master Servicer and remitted by the Master Servicer to Residential Funding on the next

succeeding Distribution Date. For the month of substitution, distributions to the Certificateholders will include the Monthly Payment due on a Deleted Mortgage Loan for such month and thereafter Residential Funding shall be entitled to retain all amounts received in respect of such Deleted Mortgage Loan. The Master Servicer shall amend or cause to be amended the Mortgage Loan Schedule for the benefit of the Certificateholders to reflect the removal of such Deleted Mortgage Loan and the substitution of the Qualified Substitute Mortgage Loan or Loans and the Master Servicer shall deliver the amended Mortgage Loan Schedule to the Trustee and the Custodian. Upon such substitution, the Qualified Substitute Mortgage Loan or Loans shall be subject to the terms of this Agreement and the related Subservicing Agreement in all respects, and Residential Funding shall be deemed to have made the representations and warranties with respect to the Qualified Substitute Mortgage Loan contained in Section 4 of the Assignment Agreement, as of the date of substitution, and the covenants, representations and warranties set forth in this Section 2.04, and in Section 2.03 hereof and in Section 4 of the Assignment Agreement, and the Master Servicer shall be obligated to repurchase or substitute for any Qualified Substitute Mortgage Loan as to which a Repurchase Event (as defined in the Assignment Agreement) has occurred pursuant to Section 4 of the Assignment Agreement.

In connection with the substitution of one or more Qualified Substitute Mortgage Loans for one or more Deleted Mortgage Loans, the Master Servicer shall determine the amount (if any) by which the aggregate principal balance of all such Qualified Substitute Mortgage Loans as of the date of substitution is less than the aggregate Stated Principal Balance of all such Deleted Mortgage Loans (in each case after application of the principal portion of the Monthly Payments due in the month of substitution that are to be distributed to the Certificateholders in the month of substitution). Residential Funding shall deposit the amount of such shortfall into the Custodial Account on the day of substitution, without any reimbursement therefore. Residential Funding shall give notice in writing to the Trustee of such event, which notice shall be accompanied by an Officers' Certificate as to the calculation of such shortfall and (subject to Section 10.01(f)) by an Opinion of Counsel to the effect that such substitution will not cause (a) any federal tax to be imposed on the Trust Fund, including without limitation, any federal tax imposed on "prohibited transactions" under Section 860F(a)(1) of the Code or on "contributions after the startup date" under Section 860G(d)(1) of the Code or (b) any portion of any REMIC created hereunder to fail to qualify as a REMIC at any time that any Certificate is outstanding.

It is understood and agreed that the obligation of Residential Funding to cure such breach or purchase (or in the case of Residential Funding to substitute for) such Mortgage Loan as to which such a breach has occurred and is continuing and to make any additional payments required under the Assignment Agreement in connection with a breach of the representation and warranty in clause (bb) of Section 4 thereof shall constitute the sole remedy respecting such breach available to the Certificateholders or the Trustee on behalf of the Certificateholders. If the Master Servicer is Residential Funding, then the Trustee shall also have the right to give the notification and require the purchase or substitution provided for in the second preceding paragraph in the event of such a breach of a representation or warranty made by Residential Funding in the Assignment Agreement. In connection with the purchase of or substitution for any such Mortgage Loan by Residential Funding, the Trustee shall assign to Residential Funding all of the right, title and interest in respect of the Assignment Agreement applicable to such Mortgage Loan.

fund for which such institution serves as custodian, then such Permitted Investment may mature on such Distribution Date and (ii) any other investment may mature on such Distribution Date if the Trustee shall advance funds on such Distribution Date to the Certificate Account in the amount payable on such investment on such Distribution Date, pending receipt thereof to the extent necessary to make distributions on the Certificates) and shall not be sold or disposed of prior to maturity. All income and gain realized from any such investment shall be for the benefit of the Master Servicer and shall be subject to its withdrawal or order from time to time. The amount of any losses incurred in respect of any such investments shall be deposited in the Certificate Account by the Master Servicer out of its own funds immediately as realized.

Section 4.02. Distributions.

(a) On each Distribution Date, the Trustee (or the Paying Agent on behalf of the Trustee) shall allocate and distribute the Available Distribution Amount, if any, for such date to the interests issued in respect of REMIC I and REMIC II as specified in this Section.

(b) (1) On each Distribution Date, the following amounts, in the following order of priority, shall be distributed by REMIC I to REMIC II on account of the REMIC I Regular Interests:

(A) to the extent of the Available Distribution Amount, to the Holders of the REMIC I Regular Interests, pro rata, in an amount equal to (A) the related Uncertificated Accrued Interest for such Distribution Date, plus (B) any amounts in respect thereof remaining unpaid from previous Distribution Dates. Amounts payable as Uncertificated Accrued Interest in respect of REMIC I Regular Interest ZZ shall be reduced when the REMIC I Overcollateralization Amount is less than the REMIC I Required Overcollateralization Amount, by the lesser of (x) the amount of such difference and (y) the REMIC I Regular Interest ZZ Maximum Interest Deferral Amount, and such amount will be payable to the Holders of REMIC I Regular Interests A-1, A-2, A-3, M-1, M-2, M-3, M-4, M-5 and M-6 in the same proportion as the Overcollateralization Increase Amount is allocated to the corresponding Class of Certificates, and the Uncertificated Principal Balance of the REMIC I Regular Interest ZZ shall be increased by such amount; and

(B) on each Distribution Date, to the Holders of REMIC I Regular Interests, in an amount equal to the remainder of the Available Distribution Amount after the distributions made pursuant to clause (i) above, allocated as follows (except as provided below): (A) to the Holders of the REMIC I Regular Interest AA, 98.00% of such remainder until the Uncertificated Principal Balance of such REMIC I Regular Interest is reduced to zero; (B) to the Holders of REMIC I Regular Interests A-1, A-2, A-3, M-1, M-2, M-3, M-4, M-5 and M-6, 1.00% of such remainder in the same proportion as amounts are distributed in respect of principal on the corresponding Class of Certificates; (C) to the Holders of the REMIC I Regular Interest ZZ, 1.00% of such remainder; and (D) any remaining amounts to the Holders of the Class R-I Certificates; provided, however, that 98.00% and 2.00% of any principal payments that are attributable to an Overcollateralization Reduction Amount shall be allocated to Holders of the REMIC I Regular Interest AA and REMIC I Regular Interest ZZ, respectively; and provided further, that any

## Part B Pg 18 of 22

prepayment charges on deposit in the Certificate Account attributable to prepayment charges received on the Mortgage Loans during the related Payment Period shall be deemed distributed to REMIC II as the holder of the REMIC I Regular Interest AA.

(2) Notwithstanding the distributions described in this Section 4.02(b), distribution of funds from the Certificate Account shall be made only in accordance with Section 4.02(c).

(c) On each Distribution Date (x) the Master Servicer on behalf of the Trustee or (y) the Paying Agent appointed by the Trustee, shall distribute to each Certificateholder of record on the next preceding Record Date (other than as provided in Section 9.01 respecting the final distribution) either in immediately available funds (by wire transfer or otherwise) to the account of such Certificateholder at a bank or other entity having appropriate facilities therefore, if such Certificateholder has so notified the Master Servicer or the Paying Agent, as the case may be, or, if such Certificateholder has not so notified the Master Servicer or the Paying Agent by the Record Date, by check mailed to such Certificateholder at the address of such Holder appearing in the Certificate Register such Certificateholder's share (which share with respect to each Class of Certificates, shall be based on the aggregate of the Percentage Interests represented by Certificates of the applicable Class held by such Holder of the following amounts, in the following order of priority, subject to the provisions of Section 4.02(d)), to the extent of the Available Distribution Amount on deposit in the Certificate Account with respect to clauses (i) through (xii), and to the extent of the sum of the remaining Available Distribution Amount on deposit in the Certificate Account with respect to clauses (xiii) through (xxii) (and, with respect to clause (xxi)(B) below, to the extent of prepayment charges on deposit in the Certificate Account):

(i) to the Class A Certificateholders, the Class A Interest Distribution Amount, with such amount allocated among the Class A Certificateholders on a pro rata basis;

(ii) to the Class M-1 Certificateholders from the amount, if any, of the Available Distribution Amount remaining after the foregoing distributions, the Class M-1 Interest Distribution Amount;

(iii) to the Class M-2 Certificateholders from the amount, if any, of the Available Distribution Amount remaining after the foregoing distributions, the Class M-2 Interest Distribution Amount;

(iv) to the Class M-3 Certificateholders from the amount, if any, of the Available Distribution Amount remaining after the foregoing distributions, the Class M-3 Interest Distribution Amount;

(v) to the Class M-4 Certificateholders from the amount, if any, of the Available Distribution Amount remaining after the foregoing distributions, the Class M-4 Interest Distribution Amount;

(vi) to the Class M-5 Certificateholders from the amount, if any, of the Available Distribution Amount remaining after the foregoing distributions, the Class M-5 Interest Distribution Amount;

## Part B Pg 19 of 22

(vii) to the Class M-6 Certificateholders from the amount, if any, of the Available Distribution Amount remaining after the foregoing distributions, the Class M-6 Interest Distribution Amount;

(viii) to the Class A and Class M Certificateholders, from the amount, if any, of the Available Distribution Amount remaining after the foregoing distributions, the Principal Distribution Amount (other than the amounts set forth in clauses (b)(iv), (b)(v), and (b)(vi) of the definition thereof), in the order of priority described in Section 4.02(d) hereof, until the Certificate Principal Balances of the Class A and Class M Certificates have been reduced to zero;

(ix) to the Class A and Class M Certificateholders, from the amount, if any, of Excess Cash Flow, an amount equal to the principal portion of Realized Losses previously allocated to reduce the Certificate Principal Balance of any Class of the Class A and Class M Certificates and remaining unreimbursed, but only to the extent of Subsequent Recoveries for that Distribution Date, which amount shall be included in the Principal Distribution Amount and paid in accordance with Section 4.02(d) hereof, until the Certificate Principal Balances of the Class A and Class M Certificates have been reduced to zero;

(x) to the Class A and Class M Certificateholders, from the amount, if any, of Excess Cash Flow remaining after the foregoing distributions, an amount equal to the principal portion of Realized Losses on the Mortgage Loans during the immediately preceding Prepayment Period, which amount shall be included in the Principal Distribution Amount and paid in accordance with Section 4.02(d) hereof, until the Certificate Principal Balances of the Class A and Class M Certificates have been reduced to zero;

(xi) to the Class A and Class M Certificateholders, from the amount, if any, of the Excess Cash Flow remaining after the foregoing distributions, the Overcollateralization Increase Amount for such Distribution Date, which amount shall be included in the Principal Distribution Amount and paid in accordance with Section 4.02(d) hereof, until the Certificate Principal Balances of the Class A and Class M Certificates have been reduced to zero;

(xii) to the Class A and Class M Certificateholders from the amount, if any, of the Excess Cash Flow remaining after the foregoing distributions, the amount of any Prepayment Interest Shortfalls allocated thereto for such Distribution Date, on a pro rata basis based on Prepayment Interest Shortfalls previously allocated thereto that remain unreimbursed, to the extent not covered by Eligible Master Servicing Compensation on such Distribution Date;

(xiii) to the Class A and Class M Certificateholders from the amount, if any, of the Excess Cash Flow remaining after the foregoing distributions, the amount of any Prepayment Interest Shortfalls previously allocated thereto on any prior Distribution Date that remain unreimbursed, together with interest thereon at the applicable Pass-Through Rate, on a pro rata basis based on Prepayment Interest Shortfalls previously allocated thereto that remain unreimbursed;



## Part B Pg 20 of 22

(xiv) from the amount, if any, of the Excess Cash Flow remaining after the foregoing distributions, to pay the Class A Certificates, on a pro rata basis, based on the amount of Class A Net WAC Cap Shortfall Carry-Forward Amount previously allocated thereto that remain unreimbursed, the amount of any Class A Net WAC Cap Shortfall Carry-Forward Amounts remaining unpaid as of such Distribution Date and then to the Class M Certificates, in their order of payment priority, the amount of any Class M Net WAC Cap Shortfall Carry-Forward Amounts remaining unpaid as of such Distribution Date;

(xv) to the Class A and Class M Certificates on a pro rata basis, based on the amount of Relief Act Shortfalls allocated thereto on such Distribution Date, from the amount, if any, of the Excess Cash Flow remaining after the foregoing distributions, the amount of any Relief Act Shortfalls allocated to those Certificates with respect to such Distribution Date;

(xvi) to the Class A and Class M Certificateholders, from the amount, if any, of the Excess Cash Flow remaining after the foregoing distributions, the principal portion of any Realized Losses previously allocated to those Certificates and remaining unreimbursed, which amount shall be allocated first, to the Class A Certificateholders on a pro rata basis, based on their respective principal portion of any Realized Losses previously allocated thereto that remain unreimbursed, and then to the Class M Certificates, in their order of payment priority;

(xvii) to pay to the holders of the Class M-6 Certificates, as payment of principal on the Class M-6 Certificates, the greater of (i) 25% of the Excess Cash Flow remaining after the foregoing distributions and (ii) the lesser of (a) the amount of Excess Cash Flow remaining after the foregoing distributions and (b) the positive difference, if any, between the aggregate Certificate Principal Balance of the Class M-6 Certificates, after application of the Class M-6 Principal Distribution Amount for that Distribution Date, and the Class M-6 Targeted Certificate Principal Balance for that Distribution Date, until the Certificate Principal Balance of the Class M-6 Certificates has been reduced to zero;

(xviii) to the Supplemental Interest Trust Account, any Excess Cash Flow remaining after the foregoing distributions for payment to the Swap Counterparty of any Swap Termination Payment owed by the Supplemental Interest Trust due to a Swap Counterparty Trigger Event;

(xviii) to the Class SB Certificates, (A) from the amount, if any, of the Excess Cash Flow remaining after the foregoing distributions, the sum of (i) Accrued Certificate Interest thereon, (ii) the amount of any Overcollateralization Reduction Amount for such Distribution Date and (iii) for any Distribution Date after the Certificate Principal Balance of each Class of Class A Certificates and Class M Certificates has been reduced to zero, the Overcollateralization Amount, and (B) from prepayment charges on deposit in the Certificate Account, any prepayment charges received on the Mortgage Loans during the related Prepayment Period; and

(xv) to the Class R-II Certificateholders, the balance, if any, of the Excess Cash Flow.

(d) On each Distribution Date, the Principal Distribution Amount will be paid as follows:

(i) the Class A Principal Distribution Amount shall be distributed, sequentially, to the Class A-1, Class A-2 and Class A-3 Certificates, in that order, in each case until the Certificate Principal Balances thereof have been reduced to zero; provided that on or after the first Distribution Date on which the Certificate Principal Balances of the Class M Certificates have been reduced to zero, holders of the Class A-1 Certificates, Class A-2 Certificates and Class A-3 Certificates will receive such portion of the Class A Principal Distribution Amount, on a pro rata basis, until the Certificate Principal Balances thereof have been reduced to zero;

(ii) the Class M-1 Principal Distribution Amount shall be distributed to the Class M-1 Certificates, until the Certificate Principal Balance thereof has been reduced to zero;

(iii) the Class M-2 Principal Distribution Amount shall be distributed to the Class M-2 Certificates, until the Certificate Principal Balance thereof has been reduced to zero;

(iv) the Class M-3 Principal Distribution Amount shall be distributed to the Class M-3 Certificates, until the Certificate Principal Balance thereof has been reduced to zero;

(v) the Class M-4 Principal Distribution Amount shall be distributed to the Class M-4 Certificates, until the Certificate Principal Balance thereof has been reduced to zero;

(vi) the Class M-5 Principal Distribution Amount shall be distributed to the Class M-5 Certificates, until the Certificate Principal Balance thereof has been reduced to zero; and

(vii) the Class M-6 Principal Distribution Amount shall be distributed to the Class M-6 Certificates, until the Certificate Principal Balance thereof has been reduced to zero.

(e) Notwithstanding the foregoing clauses (c) and (d), upon the reduction of the Certificate Principal Balance of a Class of Class A and Class M Certificates to zero, such Class of Certificates will not be entitled to further distributions pursuant to Section 4.02 (other than in respect of Subsequent Recoveries).

(f) [Reserved]

(g) Any Prepayment Interest Shortfalls on the Mortgage Loans which are not covered by Eligible Master Servicing Compensation as described in Section 3.16 and Relief Act Shortfalls on the Mortgage Loans will be allocated among the Class A and Class M Certificates pro rata in accordance with the amount of Accrued Certificate Interest payable on such Distribution Date absent such shortfalls. Any such uncovered Prepayment Interest Shortfalls will be paid

solely pursuant to Section 4.02(c)(xvi) and (xvii), Sections 4.09(c)(iii) and (iv) and Sections 4.10(c) (iii) and (iv) to the extent funds are available therefore. Any such Relief Act Shortfalls will be paid solely pursuant to Section 4.02(c)(xix) and Section 4.09(c)(vi) and Section 4.10(c)(vi) to the extent funds are available therefore.

(h) To the extent on any Distribution Date for which Deferred Interest exists on such Distribution Date, the Deferred Interest Shortfall, if any, shall result in a reduction in Accrued Certificate Interest on the Class A Certificates and Class M Certificates, which reduction shall be allocated among the Class A Certificates and Class M Certificates on a pro rata basis, based on the amount of Accrued Certificate Interest on such Classes of Certificates.

(i) In addition to the foregoing distributions, with respect to any Subsequent Recoveries, the Master Servicer shall deposit such funds into the Custodial Account pursuant to Section 3.07(b)(iii) .

(j) Each distribution with respect to a Book-Entry Certificate shall be paid to the Depository, as Holder thereof, and the Depository shall be responsible for crediting the amount of such distribution to the accounts of its Depository Participants in accordance with its normal procedures. Each Depository Participant shall be responsible for disbursing such distribution to the Certificate Owners that it represents and to each indirect participating brokerage firm (a "brokerage firm" or "indirect participating firm") for which it acts as agent. Each brokerage firm shall be responsible for disbursing funds to the Certificate Owners that it represents. None of the Trustee, the Certificate Registrar, the Depositor or the Master Servicer shall have any responsibility therefore except as otherwise provided by this Agreement or applicable law.

(k) Except as otherwise provided in Section 9.01, if the Master Servicer anticipates that a final distribution with respect to any Class of Certificates will be made on the next Distribution Date, the Master Servicer shall, no later than the Determination Date in the month of such final distribution, notify the Trustee and the Trustee shall, no later than two (2) Business Days after such Determination Date, mail on such date to each Holder of such Class of Certificates a notice to the effect that: (i) the Trustee anticipates that the final distribution with respect to such Class of Certificates will be made on such Distribution Date but only upon presentation and surrender of such Certificates at the office of the Trustee or as otherwise specified therein, and (ii) no interest shall accrue on such Certificates from and after the end of the prior calendar month. In the event that Certificateholders required to surrender their Certificates pursuant to Section 9.01(c) do not surrender their Certificates for final cancellation, the Trustee shall cause funds distributable with respect to such Certificates to be held in the Certificate Account for the benefit of such Certificateholders as provided in Section 9.01(d).

Section 4.03. Statements to Certificateholders; Statements to Rating Agencies; Exchange Act Reporting.

(a) Concurrently with each distribution charged to the Certificate Account and with respect to each Distribution Date the Master Servicer shall forward to the Trustee and the Trustee shall forward by mail or otherwise make available electronically on its website (which may be obtained by any Certificateholder by telephoning the Trustee at (877) 722-1095) to each Holder, and the Depositor a statement setting forth the following information as to each Class of Certificates, in each case to the extent applicable:

# EXHIBIT 7-C

RESIDENTIAL ACCREDIT LOANS, INC.,

Company,

RESIDENTIAL FUNDING CORPORATION,

Master Servicer,

and

DEUTSCHE BANK TRUST COMPANY AMERICAS,

Trustee

SERIES SUPPLEMENT,

Dated as of September 1, 2006,

TO

STANDARD TERMS OF  
POOLING AND SERVICING AGREEMENT  
dated as of March 1, 2006

Mortgage Asset-Backed Pass-Through Certificates

SERIES 2006-QA8

TABLE OF CONTENTS

	PAGE
ARTICLE I	DEFINITIONS.....8
Section 1.01.	Definitions.....8
Section 1.02.	Determination of LIBOR.....45
Section 1.03.	Use of Words and Phrases.....46
ARTICLE II	CONVEYANCE OF MORTGAGE LOANS; ORIGINAL ISSUANCE OF CERTIFICATES.....48
Section 2.01.	Conveyance of Mortgage Loans.....48
Section 2.02.	Acceptance by Trustee.....54
Section 2.03.	Representations, Warranties and Covenants of the Master Servicer and the Company.....55
Section 2.04.	Representations and Warranties of Sellers.....60
Section 2.05.	Execution and Authentication of Certificates/Issuance of Certificates Evidencing Interests in REMICs.....60
Section 2.06.	Conveyance of Uncertificated REMIC Regular Interests; Acceptance by the Trustee.....60
Section 2.07.	Issuance of Certificates Evidencing Interest in REMIC III.....61
Section 2.08.	Purposes and Powers of the Trust.....61
Section 2.09.	Agreement Regarding Ability to Disclose.....61
ARTICLE III	ADMINISTRATION AND SERVICING OF MORTGAGE LOANS.....62
Section 3.01	Master Servicer to Act as Servicer.....62
Section 3.02	Subservicing Agreements Between Master Servicer and Subservicers; Enforcement of Subservicers' and Sellers' Obligations.....62
Section 3.03	Successor Subservicers.....62
Section 3.04	Liability of the Master Servicer.....62

ARTICLE XI MISCELLANEOUS PROVISIONS.....103

Section 11.01. Amendment.....103

Section 11.02. Recordation of Agreement; Counterparts.....103

Section 11.03. Limitation on Rights of Certificateholders.....103

Section 11.04. Governing Law.....103

Section 11.05. Notices.....103

Section 11.06. Required Notices to Rating Agency and Subservicer.....104

Section 11.07. Severability of Provisions.....104

Section 11.08. Supplemental Provisions for Resecuritization.....104

Section 11.09. Allocation of Voting Rights.....104

Section 11.10. No Petition.....105

ARTICLE XII COMPLIANCE WITH REGULATION AB.....106

-iv-

EXHIBITS

- Exhibit One: Mortgage Loan Schedule
- Exhibit Two: Information to be Included in Monthly Distribution Date Statement
- Exhibit Three: Standard Terms of Pooling and Servicing Agreement, dated as of March 1, 2006
- Exhibit Four: Swap Agreement
- Exhibit Five: SB-AM Swap Agreement
- Exhibit Six: Form of Certificate to be Given by Certificate Owner
- Exhibit Seven: Form of Certificate to be Given by Euroclear or Cedel
- Exhibit Eight: Form of Certificate to be Given by Transferee of Beneficial Interest in a Regulation S Book-Entry Certificate
- Exhibit Nine: Form of Transfer Certificate for Exchange or Transfer from 144A Book-Entry Certificate to Regulation S Book-Entry Certificate
- Exhibit Ten: Form of Initial Purchaser Exchange Instructions
- Exhibit Eleven: Form of Class SB Certificate

-v-

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This is a Series Supplement, dated as of September 1, 2006 (the "Series Supplement"), to the Standard Terms of Pooling and Servicing Agreement, dated as of March 1, 2006 and attached as Exhibit Four hereto (the "Standard Terms" and, together with this Series Supplement, the "Pooling and Servicing Agreement" or "Agreement"), among RESIDENTIAL ACCREDIT LOANS, INC., as the company (together with its permitted successors and assigns, the "Company"), RESIDENTIAL FUNDING CORPORATION, as master servicer (together with its permitted successors and assigns, the "Master Servicer"), and DEUTSCHE BANK TRUST COMPANY AMERICAS, as Trustee and supplemental interest trust trustee (together with its permitted successors and assigns, the "Trustee" and the "Supplemental Interest Trust Trustee"), respectively.

PRELIMINARY STATEMENT:

among the Class A Certificates and Class M Certificates in proportion to the amount of Accrued Certificate Interest payable on such Certificates as of each Distribution Date absent such reductions.

Accrued Certificate Interest with respect to any Class of Class M Certificates for any Distribution Date shall further be reduced by the interest portion of Realized Losses allocated to any Class of Class M Certificates pursuant to Section 4.05.

Accrued Certificate Interest with respect to the Class A Certificates and Class M Certificates shall accrue on the basis of a 360-day year and the actual number of days in the related Interest Accrual Period.

With respect to each Distribution Date and each class of the Class SB Certificates, interest accrued during the preceding Interest Accrual Period at the related Pass-Through Rate on the Notional Amount as specified in the definition of Pass-Through Rate, immediately prior to such Distribution Date, reduced by any interest shortfalls with respect to the Mortgage Loans, including Prepayment Interest Shortfalls to the extent not covered by Compensating Interest pursuant to Section 3.16 or by Excess Cash Flow pursuant to Section 4.02(c)(iii) and (iv). Accrued Certificate Interest on each class of the Class SB Certificates shall accrue on the basis of a 360-day year and the actual number of days in the related Interest Accrual Period.

Adjustment Date: With respect to each Mortgage Loan, each date set forth in the related Mortgage Note on which an adjustment to the interest rate on such Mortgage Loan becomes effective.

Affected Party: As defined in the Swap Agreement.

8

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Available Distribution Amount: As to any Distribution Date, an amount equal to (a) the sum of (i) the amount relating to the Mortgage Loans on deposit in the Custodial Account as of the close of business on the immediately preceding Determination Date, including any Subsequent Recoveries, and amounts deposited in the Custodial Account in connection with the substitution of Qualified Substitute Mortgage Loans, (ii) the amount of any Advance made on the immediately preceding Certificate Account Deposit Date, (iii) any amount deposited in the Certificate Account on the related Certificate Account Deposit Date pursuant to the second paragraph of Section 3.12(a), (iv) any amount deposited in the Certificate Account pursuant to Section 4.07 or Section 9.01, (v) any amount that the Master Servicer is not permitted to withdraw from the Custodial Account or the Certificate Account pursuant to Section 3.16(e), (vi) any amount received by the Trustee pursuant to the Surety Bond in respect of such Distribution Date and (vii) the proceeds of any Pledged Assets received by the Master Servicer, reduced by (b) the sum as of the close of business on the immediately preceding Determination Date of (v) any payments or collections consisting of Prepayment Charges on the Mortgage Loans that were received during the related Prepayment Period; (w) aggregate Foreclosure Profits, (x) the Amount Held for Future Distribution, (y) amounts permitted to be withdrawn by the Master Servicer from the Custodial Account in respect of the Mortgage Loans pursuant to clauses (ii)-(x), inclusive, of Section 3.10(a), and (z) any Net Swap Payments required to be made to the Swap Counterparty and Swap Termination Payments not due to a Swap Counterparty Trigger Event for such Distribution Date.

Basis Risk Shortfall: With respect to each Class of the Class A Certificates and Class M Certificates, and any Distribution Date, the sum of (a) with respect to any Distribution Date on which the Net WAC Cap Rate is used to determine the Pass-Through Rate of such Class, an amount equal to the excess of (x) Accrued Certificate Interest for such Class calculated at a per annum rate equal to LIBOR plus the related Margin for such Distribution Date (but, with respect to any class of Class M Certificates, not more than 14.00% per annum), over (y) Accrued Certificate Interest for such Class calculated using the Net WAC Cap Rate, (b) any shortfalls for such Class calculated pursuant to clause (a) above remaining unpaid from prior Distribution Dates, and (c) interest on the amount in clause (b) from the Distribution Date on which such amount was incurred at a per annum rate equal to the related Pass-Through Rate.

Book-Entry Certificate: The Class A, Class M and Class SB-1 Certificates.

Certificate: Any Class A, Class M, Class SB or Class R Certificate.

Certificate Account: The separate account or accounts created and maintained pursuant to Section 4.01 of the Standard Terms, which shall be entitled "DEUTSCHE BANK TRUST COMPANY AMERICAS, as trustee, in trust for the registered holders of Residential Accredit Loans, Inc., Mortgage Asset-Backed Pass-Through Certificates, Series 2006-QA8" and which must be an Eligible Account.

Certificate Principal Balance: With respect to any Class A Certificate or Class M Certificate, on any date of determination, an amount equal to (i) the Initial Certificate Principal Balance of such Certificate as specified on the

Part C Pg 5 of 26

Subordinate Certificate: Any one of the Class M Certificates or Class B Certificates, executed by the Trustee and authenticated by the Certificate Registrar substantially in the form annexed hereto as Exhibit B and Exhibit C, respectively.

Subordinate Class Percentage: With respect to any Distribution Date and any Class of Subordinate Certificates, a fraction, expressed as a percentage, the numerator of which is the aggregate Certificate Principal Balance of such Class of Subordinate Certificates immediately prior to such date and the denominator of which is the aggregate Stated Principal Balance of all of the Mortgage Loans (or related REO Properties) (other than the related Discount Fraction of each Discount Mortgage Loan) immediately prior to such Distribution Date.

Subordinate Percentage: As of any Distribution Date and, with respect to any Mortgage Pool comprised of two or more Loan Groups, any Loan Group, 100% minus the related Senior Percentage as of such Distribution Date.

Subsequent Recoveries: As of any Distribution Date, amounts received by the Master Servicer (net of any related expenses permitted to be reimbursed pursuant to Section 3.10) or surplus amounts held by the Master Servicer to cover estimated expenses (including, but not limited to, recoveries in respect of the representations and warranties made by the related Seller pursuant to the applicable Seller's Agreement and assigned to the Trustee pursuant to Section 2.04) specifically related to a Mortgage Loan that was the subject of a Cash Liquidation or an REO Disposition prior to the related Prepayment Period that resulted in a Realized Loss.

Subserviced Mortgage Loan: Any Mortgage Loan that, at the time of reference thereto, is subject to a Subservicing Agreement.

Subservicer: Any Person with whom the Master Servicer has entered into a Subservicing Agreement and who generally satisfied the requirements set forth in the Program Guide in respect of the qualification of a Subservicer as of the date of its approval as a Subservicer by the Master Servicer.

Subservicer Advance: Any delinquent installment of principal and interest on a Mortgage Loan which is advanced by the related Subservicer (net of its Subservicing Fee) pursuant to the Subservicing Agreement.

Subservicing Account: An account established by a Subservicer in accordance with Section 3.08.

Subservicing Agreement: The written contract between the Master Servicer and any Subservicer relating to servicing and administration of certain Mortgage Loans as provided in Section 3.02, generally in the form of the servicer contract referred to or contained in the Program Guide or in such other form as has been approved by the Master Servicer and the Company. With respect to Additional Collateral Loans subserviced by MLCC, the Subservicing Agreement shall also include the Addendum and Assignment Agreement and the Pledged Asset Mortgage Servicing Agreement. With respect to any Pledged Asset Loan subserviced by GMAC Mortgage Corporation, the Addendum and Assignment Agreement, dated as of November 24, 1998, between the Master Servicer and GMAC Mortgage Corporation, as such agreement may be amended from time to time.

Subservicing Fee: As to any Mortgage Loan, the fee payable monthly to the related Subservicer (or, in the case of a Nonsubserviced Mortgage Loan, to the Master Servicer) in respect of subservicing and other compensation that accrues at an annual rate equal to the excess of the Mortgage Rate borne by the related Mortgage Note over the rate per annum designated on the Mortgage Loan Schedule as the "CURR NET" for such Mortgage Loan.

Successor Master Servicer: As defined in Section 3.22.

Surety: Ambac, or its successors in interest, or such other surety as may be identified in the Series Supplement.

Surety Bond: The Limited Purpose Surety Bond (Policy No. AB0039BE), dated February 28, 1996 in respect to Mortgage Loans originated by MLCC, or the Surety Bond (Policy No. AB0240BE), dated March 17, 1999 in respect to Mortgage Loans originated by Novus Financial Corporation, in each case issued by Ambac for the benefit of certain beneficiaries, including the Trustee for the benefit of the Holders of the Certificates, but only to the extent that such Surety Bond covers any Additional Collateral Loans, or such other Surety Bond as may be identified in the Series Supplement.

Tax Returns: The federal income tax return on Internal Revenue Service Form 1066, U.S. Real Estate Mortgage Investment Conduit Income Tax Return, including Schedule Q thereto, Quarterly Notice to Residual Interest Holders of REMIC Taxable Income or Net Loss Allocation, or any successor forms, to be filed on behalf of any REMIC formed under the Series Supplement and under the REMIC Provisions, together with any and all other information, reports or returns that may be required to be furnished to the Certificateholders or filed with the Internal Revenue Service or any other governmental taxing authority under any applicable provisions of federal, state or local tax laws.



Section 2.01. CONVEYANCE OF MORTGAGE LOANS.

(a) (See Section 2.01(a) of the Standard Terms).

(b) In connection with such assignment, except as set forth in Section 2.01(c) and subject to Section 2.01(d) below, the Company does hereby (1) with respect to each Mortgage Loan (other than a Cooperative Loan or a Sharia Mortgage Loan) deliver to the Master Servicer (or an affiliate of the Master Servicer) each of the documents or instruments described in clause (I)(ii) below (and the Master Servicer shall hold (or cause such affiliate to hold) such documents or instruments in trust for the use and benefit of all present and future Certificateholders), (2) with respect to each MOM Loan, deliver to and deposit with the Trustee, or the Custodian on behalf of the Trustee, the documents or instruments described in clauses (I)(i) and (v) below, (3) with respect to each Mortgage Loan that is not a MOM Loan but is registered on the MERS(R) System, deliver to and deposit with the Trustee, or to the Custodian on behalf of the Trustee, the documents or instruments described in clauses (I)(i), (iv) and (v) below, (4) with respect to each Mortgage Loan that is not a MOM Loan and is not registered on the MERS(R) System, deliver to and deposit with the Trustee, or to the Custodian on behalf of the Trustee, the documents or instruments described in clauses (I)(i), (iii), (iv) and (v), and (5) with respect to each Cooperative Loan and Sharia Mortgage Loan, the documents or instruments described in clause (II) and clause (III) below:

(I) with respect to each Mortgage Loan so assigned (other than a Cooperative Loan or a Sharia Mortgage Loan):

(i) The original Mortgage Note, endorsed without recourse in blank or to the order of the Trustee, and showing an unbroken chain of endorsements from the originator thereof to the Person endorsing it to the Trustee, or with respect to any Destroyed Mortgage Note, an original lost note affidavit from the related Seller or Residential Funding stating that the original Mortgage Note was lost, misplaced or destroyed, together with a copy of the related Mortgage Note;

(ii) The original Mortgage, noting the presence of the MIN of the Mortgage Loan and language indicating that the Mortgage Loan is a MOM Loan if the Mortgage Loan is a MOM Loan, with evidence of recording indicated thereon or a copy of the Mortgage with evidence of recording indicated thereon;

(iii) The original Assignment of the Mortgage to the Trustee with evidence of recording indicated thereon or a copy of such assignment with evidence of recording indicated thereon;

48

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(iv) The original recorded assignment or assignments of the Mortgage showing an unbroken chain of title from the originator thereof to the Person assigning it to the Trustee (or to MERS, if the Mortgage Loan is registered on the MERS(R) System and noting the presence of a MIN) with evidence of recordation noted thereon or attached thereto, or a copy of such assignment or assignments of the Mortgage with evidence of recording indicated thereon; and

(v) The original of each modification, assumption agreement or preferred loan agreement, if any, relating to such Mortgage Loan or a copy of each modification, assumption agreement or preferred loan agreement;

(II) with respect to each Cooperative Loan so assigned:

The original Mortgage Note, endorsed without recourse to the order of the Trustee and showing an unbroken chain of endorsements from the originator thereof to the Person endorsing it to the Trustee, or with respect to any Destroyed Mortgage Note, an original lost note affidavit from the related Seller or Residential Funding stating that the original Mortgage Note was lost, misplaced or destroyed, together with a copy of the related Mortgage Note;

A counterpart of the Cooperative Lease and the Assignment of Proprietary Lease to the originator of the Cooperative Loan with intervening assignments showing an unbroken chain of title from such originator to the Trustee or a copy of such Cooperative Lease and Assignment of Proprietary Lease and copies of any such intervening assignments;

The related Cooperative Stock Certificate, representing the related Cooperative Stock pledged with respect to such Cooperative Loan, together with an undated stock power (or other similar instrument) executed in blank or copies thereof;

The original recognition agreement of the Cooperative Loan and interests of the mortgagee with respect to the Cooperative Loan or a copy thereof;

Part C Pg 7 of 26

The Security Agreement or a copy thereof;

Copies of the original UCC-1 financing statement, and any continuation statements, filed by the originator of such Cooperative Loan as secured party, each with evidence of recording thereof, evidencing the interest of the originator under the Security Agreement and the Assignment of Proprietary Lease;

Copies of the filed UCC-3 assignments of the security interest referenced in clause (vi) above showing an unbroken chain of title from the originator to the Trustee, each with evidence of recording thereof, evidencing the interest of the originator under the Security Agreement and the Assignment of Proprietary Lease;

An executed assignment of the interest of the originator in the Security Agreement, Assignment of Proprietary Lease and the recognition agreement referenced in clause (iv) above, showing an unbroken chain of title from the originator to the Trustee, or a copy thereof;

The original of each modification, assumption agreement or preferred loan agreement, if any, relating to such Cooperative Loan or a copy of each modification, assumption agreement or preferred loan agreement; and

A duly completed UCC-1 financing statement showing the Master Servicer as debtor, the Company as secured party and the Trustee as assignee and a duly completed UCC-1 financing statement showing the Company as debtor and the Trustee as secured party, each in a form sufficient for filing, evidencing the interest of such debtors in the Cooperative Loans or copies thereof; and

(III) with respect to each Sharia Mortgage Loan so assigned:

(i) The original Obligation to Pay, endorsed without recourse in blank or to the order of the Trustee and showing an unbroken chain of endorsements from the originator thereof to the Person endorsing it to the Trustee, or with respect to any Destroyed Obligation to Pay, an original affidavit from the related Seller or Residential Funding stating that the original Obligation to Pay was lost, misplaced or destroyed, together with a copy of the related Obligation to Pay;

(ii) The original Sharia Mortgage Loan Security Instrument, with evidence of recording indicated thereon or a copy of the Sharia Mortgage Loan Security Instrument with evidence of recording indicated thereon;

(iii) An original Assignment and Amendment of Security Instrument, assigned to the Trustee with evidence of recording indicated thereon or a copy of such Assignment and Amendment of Security Instrument with evidence of recording indicated thereon;

(iv) The original recorded assignment or assignments of the Sharia Mortgage Loan Security Instrument showing an unbroken chain of title from the originator thereof to the Person assigning it to the Trustee with evidence of recordation noted thereon or attached thereto, or a copy of such assignment or assignments of the Sharia Mortgage Loan Security Instrument with evidence of recording indicated thereon;

(v) The original Sharia Mortgage Loan Co-Ownership Agreement with respect to the related Sharia Mortgage Loan or a copy of such Sharia Mortgage Loan Co-Ownership Agreement; and

(vi) The original of each modification or assumption agreement, if any, relating to such Sharia Mortgage Loan or a copy of each modification or assumption agreement.

(c) The Company may, in lieu of delivering the original of the documents set forth in Sections 2.01(b)(I)(iii), (iv) and (v), Sections 2.01(b)(II)(ii), (iv), (vii), (ix) and (x) and Sections 2.01(b)(III)(ii), (iii), (iv), (v) and (vi) (or copies thereof) to the Trustee or to the Custodian on behalf of the Trustee, deliver such documents to the Master Servicer, and the Master Servicer

shall hold such documents in trust for the use and benefit of all present and future Certificateholders until such time as is set forth in the next sentence. Within thirty Business Days following the earlier of (i) the receipt of the

original of all of the documents or instruments set forth in Part C and 2.01(b)(I)(iii), (iv) and (v), Sections 2.01(b)(II)(i), (ii), (iii) and (x) and Sections 2.01(b)(III)(ii), (iii), (iv), (v) and (vi) (or copies thereof) for any Mortgage Loan and (ii) a written request by the Trustee to deliver those documents with respect to any or all of the Mortgage Loans then being held by the Master Servicer, the Master Servicer shall deliver a complete set of such documents to the Trustee or to the Custodian on behalf of the Trustee.

The parties hereto agree that it is not intended that any Mortgage Loan be included in the Trust Fund that is either (i) a "High-Cost Home Loan" as defined in the New Jersey Home Ownership Act effective November 27, 2003, (ii) a "High-Cost Home Loan" as defined in the New Mexico Home Loan Protection Act effective January 1, 2004, (iii) a "High Cost Home Mortgage Loan" as defined in the Massachusetts Predatory Home Loan Practices Act effective November 7, 2004 or (iv) a "High-Cost Home Loan" as defined in the Indiana House Enrolled Act No. 1229, effective as of January 1, 2005.

(d) Notwithstanding the provisions of Section 2.01(c), in connection with any Mortgage Loan, if the Company cannot deliver the original of the Mortgage, any assignment, modification, assumption agreement or preferred loan agreement (or copy thereof as permitted by Section 2.01(b)) with evidence of recording thereon concurrently with the execution and delivery of this Agreement because of (i) a delay caused by the public recording office where such Mortgage, assignment, modification, assumption agreement or preferred loan agreement as the case may be, has been delivered for recordation, or (ii) a delay in the receipt of certain information necessary to prepare the related assignments, the Company shall deliver or cause to be delivered to the Trustee or to the Custodian on behalf of the Trustee a copy of such Mortgage, assignment, modification, assumption agreement or preferred loan agreement.

The Company (i) shall promptly cause to be recorded in the appropriate public office for real property records the Assignment referred to in clause (I)(iii) of Section 2.01(b), except (a) in states where, in the opinion of counsel acceptable to the Trustee and the Master Servicer, such recording is not required to protect the Trustee's interests in the Mortgage Loan against the claim of any subsequent transferee or any successor to or creditor of the Company or the originator of such Mortgage Loan or (b) if MERS is identified on the Mortgage or on a properly recorded assignment of the Mortgage as the mortgagee of record solely as nominee for the Seller and its successors and assigns, (ii) shall promptly cause to be filed the Form UCC-3 assignment and UCC-1 financing statement referred to in clauses (II)(vii) and (x), respectively, of Section 2.01(b) and (iii) shall promptly cause to be recorded in the appropriate public recording office for real property records the Assignment Agreement and Amendment of Security Instrument referred to in clause (III)(iii) of Section 2.01(b). If any Assignment, Assignment Agreement and Amendment of Security Instrument, Form UCC-3 or Form UCC-1, as applicable, is lost or returned unrecorded to the Company because of any defect therein, the Company shall prepare a substitute Assignment, Assignment Agreement and Amendment of Security Instrument, Form UCC-3 or Form UCC-1, as applicable, or cure such defect, as the case may be, and cause such Assignment or Assignment Agreement and Amendment of Security Instrument to be recorded in accordance with this paragraph. The Company shall promptly deliver or cause to be delivered to the applicable person described in Section 2.01(b) any Assignment, substitute

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Assignment, or Assignment Agreement and Amendment of Security Instrument or Form UCC-3 or Form UCC-1, as applicable, (or copy thereof) recorded in connection with this paragraph with evidence of recording indicated thereon at the time specified in Section 2.01(c). In connection with its servicing of Cooperative Loans, the Master Servicer will use its best efforts to file timely continuation statements with regard to each financing statement and assignment relating to Cooperative Loans as to which the related Cooperative Apartment is located outside of the State of New York.

If the Company delivers to the Trustee or to the Custodian on behalf of the Trustee any Mortgage Note, Obligation to Pay, Assignment Agreement and Amendment of Security Instrument or Assignment of Mortgage in blank, the Company shall, or shall cause the Custodian to, complete the endorsement of the Mortgage Note, Obligation to Pay, Assignment Agreement and Amendment of Security Instrument and Assignment of Mortgage in the name of the Trustee in conjunction with the Interim Certification issued by the Custodian, as contemplated by Section 2.02.

In connection with the assignment of any Mortgage Loan registered on the MERS(R) System, the Company further agrees that it will cause, at the Company's own expense, within 30 Business Days after the Closing Date, the MERS(R) System to indicate that such Mortgage Loans have been assigned by the Company to the Trustee in accordance with this Agreement for the benefit of the Certificateholders by including (or deleting, in the case of Mortgage Loans which are repurchased in accordance with this Agreement) in such computer files (a) the code in the field which identifies the specific Trustee and (b) the code in the field "Pool Field" which identifies the series of the Certificates issued in connection with such Mortgage Loans. The Company further agrees that it will not, and will not permit the Master Servicer to, and the Master Servicer agrees

that it will not be deemed to constitute a sale of any Mortgage Loan during the term of this Agreement, and any Mortgage Loan is repurchased in accordance with the terms of this Agreement.

(e) (See Section 2.01(e) of the Standard Terms).

(f) It is intended that the conveyance by the Company to the Trustee of the Mortgage Loans as provided for in this Section 2.01 be and the Uncertificated REMIC Regular Interests, if any (as provided for in Section 2.06), be construed as a sale by the Company to the Trustee of the Mortgage Loans and any Uncertificated REMIC Regular Interests for the benefit of the Certificateholders. Further, it is not intended that such conveyance be deemed to be a pledge of the Mortgage Loans and any Uncertificated REMIC Regular Interests by the Company to the Trustee to secure a debt or other obligation of the Company. Nonetheless, (a) this Agreement is intended to be and hereby is a security agreement within the meaning of Articles 8 and 9 of the New York Uniform Commercial Code and the Uniform Commercial Code of any other applicable jurisdiction; (b) the conveyance provided for in Section 2.01 shall be deemed to be, and hereby is, (1) a grant by the Company to the Trustee of a security interest in all of the Company's right (including the power to convey title thereto), title and interest, whether now owned or hereafter acquired, in and to any and all general intangibles, payment intangibles, accounts, chattel paper, instruments, documents, money, deposit accounts, certificates of deposit, goods, letters of credit, advices of credit and investment property and other property of whatever kind or description now existing or hereafter acquired consisting of, arising from or relating to any of the following: (A) the Mortgage Loans,

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including (i) with respect to each Cooperative Loan, the related Mortgage Note, Security Agreement, Assignment of Proprietary Lease, Cooperative Stock Certificate and Cooperative Lease, (ii) with respect to each Sharia Mortgage Loan, the related Sharia Mortgage Loan Security Instrument, Sharia Mortgage Loan Co-Ownership Agreement, Obligation to Pay and Assignment Agreement and Amendment of Security Instrument, (iii) with respect to each Mortgage Loan other than a Cooperative Loan or a Sharia Mortgage Loan, the related Mortgage Note and Mortgage, and (iv) any insurance policies and all other documents in the related Mortgage File, (B) all amounts payable pursuant to the Mortgage Loans in accordance with the terms thereof, (C) any Uncertificated REMIC Regular Interests and (D) all proceeds of the conversion, voluntary or involuntary, of the foregoing into cash, instruments, securities or other property, including without limitation all amounts from time to time held or invested in the Certificate Account or the Custodial Account, whether in the form of cash, instruments, securities or other property and (2) an assignment by the Company to the Trustee of any security interest in any and all of Residential Funding's right (including the power to convey title thereto), title and interest, whether now owned or hereafter acquired, in and to the property described in the foregoing clauses (1)(A), (B), (C) and (D) granted by Residential Funding to the Company pursuant to the Assignment Agreement; (c) the possession by the Trustee, any Custodian on behalf of the Trustee or any other agent of the Trustee of Mortgage Notes or such other items of property as constitute instruments, money, payment intangibles, negotiable documents, goods, deposit accounts, letters of credit, advices of credit, investment property, certificated securities or chattel paper shall be deemed to be "possession by the secured party," or possession by a purchaser or a person designated by such secured party, for purposes of perfecting the security interest pursuant to the Minnesota Uniform Commercial Code and the Uniform Commercial Code of any other applicable jurisdiction as in effect (including, without limitation, Sections 8-106, 9-313, 9-314 and 9-106 thereof); and (d) notifications to persons holding such property, and acknowledgments, receipts or confirmations from persons holding such property, shall be deemed notifications to, or acknowledgments, receipts or confirmations from, securities intermediaries, bailees or agents of, or persons holding for (as applicable) the Trustee for the purpose of perfecting such security interest under applicable law.

The Company and, at the Company's direction, Residential Funding and the Trustee shall, to the extent consistent with this Agreement, take such reasonable actions as may be necessary to ensure that, if this Agreement were determined to create a security interest in the Mortgage Loans, any Uncertificated REMIC Regular Interests and the other property described above, such security interest would be determined to be a perfected security interest of first priority under applicable law and will be maintained as such throughout the term of this Agreement. Without limiting the generality of the foregoing, the Company shall prepare and deliver to the Trustee not less than 15 days prior to any filing date and, the Trustee shall forward for filing, or shall cause to be forwarded for filing, at the expense of the Company, all filings necessary to maintain the effectiveness of any original filings necessary under the Uniform Commercial Code as in effect in any jurisdiction to perfect the Trustee's security interest in or lien on the Mortgage Loans and any Uncertificated REMIC Regular Interests, as evidenced by an Officers' Certificate of the Company, including without limitation (x) continuation statements, and (y) such other statements as may be occasioned by (1) any change of name of Residential Funding, the Company or the Trustee (such preparation and filing shall be at the expense of the Trustee, if occasioned by a change in the Trustee's name), (2) any change of type or jurisdiction of organization of Residential Funding or the

(g) The Master Servicer hereby acknowledges the receipt by it of each Initial Monthly Payment Fund. The Master Servicer shall hold each Initial Monthly Payment Fund in the Custodial Account and shall include the related Initial Monthly Payment Fund in the Available Distribution Amount for the each Loan Group for the initial Distribution Date. Notwithstanding anything herein to the contrary, neither Initial Monthly Payment Fund shall be an asset of any REMIC. To the extent that either Initial Monthly Payment Fund constitutes a reserve fund for federal income tax purposes, (1) it shall be an outside reserve fund and not an asset of any REMIC, (2) it shall be owned by the Seller and (3) amounts transferred by any REMIC to such Initial Monthly Payment Fund shall be treated as transferred to the Seller or any successor, all within the meaning of Section 1.860G-2(h) of the Treasury Regulations.

(h) (See Section 2.01(h) of the Standard Terms).

Section 2.02. ACCEPTANCE BY TRUSTEE.

The Trustee acknowledges receipt (or, with respect to Mortgage Loans subject to a Custodial Agreement, and based solely upon a receipt or certification executed by the Custodian, receipt by the respective Custodian as the duly appointed agent of the Trustee) of the documents referred to in Section 2.01(b)(i) above (except that for purposes of such acknowledgement only, a Mortgage Note may be endorsed in blank) and declares that it, or a Custodian as its agent, holds and will hold such documents and the other documents constituting a part of the Custodial Files delivered to it, or a Custodian as its agent, and the rights of Residential Funding with respect to any Pledged Assets, Additional Collateral and the Surety Bond assigned to the Trustee pursuant to Section 2.01, in trust for the use and benefit of all present and future Certificateholders. The Trustee or Custodian (the Custodian being so obligated under a Custodial Agreement) agrees, for the benefit of Certificateholders, to review each Custodial File delivered to it pursuant to Section 2.01(b) within 45 days after the Closing Date to ascertain that all required documents (specifically as set forth in Section 2.01(b)), have been executed and received, and that such documents relate to the Mortgage Loans identified on the Mortgage Loan Schedule, as supplemented, that have been conveyed to it, and to deliver to the Trustee a certificate (the "Interim Certification") to the effect that all documents required to be delivered pursuant to Section 2.01(b) above have been executed and received and that such documents relate to the Mortgage Loans identified on the Mortgage Loan Schedule, except for any exceptions listed on Schedule A attached to such Interim Certification. Upon delivery of the Custodial Files by the Company or the Master Servicer, the Trustee shall acknowledge receipt (or, with respect to Mortgage Loans subject to a Custodial Agreement, and based solely upon a receipt or certification executed by the Custodian, receipt by the respective Custodian as the duly appointed agent of the Trustee) of the documents referred to in Section 2.01(c) above.

If the Custodian, as the Trustee's agent, finds any document or documents constituting a part of a Custodial File to be missing or defective, the Trustee shall promptly so notify the Master Servicer and the Company. Pursuant to Section 2.3 of the Custodial Agreement, the Custodian will notify the Master Servicer, the Company and the Trustee of any such omission or defect found by it in respect of any Custodial File held by it in respect of the items

reviewed by it pursuant to the Custodial Agreement. If such omission or defect materially and adversely affects the interests of the Certificateholders, the Master Servicer shall promptly notify Residential Funding of such omission or defect and request Residential Funding to correct or cure such omission or defect within 60 days from the date the Master Servicer was notified of such omission or defect and, if Residential Funding does not correct or cure such omission or defect within such period, require Residential Funding to purchase such Mortgage Loan from the Trust Fund at its Purchase Price, within 90 days from the date the Master Servicer was notified of such omission or defect; provided that if the omission or defect would cause the Mortgage Loan to be other than a "qualified mortgage" as defined in Section 860G(a)(3) of the Code, any such cure or repurchase must occur within 90 days from the date such breach was discovered. The Purchase Price for any such Mortgage Loan shall be deposited by the Master Servicer in the Custodial Account maintained by it pursuant to Section 3.07 and, upon receipt by the Trustee of written notification of such deposit signed by a Servicing Officer, the Master Servicer, the Trustee or the Custodian, as the case may be, shall release the contents of any related Mortgage File in its possession to the owner of such Mortgage Loan (or such owner's designee), and the Trustee shall execute and deliver such instruments of transfer or assignment prepared by the Master Servicer, in each case without

recourse, as a sole and necessary remedy in Residential Funding by its release of any Mortgage Loan released pursuant hereto and thereafter such Mortgage Loans shall not be part of the Trust Fund. It is understood and agreed that the obligation of Residential Funding to so cure or purchase any Mortgage Loan as to which a material and adverse defect in or omission of a constituent document exists shall constitute the sole remedy respecting such defect or omission available to Certificateholders or the Trustee on behalf of the Certificateholders.

Section 2.03. REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE MASTER SERVICER AND THE COMPANY.

(a) The Master Servicer hereby represents and warrants to the Trustee for the benefit of the Certificateholders that:

(i) The Master Servicer is a corporation duly organized, validly existing and in good standing under the laws governing its creation and existence and is or will be in compliance with the laws of each state in which any Mortgaged Property is located to the extent necessary to ensure the enforceability of each Mortgage Loan in accordance with the terms of this Agreement;

(ii) The execution and delivery of this Agreement by the Master Servicer and its performance and compliance with the terms of this Agreement will not violate the Master Servicer's Certificate of Incorporation or Bylaws or constitute a material default (or an event which, with notice or lapse of time, or both, would constitute a material default) under, or result in the material breach of, any material contract, agreement or other instrument to which the Master Servicer is a party or which may be applicable to the Master Servicer or any of its assets;

55

(iii) This Agreement, assuming due authorization, execution and delivery by the Trustee and the Company, constitutes a valid, legal and binding obligation of the Master Servicer, enforceable against it in accordance with the terms hereof subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws affecting the enforcement of creditors' rights generally and to general principles of equity, regardless of whether such enforcement is considered in a proceeding in equity or at law;

(iv) The Master Servicer is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or governmental agency, which default might have consequences that would materially and adversely affect the condition (financial or other) or operations of the Master Servicer or its properties or might have consequences that would materially adversely affect its performance hereunder; (v) No litigation is pending or, to the best of the Master Servicer's knowledge, threatened against the Master Servicer which would prohibit its entering into this Agreement or performing its obligations under this Agreement;

(vi) The Master Servicer will comply in all material respects in the performance of this Agreement with all reasonable rules and requirements of each insurer under each Required Insurance Policy;

(vii) No information, certificate of an officer, statement furnished in writing or report delivered to the Company, any Affiliate of the Company or the Trustee by the Master Servicer will, to the knowledge of the Master Servicer, contain any untrue statement of a material fact or omit a material fact necessary to make the information, certificate, statement or report not misleading;

(viii) The Master Servicer has examined each existing, and will examine each new, Subservicing Agreement and is or will be familiar with the terms thereof. The terms of each existing Subservicing Agreement and each designated Subservicer are acceptable to the Master Servicer and any new Subservicing Agreements will comply with the provisions of Section 3.02; and

(ix) The Master Servicer is a member of MERS in good standing, and will comply in all material respects with the rules and procedures of MERS in connection with the servicing of the Mortgage Loans that are registered with MERS.

It is understood and agreed that the representations and warranties set forth in this Section 2.03(a) shall survive delivery of the respective Custodial Files to the Trustee or the Custodian.

Upon discovery by either the Company, the Master Servicer, the Trustee or the Custodian of a breach of any representation or warranty set forth in this Section 2.03(a) which materially and adversely affects the interests of the Certificateholders in any Mortgage Loan, the party discovering such breach

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from the Trust Fund at the Purchase Price and in the manner set forth in Section 2.02; provided that if the omission or defect would cause the Mortgage Loan to be other than a "qualified mortgage" as defined in Section 860G(a)(3) of the Code, any such cure or repurchase must occur within 90 days from the date such breach was discovered. The obligation of the Master Servicer to cure such breach or to so purchase such Mortgage Loan shall constitute the sole remedy in respect of a breach of a representation and warranty set forth in this Section 2.03(a) available to the Certificateholders or the Trustee on behalf of the Certificateholders.

(b) The Company hereby represents and warrants to the Trustee for the benefit of Certificateholders that as of the Closing Date (or, if otherwise specified below, as of the date so specified):

(i) No Mortgage Loan is 30 or more days Delinquent in payment of principal and interest as of the Cut-off Date and no Mortgage Loan has been so Delinquent more than once in the 12-month period prior to the Cut-off Date;

(ii) The information set forth in Exhibit One hereto with respect to each Mortgage Loan or the Mortgage Loans, as the case may be, is true and correct in all material respects at the date or dates respecting which such information is furnished;

(iii) The Mortgage Loans are adjustable-rate mortgage loans with Monthly Payments due, with respect to a majority of the Mortgage Loans, on the first day of each month and terms to maturity at origination or modification of not more than 30 years;

(iv) To the best of the Company's knowledge, each Mortgage Loan is required to be covered by a standard hazard insurance policy. If a Mortgage Loan is secured by a Mortgaged Property with a Loan-to-Value Ratio at origination in excess of 80%, such Mortgage Loan is the subject of a Primary Insurance Policy that insures (a) at least 35% of the Stated Principal Balance of the Mortgage Loan at origination if the Loan-to-Value Ratio is between 100.00% and 95.01%, (b) at least 30% of the Stated Principal Balance of the Mortgage Loan at origination if the Loan-to-Value Ratio is between 95.00% and 90.01%, (c) at least 25% of such balance if the Loan-to-Value Ratio is between 90.00% and 85.01% and (d) at least 12% of such balance if the Loan-to-Value Ratio is between 85.00% and 80.01%. To the best of the Company's knowledge, each such Primary Insurance Policy is in full force and effect and the Trustee is entitled to the benefits thereunder;

(v) The issuers of the Primary Insurance Policies are insurance companies whose claims-paying abilities are currently acceptable to each Rating Agency;

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(vi) No more than 0.6% of the Mortgage Loans by aggregate Stated Principal Balance as of the Cut-off Date are secured by Mortgaged Properties located in any one zip code area in Nevada, and no more than 0.4% of the Mortgage Loans by aggregate Stated Principal Balance as of the Cut-off Date are secured by Mortgaged Properties located in any one zip code area outside Nevada;

(vii) The improvements upon the Mortgaged Properties are insured against loss by fire and other hazards as required by the Program Guide, including flood insurance if required under the National Flood Insurance Act of 1968, as amended. The Mortgage requires the Mortgagor to maintain such casualty insurance at the Mortgagor's expense, and on the Mortgagor's failure to do so, authorizes the holder of the Mortgage to obtain and maintain such insurance at the Mortgagor's expense and to seek reimbursement therefor from the Mortgagor;

(viii) Immediately prior to the assignment of the Mortgage Loans to the Trustee, the Company had good title to, and was the sole owner of, each Mortgage Loan free and clear of any pledge, lien, encumbrance or security interest (other than rights to servicing and related compensation) and such assignment validly transfers ownership of the Mortgage Loans to the Trustee free and clear of any pledge, lien, encumbrance or security interest;

(i) No more than 0.1% of the Mortgage Loans by aggregate Stated Principal Balance as of the Cut-off Date were underwritten under a reduced loan documentation program, no more than 12.82% of the Mortgage Loans by aggregate Stated Principal Balance as of the Cut-off Date were underwritten under a no-stated income program, and no more than 4.78% of the Mortgage Loans by aggregate Stated Principal Balance as of the Cut-off Date were underwritten under a no income/no asset program;

(x) Except with respect to no more than 11.96% of the Mortgage Loans by aggregate Stated Principal Balance as of the Cut-off Date, the Mortgagor represented in its loan application with respect to the related Mortgage Loan that the Mortgaged Property would be owner-occupied;

(xi) None of the Mortgage Loans is a Buy-Down Mortgage Loan;

(xii) Each Mortgage Loan constitutes a qualified mortgage under Section 860G(a)(3)(A) of the Code and Treasury Regulation Section 1.860G-2(a)(1), (2), (4), (5), (6), (7) and (9) without reliance on the provisions of Treasury Regulation Section 1.860G-2(a)(3) or Treasury Regulation Section 1.860G-2(f)(2) or any other provision that would allow a Mortgage Loan to be treated as a "qualified mortgage" notwithstanding its failure to meet the requirements of Section 860G(a)(3)(A) of the Code and Treasury Regulation Section 1.860G-2(a)(1), (2), (4), (5), (6), (7) and (9);

58

(xiii) A policy of title insurance was effective as of the closing of each Mortgage Loan and is valid and binding and remains in full force and effect, unless the Mortgaged Properties are located in the State of Iowa and an attorney's certificate has been provided as described in the Program Guide;

(xiv) No Mortgage Loan is a Cooperative Loan;

(xv) With respect to each Mortgage Loan originated under a "streamlined" Mortgage Loan program (through which no new or updated appraisals of Mortgaged Properties are obtained in connection with the refinancing thereof), the related Seller has represented that either (a) the value of the related Mortgaged Property as of the date the Mortgage Loan was originated was not less than the appraised value of such property at the time of origination of the refinanced Mortgage Loan or (b) the Loan-to-Value Ratio of the Mortgage Loan as of the date of origination of the Mortgage Loan generally meets the Company's underwriting guidelines;

(xvi) Interest on each Mortgage Loan is calculated on the basis of a 360-day year consisting of twelve 30-day months;

(xvii) None of the Mortgage Loans contain in the related Mortgage File a Destroyed Mortgage Note;

(xviii) Approximately 0.1% of the Mortgage Loans by aggregate Stated Principal Balance as of the Cut-off Date have been made to International Borrowers;

(xix) No Mortgage Loan provides for payments that are subject to reduction by withholding taxes levied by any foreign (non-United States) sovereign government; and

(xx) None of the Mortgage Loans are Additional Collateral Loans and none of the Mortgage Loans are Pledged Asset Loans.

It is understood and agreed that the representations and warranties set forth in this Section 2.03(b) shall survive delivery of the respective Custodial Files to the Trustee or any Custodian.

Upon discovery by any of the Company, the Master Servicer, the Trustee or any Custodian of a breach of any of the representations and warranties set forth in this Section 2.03(b) that materially and adversely affects the interests of the Certificateholders in any Mortgage Loan, the party discovering such breach shall give prompt written notice to the other parties (any Custodian being so obligated under a Custodial Agreement); provided, however, that in the event of a breach of the representation and warranty set forth in Section 2.03(b)(xii), the party discovering such breach shall give such notice within five days of discovery. Within 90 days of its discovery or its receipt of notice of breach, the Company shall either (i) cure such breach in all material respects or (ii) purchase such Mortgage Loan from the Trust Fund at the Purchase Price and in the manner set forth in Section 2.02; provided that the Company shall have the option to substitute a Qualified Substitute Mortgage Loan or Loans for such Mortgage Loan if such substitution occurs within two years following the Closing Date; provided that if the omission or defect would cause the Mortgage Loan to be other than a "qualified mortgage" as defined in Section



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860G(a)(3) of the Code, any such cure or repurchase must occur within 90 days from the date such breach was discovered. Any such substitution shall be effected by the Company under the same terms and conditions as provided in Section 2.04 for substitutions by Residential Funding. It is understood and agreed that the obligation of the Company to cure such breach or to so purchase or substitute for any Mortgage Loan as to which such a breach has occurred and is continuing shall constitute the sole remedy respecting such breach available to the Certificateholders or the Trustee on behalf of the Certificateholders.

Section 2.04. REPRESENTATIONS AND WARRANTIES OF SELLERS.(See Section 2.04 of the Standard Terms)

Section 2.05. EXECUTION AND AUTHENTICATION OF CERTIFICATES/ISSUANCE OF CERTIFICATES EVIDENCING INTERESTS IN REMICS.

The Trustee acknowledges the assignment to it of the Mortgage Loans and the delivery of the Custodial Files to it, or any Custodian on its behalf, subject to any exceptions noted, together with the assignment to it of all other assets included in the Trust Fund and/or the applicable REMIC, receipt of which is hereby acknowledged. Concurrently with such delivery and in exchange therefor, the Trustee, pursuant to the written request of the Company executed by an officer of the Company, has executed and caused to be authenticated and delivered to or upon the order of the Company the Class R-I Certificates in authorized denominations which, together with the REMIC I Regular Interests, evidence the beneficial interest in REMIC I, and the Class R-II Certificates in authorized denominations which, together with the REMIC II Regular Interests, evidence the beneficial interest in REMIC II.

Section 2.06. CONVEYANCE OF UNCERTIFICATED REMIC REGULAR INTERESTS; ACCEPTANCE BY THE TRUSTEE.

The Company, as of the Closing Date, and concurrently with the execution and delivery hereof, does hereby assign without recourse all the right, title and interest of the Company in and to the Uncertificated REMIC Regular Interests to the Trustee for the benefit of the Holders of each Class of Certificates (other than the Class R-I and Class R-II Certificates, and with respect to REMIC III Regular Interests SB-IO, SB-PO and IO, the Class R-III Certificates). The Trustee acknowledges receipt of the Uncertificated REMIC Regular Interests and declares that it holds and will hold the same in trust for the exclusive use and benefit of all present and future Holders of each Class of Certificates (other than the Class R-I and Class R-II Certificates, and with respect to REMIC III Regular Interests SB-IO, SB-PO and IO, the Class R-III Certificates). The rights of the Holders of each Class of Certificates (other than the Class R-I and Class R-II Certificates) to receive distributions from the proceeds of REMIC III in respect of such Classes and the rights of the Holders of the Class SB Certificates and the Class R-X Certificates to receive distributions from the proceeds of REMIC IV in respect of such Classes, and all ownership interests of the Holders of such Classes in such distributions, shall be as set forth in this Agreement.

60

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Section 2.07. ISSUANCE OF CERTIFICATES EVIDENCING INTEREST IN REMIC III AND REMIC IV.

The Trustee acknowledges the assignment to it of the Uncertificated REMIC Regular Interests, and, concurrently therewith and in exchange therefor, pursuant to the written request of the Company executed by an officer of the Company, the Trustee has executed and caused to be authenticated and delivered to or upon the order of the Company, (i) all Classes of Certificates (other than the Class SB, Class R-I and Class R-II Certificates) in authorized denominations, which, together with REMIC III Regular Interests SB-IO, SB-PO and IO, evidence the beneficial interests in the entire REMIC III and (ii) the Class SB and Class R-X Certificates which evidence the beneficial interests in the entire REMIC IV.

Section 2.08. PURPOSES AND POWERS OF THE TRUST. (See Section 2.08 of the Standard Terms.)

Section 2.09. AGREEMENT REGARDING ABILITY TO DISCLOSE.

The Company, the Master Servicer and the Trustee hereby agree, notwithstanding any other express or implied agreement to the contrary, that any and all Persons, and any of their respective employees, representatives, and other agents may disclose, immediately upon commencement of discussions, to any and all Persons, without limitation of any kind, the tax treatment and tax structure of the transaction and all materials of any kind (including opinions or other tax analyses) that are provided to any of them relating to such tax

fees, transaction charges, investment income and amounts held in the Custodial Account or the Certificate Account. Other amounts (including Prepayment Charges) shall be retained by the Master Servicer or the Subservicer to the extent provided herein, subject to clause (e) below. Prepayment charges shall be deposited into the Certificate Account and shall be paid on each Distribution Date to the holders of the Class SB-1 Certificates and Class SB-2 Certificates on a pro rata basis in accordance with the respective Certificate Principal Balances thereof.

(c) (See Section 3.16(c) of the Standard Terms)

(d) (See Section 3.16(d) of the Standard Terms)

(e) (See Section 3.16(e) of the Standard Terms)

Section 3.17. Reports to the Trustee and the Company (See Section 3.17 of the Standard Terms)

Section 3.18. Annual Statement as to Compliance (See Section 3.18 of the Standard Terms)

Section 3.19. Annual Independent Public Accountants' Servicing Report (See Section 3.19 of the Standard Terms)

Section 3.20. Rights of the Company in Respect of the Master Servicer (See Section 3.20 of the Standard Terms)

Section 3.21. Administration of Buydown Funds (See Section 3.21 of the Standard Terms)

Section 3.22 Advance Facility (See Section 3.22 of the Standard Terms)

ARTICLE IV

PAYMENTS TO CERTIFICATEHOLDERS

Section 4.01. CERTIFICATE ACCOUNT.

(a) The Master Servicer on behalf of the Trustee shall establish and maintain a Certificate Account in which the Master Servicer shall cause to be deposited on behalf of the Trustee on or before 2:00 P.M. New York time on each Certificate Account Deposit Date by wire transfer of immediately available funds an amount equal to the sum of (i) any Advance for the immediately succeeding Distribution Date, (ii) any amount required to be deposited in the Certificate Account pursuant to Section 3.12(a), (iii) any amount required to be deposited in the Certificate Account pursuant to Section 3.16(e) or Section 4.07, (iv) any amount required to be paid pursuant to Section 9.01 and (v) all other amounts constituting the Available Distribution Amount for the immediately succeeding Distribution Date.

On or prior to the Business Day immediately following each Determination Date, the Master Servicer shall determine any amounts owed by the Swap Counterparty under the Swap Agreement and inform the Supplemental Interest Trust Trustee in writing of the amount so calculated.

(b) (See Section 4.01(b) of the Standard Terms)

Section 4.02. DISTRIBUTIONS.

(a) On each Distribution Date, the Trustee (or the Paying Agent on behalf of the Trustee) shall allocate and distribute the Available Distribution Amount to the extent on deposit in the Certificate Account for such date to the interests issued in respect of REMIC I, REMIC II, REMIC III and REMIC IV as specified in this Section.

(b) (1) On each Distribution Date, the REMIC I Distribution Amount shall be distributed by REMIC I to REMIC II on account of the REMIC I Regular Interests in the amounts and with the priorities set forth in the definition thereof.

(2) On each Distribution Date, the REMIC II Distribution Amount shall be distributed by REMIC II to REMIC III on account of the REMIC II Regular Interests in the amounts and with the priorities set forth in the definition thereof.

(3) On each Distribution Date, the REMIC III Distribution Amount shall be deemed to have been distributed by REMIC III to the Certificateholders (other than the Class SB Certificateholders) on account of the REMIC III Regular Interests represented thereby and to REMIC IV on account of REMIC III Regular Interests SB-IO, SB-PO and IO in the amounts and with the priorities set forth in the definition thereof.

Amount shall be deemed to have been distributed by the Trustee on account of the REMIC IV Regular Interests as set forth in the definition thereof.

67

(5) On each Distribution Date, the amount, if any, deemed received by the holders of the Class SB Certificates in respect of REMIC IV Regular Interest IO and under the SB-AM Swap Agreement shall be deemed to have been paid on behalf of the Class SB Certificates by the Trustee pursuant to Section 4.09 in respect of the Net Swap Payment owed to the Swap Counterparty. On each Distribution Date, the amount, if any, received by the Trustee from the Swap Counterparty in respect of the Swap Agreement shall be deemed to have been received by the Supplemental Interest Trust Trustee on behalf of the Class SB Certificates. On each Distribution Date, amounts paid to the Class A Certificates and Class M Certificates pursuant to Section 4.02(c)(v) in respect of Basis Risk Shortfall shall be deemed to have been paid by the Class SB Certificateholder pursuant to the SB-AM Swap Agreement.

(6) Notwithstanding the distributions described in this Section 4.02(b), distribution of funds from the Certificate Account shall be made only in accordance with Section 4.02(c).

(c) On each Distribution Date (x) the Master Servicer on behalf of the Trustee or (y) the Paying Agent appointed by the Trustee and the Supplemental Interest Trust Trustee, shall distribute to each Certificateholder of record on the next preceding Record Date (other than as provided in Section 9.01 of the Standard Terms respecting the final distribution) either in immediately available funds (by wire transfer or otherwise) to the account of such Certificateholder at a bank or other entity having appropriate facilities therefor, if such Certificateholder has so notified the Master Servicer or the Paying Agent, as the case may be, or, if such Certificateholder has not so notified the Master Servicer or the Paying Agent by the Record Date, by check mailed to such Certificateholder at the address of such Holder appearing in the Certificate Register such Certificateholder's share (which share with respect to each Class of Certificates, shall be based on the aggregate of the Percentage Interests represented by Certificates of the applicable Class held by such Holder of the following amounts), in the following order of priority, in each case to the extent of the Available Distribution Amount on deposit in the Certificate Account and the Supplemental Interest Trust Account pursuant to Section 4.09(c):

(i) The Interest Distribution Amount, sequentially:

(A) first, to the Class A Certificates, on a pro rata basis, Accrued Certificate Interest due thereon for such Distribution Date plus any Accrued Certificate Interest due thereon remaining unpaid from any prior Distribution Date, together with interest thereon at the related Pass-Through Rate in effect for such Distribution Date;

(B) second, to the Class M-1 Certificates, Accrued Certificate Interest due thereon for such Distribution Date plus any Accrued Certificate Interest due thereon remaining unpaid from any prior Distribution Date, together with interest thereon at the related Pass-Through Rate in effect for such Distribution Date;

68

(C) third, to the Class M-2 Certificates Accrued Certificate Interest due thereon for such Distribution Date plus any Accrued Certificate Interest due thereon remaining unpaid from any prior Distribution Date, together with interest thereon at the related Pass-Through Rate in effect for such Distribution Date;

(D) fourth, to the Class M-3 Certificates Accrued Certificate Interest due thereon for such Distribution Date plus any related Accrued Certificate Interest due thereon remaining unpaid from any prior Distribution Date, together with interest thereon at the related Pass-Through Rate in effect for such Distribution Date;

(E) fifth, to the Class M-4 Certificates, Accrued Certificate Interest due thereon for such Distribution Date plus any Accrued Certificate Interest due thereon remaining unpaid from any prior Distribution Date, together with interest thereon at the related Pass-Through Rate in effect for such Distribution Date;

Certificate Interest due thereon for such Distribution Date plus any Accrued Certificate Interest due thereon remaining unpaid from any prior Distribution Date, together with interest thereon at the related Pass-Through Rate in effect for such Distribution Date;

(G) seventh, to the Class M-6 Certificates, Accrued Certificate Interest due thereon for such Distribution Date plus any related Accrued Certificate Interest due thereon remaining unpaid from any prior Distribution Date, together with interest thereon at the related Pass-Through Rate in effect for such Distribution Date;

(H) eighth, to the Class M-7 Certificates, Accrued Certificate Interest due thereon for such Distribution Date plus any Accrued Certificate Interest due thereon remaining unpaid from any prior Distribution Date, together with interest thereon at the related Pass-Through Rate in effect for such Distribution Date;

(I) ninth, to the Class M-8 Certificates, Accrued Certificate Interest due thereon for such Distribution Date plus any Accrued Certificate Interest due thereon remaining unpaid from any prior Distribution Date, together with interest thereon at the related Pass-Through Rate in effect for such Distribution Date; and

(J) tenth, to the Class M-9 Certificates, Accrued Certificate Interest due thereon for such Distribution Date plus any Accrued Certificate Interest due thereon remaining unpaid from any prior Distribution Date, together with interest thereon at the related Pass-Through Rate in effect for such Distribution Date;

69

(ii) to the Class A Certificateholders and Class M Certificateholders from the amount, if any, of Available Distribution Amount remaining after the foregoing distributions, the Principal Distribution Amount, which amount shall be allocated in the manner and priority set forth in Section 4.02(d), until the aggregate Certificate Principal Balance of each Class of Class A Certificates and Class M Certificates has been reduced to zero;

(iii) to the Class A Certificateholders and Class M Certificateholders from the amount, if any, of Excess Cash Flow remaining after the foregoing distributions, the amount of any related Prepayment Interest Shortfalls with respect to the Mortgage Loans for that Distribution Date, to the extent not covered by Compensating Interest on such Distribution Date, which amount shall be allocated to the Class A Certificateholders and Class M Certificateholders on a pro rata basis, based on the amount of Prepayment Interest Shortfalls allocated thereto for such Distribution Date;

(iv) to the Class A Certificateholders and Class M Certificateholders from the amount, if any, of Excess Cash Flow remaining after the foregoing distributions, the amount of any Prepayment Interest Shortfalls allocated thereto remaining unpaid from prior Distribution Dates together with interest thereon at the related Pass-Through Rate in effect for such Distribution Date, which amount shall be allocated to the Class A Certificateholders and Class M Certificateholders on a pro rata basis, based on the amount of Prepayment Interest Shortfalls remaining unpaid;

(v) to the Class A Certificates and Class M Certificates from the amount, if any, of Excess Cash Flow remaining after the foregoing distributions, the amount of any Basis Risk Shortfall on such Certificates, which amount shall be allocated first, to the Class A Certificates on a pro rata basis, based on their respective Basis Risk Shortfall for such Distribution Date, and then, sequentially, to the Class M-1, Class M-2, Class M-3, Class M-4, Class M-5, Class M-6, Class M-7, Class M-8 and Class M-9 Certificateholders, in that order;

(vi) to pay the holders of the Class A Certificates and Class M Certificates, on a pro rata basis, based on Relief Act Shortfalls allocated thereto for such Distribution Date, the amount of any Relief Act Shortfalls allocated thereto with respect to the Mortgage Loans for such Distribution Date,

(vii) first, to the Class A Certificateholders, the principal portion of any Realized Losses previously allocated to those Certificates and remaining unreimbursed, on a pro rata basis based on their respective principal portion of any Realized Losses previously allocated to those Certificates and remaining unreimbursed, and then,

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(viii) to the Supplemental Interest Trust Account for payment to the Swap Counterparty, any Swap Termination Payments due to a Swap Counterparty Trigger Event;

(ix) to the Class SB Certificates, on a pro rata basis in accordance with the Notional Amounts thereof, (A) from the amount, if any, of the Available Distribution Amount remaining after the foregoing distributions, the sum of (I) Accrued Certificate Interest thereon, (II) the amount of any Overcollateralization Reduction Amount for such Distribution Date and (III) for any Distribution Date after the Certificate Principal Balance of each Class A Certificate and Class M Certificate has been reduced to zero, the Overcollateralization Amount, (B) from prepayment charges on deposit in the Certificate Account, any prepayment charges received on the Mortgage Loans during the related Prepayment Period, and (C) from the Net Swap Payments owed by the Swap Counterparty, if any, the amount of such Net Swap Payments remaining after the foregoing distributions; and

(x) to the Class R-III Certificateholders, the balance, if any, of the Available Distribution Amount.

All payments of amounts in respect of Basis Risk Shortfall made pursuant to Section 4.02(c)(v) shall, for federal income tax purposes, be deemed to have been distributed from REMIC IV to the holders of the Class SB Certificates and then paid outside of any REMIC to the recipients thereof pursuant to an interest rate cap contract. By accepting their Certificates the holders of the Certificates agree to treat such payments in the manner described in the preceding sentence for purposes of filing their income tax returns.

(d) The Principal Distribution Amount payable to the Class A Certificateholders and Class M Certificateholders shall be distributed as follows:

(i) first, the Class A Principal Distribution Amount shall be distributed to the Class A Certificates on a pro rata basis in accordance with their respective Certificate Principal Balances, until the Certificate Principal Balances thereof have been reduced to zero;

(ii) second, the Class M-1 Principal Distribution Amount shall be distributed to the Class M-1 Certificates until the Certificate Principal Balance thereof has been reduced to zero;

(iii) third, the Class M-2 Principal Distribution Amount shall be distributed to the Class M-2 Certificates until the Certificate Principal Balance thereof has been reduced to zero;

(iv) fourth, the Class M-3 Principal Distribution Amount shall be distributed to the Class M-3 Certificates until the Certificate Principal Balance thereof has been reduced to zero;

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(v) fifth, the Class M-4 Principal Distribution Amount shall be distributed to the Class M-4 Certificates until the Certificate Principal Balance thereof has been reduced to zero;

(vi) sixth, the Class M-5 Principal Distribution Amount shall be distributed to the Class M-5 Certificates until the Certificate Principal Balance thereof has been reduced to zero;

(vii) seventh, the Class M-6 Principal Distribution Amount shall be distributed to the Class M-6 Certificates until the Certificate Principal Balance thereof has been reduced to zero;

(viii) eighth, the Class M-7 Principal Distribution Amount shall be distributed to the Class M-7 Certificates until the Certificate Principal Balance thereof has been reduced to zero;

(ix) ninth, the Class M-8 Principal Distribution Amount shall be distributed to the Class M-8 Certificates until the Certificate Principal Balance thereof has been reduced to zero; and

(x) tenth, the Class M-9 Principal Distribution Amount shall be distributed to the Class M-9 Certificates until the Certificate Principal Balance thereof has been reduced to zero.

(e) Notwithstanding the foregoing clauses (c) and (d), upon the reduction of the Certificate Principal Balance of a Class of Class A Certificates or Class M Certificates to zero, such Class of Certificates will not be entitled to further distributions pursuant to Section 4.02, including, without limitation, the payment of current and unreimbursed Prepayment Interest Shortfalls pursuant to clauses (c)(iii) and (iv) and Basis Risk Shortfall pursuant to clause (c)(v).

(f) Each distribution with respect to a Book-Entry Certificate shall be paid to the Depository, as Holder thereof, and the Depository shall be solely responsible for crediting the amount of such distribution to the accounts of its Depository Participants in accordance with its normal procedures. Each Depository Participant shall be responsible for disbursing such distribution to the Certificate Owners that it represents and to each indirect participating brokerage firm (a "brokerage firm") for which it acts as agent. Each brokerage firm shall be responsible for disbursing funds to the Certificate Owners that it represents. None of the Trustee, the Certificate Registrar, the Company or the Master Servicer shall have any responsibility therefor.

(g) [Reserved].

(h) Except as otherwise provided in Section 9.01 of the Standard Terms, if the Master Servicer anticipates that a final distribution with respect to any Class of Certificates will be made on a future Distribution Date, the Master Servicer shall, no later than 40 days prior to such final Distribution Date,

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notify the Trustee and the Trustee shall, not earlier than the 15th day and not later than the 25th day of the month next preceding the month of such final distribution, distribute, or cause to be distributed, to each Holder of such Class of Certificates a notice to the effect that: (i) the Trustee anticipates that the final distribution with respect to such Class of Certificates will be made on such Distribution Date but only upon presentation and surrender of such Certificates at the office of the Trustee or as otherwise specified therein, and (ii) no interest shall accrue on such Certificates from and after the end of the related Interest Accrual Period. In the event that Certificateholders required to surrender their Certificates pursuant to Section 9.01(c) of the Standard Terms do not surrender their Certificates for final cancellation, the Trustee shall cause funds distributable with respect to such Certificates to be withdrawn from the Certificate Account and credited to a separate non-interest bearing escrow account for the benefit of such Certificateholders as provided in Section 9.01(d) of the Standard Terms.

Section 4.03. STATEMENTS TO CERTIFICATEHOLDERS; STATEMENTS TO THE RATING AGENCIES; EXCHANGE ACT REPORTING. (See Section 4.03 of the Standard Terms)

Section 4.04. DISTRIBUTION OF REPORTS TO THE TRUSTEE AND THE COMPANY; ADVANCES BY THE MASTER SERVICER.

(a) (See Section 4.04(a) of the Standard Terms).

(b) On or before 2:00 P.M. New York time on each Certificate Account Deposit Date, the Master Servicer shall either (i) deposit in the Certificate Account from its own funds, or funds received therefor from the Subservicers, an amount equal to the Advances to be made by the Master Servicer in respect of the related Distribution Date, which shall be in an aggregate amount equal to the aggregate amount of Monthly Payments (with each interest portion thereof adjusted to the Net Mortgage Rate), less the amount of any related Servicing Modifications, Debt Service Reductions or reductions in the amount of interest collectable from the Mortgagor pursuant to the Servicemembers Civil Relief Act, as amended, or similar legislation or regulations then in effect, on the Outstanding Mortgage Loans as of the related Due Date, which Monthly Payments were not received as of the close of business as of the related Determination Date; provided that no Advance shall be made if it would be a Nonrecoverable Advance; and provided, further, that the Monthly Payment for purposes of this Section 4.04 shall mean the minimum monthly payment due under the Mortgage Note, net of the Servicing Fee and Subservicing Fee, (ii) withdraw from amounts on deposit in the Custodial Account and deposit in the Certificate Account all or a portion of the Amount Held for Future Distribution in discharge of any such Advance, or (iii) make advances in the form of any combination of (i) and (ii) aggregating the amount of such Advance. Any portion of the Amount Held for Future Distribution so used shall be replaced by the Master Servicer by deposit in the Certificate Account on or before 11:00 A.M. New York time on any future Certificate Account Deposit Date to the extent that funds attributable to the Mortgage Loans that are available in the Custodial Account for deposit in the Certificate Account on such Certificate Account Deposit Date shall be less than payments to Certificateholders required to be made on the following Distribution Date. The Master Servicer shall be entitled to use any Advance made by a Subservicer as described in Section 3.07(b) that has been deposited in the Custodial Account on or before such Distribution Date as part of the Advance made by the Master Servicer pursuant to this Section 4.04. The amount of any reimbursement pursuant to Section 4.02(a) in respect of outstanding Advances on

(xvi) any material modifications, extensions or waivers to the terms of the Mortgage Loans during the Due Period or that have cumulatively become material over time;

(xvii) any material breaches of Mortgage Loan representations or warranties or covenants in the Agreement.

(xviii) the number, stated and aggregate principal balance of any REO Properties;

(xix) the aggregate Accrued Certificate Interest remaining unpaid, if any, for each Class of Certificates, after giving effect to the distribution made on such Distribution Date;

(xx) the Pass-Through Rates on each Class of Certificates and the Net WAC Cap Rate for such Distribution Date, separately identifying LIBOR for such Distribution Date;

(xxi) the Basis Risk Shortfall and Prepayment Interest Shortfalls;

(xxii) the related Senior Enhancement Percentage for such Distribution Date;

(xxiii) the Overcollateralization Amount and Required Overcollateralization Amount following such Distribution Date;

(xxiv) the occurrence of the Stepdown Date, and the aggregate amount of Realized Losses since the Cut-off Date for the Mortgage Loans;

(xxv) the occurrence of the Credit Support Depletion Date;

(xxvi) the aggregate amount of any recoveries on previously foreclosed loans from Sellers; and

(xxvii) the amount of any Net Swap Payment payable to the Trustee on behalf of the Trust, any Net Swap Payment payable to the Swap Counterparty, any Swap Termination Payment payable to the Trustee on behalf of the Trust and any Swap Termination Payment payable to the Swap Counterparty.

In the case of information furnished pursuant to clauses (v)(a) and (vi) above, the amounts shall be expressed as a dollar amount per Certificate with a \$1,000 denomination.

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The Trustee's internet website will initially be located at [www.tss.db.com/invr](http://www.tss.db.com/invr). To receive this statement via first class mail, telephone the trustee at (800) 735-7777.

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EXHIBIT THREE

STANDARD TERMS OF POOLING AND SERVICING  
AGREEMENT DATED AS OF MARCH 1, 2006

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STANDARD TERMS OF  
POOLING AND SERVICING AGREEMENT

Dated as of March 1, 2006

ORIGINAL ISSUANCE OF CERTIFICATES

Section 2.01. Conveyance of Mortgage Loans.

- (a) The Company, concurrently with the execution and delivery hereof, does hereby assign to the Trustee for the benefit of the Certificateholders without recourse all the right, title and interest of the Company in and to the Mortgage Loans, including all interest and principal received on or with respect to the Mortgage Loans after the Cut-off Date (other than payments of principal and interest due on the Mortgage Loans in the month of the Cut-off Date). In connection with such transfer and assignment, the Company does hereby deliver to the Trustee the Certificate Policy (as defined in the Series Supplement), if any for the benefit of the Holders of the Insured Certificates (as defined in the Series Supplement).
- (b) In connection with such assignment, except as set forth in Section 2.01(c) and subject to Section 2.01(d) below, the Company does hereby deliver to, and deposit with, the Trustee, or to and with one or more Custodians, as the duly appointed agent or agents of the Trustee for such purpose, the following documents or instruments (or copies thereof as permitted by this Section) (I) with respect to each Mortgage Loan so assigned (other than a Cooperative Loan):
- (i) The original Mortgage Note, endorsed without recourse in blank or to the order of the Trustee, and showing an unbroken chain of endorsements from the originator thereof to the Person endorsing it to the Trustee, or with respect to any Destroyed Mortgage Note, an original lost note affidavit from the related Seller or Residential Funding stating that the original Mortgage Note was lost, misplaced or destroyed, together with a copy of the related Mortgage Note;
- (ii) The original Mortgage, noting the presence of the MIN of the Mortgage Loan and language indicating that the Mortgage Loan is a MOM Loan if the Mortgage Loan is a MOM Loan, with evidence of recording indicated thereon or a copy of the Mortgage with evidence of recording indicated thereon;
- (iii) Unless the Mortgage Loan is registered on the MERS(R) System, an original Assignment of the Mortgage to the Trustee with evidence of recording indicated thereon or a copy of such assignment with evidence of recording indicated thereon;
- (iv) The original recorded assignment or assignments of the Mortgage showing an unbroken chain of title from the originator thereof to the Person assigning it to the Trustee (or to MERS, if the Mortgage Loan is registered on the MERS(R) System and noting the presence of a MIN) with evidence of recordation noted thereon or attached thereto, or a copy of such assignment or assignments of the Mortgage with evidence of recording indicated thereon; and
- (v) The original of each modification, assumption agreement or preferred loan agreement, if any, relating to such Mortgage Loan or a copy of each modification, assumption agreement or preferred loan agreement.
- and (II) with respect to each Cooperative Loan so assigned:
- (i) The original Mortgage Note, endorsed without recourse to the order of the Trustee and showing an unbroken chain of endorsements from the originator thereof to the Person endorsing it to the Trustee, or with respect to any Destroyed Mortgage Note, an original lost note affidavit from the related Seller or Residential Funding stating that the original Mortgage Note was lost, misplaced or destroyed, together with a copy of the related Mortgage Note;
- (ii) A counterpart of the Cooperative Lease and the Assignment of Proprietary Lease to the originator of the Cooperative Loan with intervening assignments showing an unbroken chain of title from such originator to the Trustee;
- (iii) The related Cooperative Stock Certificate, representing the related Cooperative Stock pledged with respect to such Cooperative Loan, together with an undated stock power (or other similar instrument) executed in blank;
- (iv) The original recognition agreement by the Cooperative of the interests of the mortgagee with respect to the related Cooperative Loan;
- (v) The Security Agreement;
- (vi) Copies of the original UCC-1 financing statement, and any continuation statements, filed by the originator of such Cooperative Loan as secured party, each with evidence of recording thereof, evidencing the interest of the originator under the Security Agreement and the Assignment of Proprietary Lease;



- (vii) Copies of the UCC-3 assignments of the Security Interest referenced in clause (vi) above showing an unbroken chain of title from the originator to the Trustee, each with evidence of recording thereof, evidencing the interest of the originator under the Security Agreement and the Assignment of Proprietary Lease;
- (viii) An executed assignment of the interest of the originator in the Security Agreement, Assignment of Proprietary Lease and the recognition agreement referenced in clause (iv) above, showing an unbroken chain of title from the originator to the Trustee;
- (ix) The original of each modification, assumption agreement or preferred loan agreement, if any, relating to such Cooperative Loan; and
- (x) A duly completed UCC-1 financing statement showing the Master Servicer as debtor, the Company as secured party and the Trustee as assignee and a duly completed UCC-1 financing statement showing the Company as debtor and the Trustee as secured party, each in a form sufficient for filing, evidencing the interest of such debtors in the Cooperative Loans.
- (c) The Company may, in lieu of delivering the original of the documents set forth in Section 2.01(b)(I)(ii), (iii), (iv) and (v) and Section (b)(II)(ii), (iv), (vii), (ix) and (x) (or copies thereof as permitted by Section 2.01(b)) to the Trustee or the Custodian or Custodians, deliver such documents to the Master Servicer, and the Master Servicer shall hold such documents in trust for the use and benefit of all present and future Certificateholders until such time as is set forth in the next sentence. Within thirty Business Days following the earlier of (i) the receipt of the original of all of the documents or instruments set forth in Section 2.01(b)(I)(ii), (iii), (iv) and (v) and Section (b)(II)(ii), (iv), (vii), (ix) and (x) (or copies thereof as permitted by such Section) for any Mortgage Loan and (ii) a written request by the Trustee to deliver those documents with respect to any or all of the Mortgage Loans then being held by the Master Servicer, the Master Servicer shall deliver a complete set of such documents to the Trustee or the Custodian or Custodians that are the duly appointed agent or agents of the Trustee.

The parties hereto agree that it is not intended that any Mortgage Loan be included in the Trust Fund that is either (i) a "High-Cost Home Loan" as defined in the New Jersey Home Ownership Act effective November 27, 2003, (ii) a "High-Cost Home Loan" as defined in the New Mexico Home Loan Protection Act effective January 1, 2004, (iii) a "High Cost Home Mortgage Loan" as defined in the Massachusetts Predatory Home Loan Practices Act effective November 7, 2004 or (iv) a "High-Cost Home Loan" as defined in the Indiana House Enrolled Act No. 1229, effective as of January 1, 2005.

(d) Notwithstanding the provisions of Section 2.01(c), in connection with any Mortgage Loan, if the Company cannot deliver the original of the Mortgage, any assignment, modification, assumption agreement or preferred loan agreement (or copy thereof as permitted by Section 2.01(b)) with evidence of recording thereon concurrently with the execution and delivery of this Agreement because of (i) a delay caused by the public recording office where such Mortgage, assignment, modification, assumption agreement or preferred loan agreement as the case may be, has been delivered for recordation, or (ii) a delay in the receipt of certain information necessary to prepare the related assignments, the Company shall deliver or cause to be delivered to the Trustee or the respective Custodian a copy of such Mortgage, assignment, modification, assumption agreement or preferred loan agreement.

The Company shall promptly cause to be recorded in the appropriate public office for real property records the Assignment referred to in clause (I)(iii) of Section 2.01(b), except (a) in states where, in the opinion of counsel acceptable to the Trustee and the Master Servicer, such recording is not required to protect the Trustee's interests in the Mortgage Loan against the claim of any subsequent transferee or any successor to or creditor of the Company or the originator of such Mortgage Loan or (b) if MERS is identified on the Mortgage or on a properly recorded assignment of the Mortgage as the mortgagee of record solely as nominee for the Seller and its successors and assigns, and shall promptly cause to be filed the Form UCC-3 assignment and UCC-1 financing statement referred to in clause (II)(vii) and (x), respectively, of Section 2.01(b). If any Assignment, Form UCC-3 or Form UCC-1, as applicable, is lost or returned unrecorded to the Company because of any defect therein, the Company shall prepare a substitute Assignment, Form UCC-3 or Form UCC-1, as applicable, or cure such defect, as the case may be, and cause such Assignment to be recorded in accordance with this paragraph. The Company shall promptly deliver or cause to be delivered to the Trustee or the respective Custodian such Mortgage or Assignment or Form UCC-3 or Form UCC-1, as applicable, (or copy thereof as permitted by Section 2.01(b)) with evidence of recording indicated thereon at the time specified in Section 2.01(c). In connection with its servicing of Cooperative Loans, the Master Servicer will use its best efforts to file timely continuation statements with regard to each financing statement and assignment relating to Cooperative Loans as to which the related Cooperative Apartment is located outside of the State of New York.

If the Company delivers to the Trustee or Custodian any Mortgage Note or Assignment of Mortgage in blank, the Company shall, or shall cause the Custodian to, complete the endorsement of the Mortgage Note and the Assignment of Mortgage

Any of the items set forth in Sections 2.01(b)(I)(ii), (iii), (iv) and (v) and (II)(vi) and (vii) and that may be delivered as a copy rather than the original may be delivered to the Trustee or the Custodian.

In connection with the assignment of any Mortgage Loan registered on the MERS(R) System, the Company further agrees that it will cause, at the Company's own expense, within 30 Business Days after the Closing Date, the MERS(R) System to indicate that such Mortgage Loans have been assigned by the Company to the Trustee in accordance with this Agreement for the benefit of the Certificateholders by including (or deleting, in the case of Mortgage Loans which are repurchased in accordance with this Agreement) in such computer files (a) the code in the field which identifies the specific Trustee and (b) the code in the field "Pool Field" which identifies the series of the Certificates issued in connection with such Mortgage Loans. The Company further agrees that it will not, and will not permit the Master Servicer to, and the Master Servicer agrees that it will not, alter the codes referenced in this paragraph with respect to any Mortgage Loan during the term of this Agreement unless and until such Mortgage Loan is repurchased in accordance with the terms of this Agreement.

(e) Residential Funding hereby assigns to the Trustee its security interest in and to any Additional Collateral or Pledged Assets, its right to receive amounts due or to become due in respect of any Additional Collateral or Pledged Assets pursuant to the related Subservicing Agreement and its rights as beneficiary under the Surety Bond in respect of any Additional Collateral Loans. With respect to any Additional Collateral Loan or Pledged Asset Loan, Residential Funding shall cause to be filed in the appropriate recording office a UCC-3 statement giving notice of the assignment of the related security interest to the Trust Fund and shall thereafter cause the timely filing of all necessary continuation statements with regard to such financing statements.

(f) It is intended that the conveyance by the Company to the Trustee of the Mortgage Loans as provided for in this Section 2.01 be and the Uncertificated REMIC Regular Interests, if any (as provided for in Section 2.06), be construed as a sale by the Company to the Trustee of the Mortgage Loans and any Uncertificated REMIC Regular Interests for the benefit of the Certificateholders. Further, it is not intended that such conveyance be deemed to be a pledge of the Mortgage Loans and any Uncertificated REMIC Regular Interests by the Company to the Trustee to secure a debt or other obligation of the Company. Nonetheless, (a) this Agreement is intended to be and hereby is a security agreement within the meaning of Articles 8 and 9 of the New York Uniform Commercial Code and the Uniform Commercial Code of any other applicable jurisdiction; (b) the conveyance provided for in Section 2.01 shall be deemed to be, and hereby is, (1) a grant by the Company to the Trustee of a security interest in all of the Company's right (including the power to convey title thereto), title and interest, whether now owned or hereafter acquired, in and to any and all general intangibles, payment intangibles, accounts, chattel paper, instruments, documents, money, deposit accounts, certificates of deposit, goods, letters of credit, advices of credit and investment property and other property of whatever kind or description now existing or hereafter acquired consisting of, arising from or relating to any of the following: (A) the Mortgage Loans, including (i) with respect to each Cooperative Loan, the related Mortgage Note, Security Agreement, Assignment of Proprietary Lease, Cooperative Stock Certificate and Cooperative Lease, (ii) with respect to each Mortgage Loan other than a Cooperative Loan, the related Mortgage Note and Mortgage, and (iii) any insurance policies and all other documents in the related Mortgage File, (B) all amounts payable pursuant to the Mortgage Loans in accordance with the terms thereof, (C) any Uncertificated REMIC Regular Interests and (D) all proceeds of the conversion, voluntary or involuntary, of the foregoing into cash, instruments, securities or other property, including without limitation all amounts from time to time held or invested in the Certificate Account or the Custodial Account, whether in the form of cash, instruments, securities or other property and (2) an assignment by the Company to the Trustee of any security interest in any and all of Residential Funding's right (including the power to convey title thereto), title and interest, whether now owned or hereafter acquired, in and to the property described in the foregoing clauses (1)(A), (B), (C) and (D) granted by Residential Funding to the Company pursuant to the Assignment Agreement; (c) the possession by the Trustee, the Custodian or any other agent of the Trustee of Mortgage Notes or such other items of property as constitute instruments, money, payment intangibles, negotiable documents, goods, deposit accounts, letters of credit, advices of credit, investment property, certificated securities or chattel paper shall be deemed to be "possession by the secured party," or possession by a purchaser or a person designated by such secured party, for purposes of perfecting the security interest pursuant to the Minnesota Uniform Commercial Code and the Uniform Commercial Code of any other applicable jurisdiction as in effect (including, without limitation, Sections 8-106, 9-313, 9-314 and 9-106 thereof); and (d) notifications to persons holding such property, and acknowledgments, receipts or confirmations from persons holding such property, shall be deemed notifications to, or acknowledgments, receipts or confirmations from, securities intermediaries, bailees or agents of, or persons holding for (as applicable) the Trustee for the purpose of perfecting such security interest under applicable law.

The Company and, at the Company's direction, Residential Funding and the Trustee shall, to the extent consistent with this Agreement, take such

reasonable actions may be necessary to ensure that the Company's security interest in the Mortgage Loans, as determined to create a security interest in the Mortgage Loans, and the other property described above, such security interest would be determined to be a perfected security interest of first priority under applicable law and will be maintained as such throughout the term of this Agreement. Without limiting the generality of the foregoing, the Company shall prepare and deliver to the Trustee not less than 15 days prior to any filing date and, the Trustee shall forward for filing, or shall cause to be forwarded for filing, at the expense of the Company, all filings necessary to maintain the effectiveness of any original filings necessary under the Uniform Commercial Code as in effect in any jurisdiction to perfect the Trustee's security interest in or lien on the Mortgage Loans and any Uncertificated REMIC Regular Interests, as evidenced by an Officers' Certificate of the Company, including without limitation (x) continuation statements, and (y) such other statements as may be occasioned by (1) any change of name of Residential Funding, the Company or the Trustee (such preparation and filing shall be at the expense of the Trustee, if occasioned by a change in the Trustee's name), (2) any change of type or jurisdiction of organization of Residential Funding or the Company, (3) any transfer of any interest of Residential Funding or the Company in any Mortgage Loan or (4) any transfer of any interest of Residential Funding or the Company in any Uncertificated REMIC Regular Interest.

(g) The Master Servicer hereby acknowledges the receipt by it of the Initial Monthly Payment Fund. The Master Servicer shall hold such Initial Monthly Payment Fund in the Custodial Account and shall include such Initial Monthly Payment Fund in the Available Distribution Amount for the initial Distribution Date. Notwithstanding anything herein to the contrary, the Initial Monthly Payment Fund shall not be an asset of any REMIC. To the extent that the Initial Monthly Payment Fund constitutes a reserve fund for federal income tax purposes, (1) it shall be an outside reserve fund and not an asset of any REMIC, (2) it shall be owned by the Seller and (3) amounts transferred by any REMIC to the Initial Monthly Payment Fund shall be treated as transferred to the Seller or any successor, all within the meaning of Section 1.860G-2(h) of the Treasury Regulations.

(h) The Company agrees that the sale of each Pledged Asset Loan pursuant to this Agreement will also constitute the assignment, sale, setting-over, transfer and conveyance to the Trustee, without recourse (but subject to the Company's covenants, representations and warranties specifically provided herein), of all of the Company's obligations and all of the Company's right, title and interest in, to and under, whether now existing or hereafter acquired as owner of the Mortgage Loan with respect to any and all money, securities, security entitlements, accounts, general intangibles, payment intangibles, instruments, documents, deposit accounts, certificates of deposit, commodities contracts, and other investment property and other property of whatever kind or description consisting of, arising from or related to (i) the Assigned Contracts, (ii) all rights, powers and remedies of the Company as owner of such Mortgage Loan under or in connection with the Assigned Contracts, whether arising under the terms of such Assigned Contracts, by statute, at law or in equity, or otherwise arising out of any default by the Mortgagor under or in connection with the Assigned Contracts, including all rights to exercise any election or option or to make any decision or determination or to give or receive any notice, consent, approval or waiver thereunder, (iii) the Pledged Amounts and all money, securities, security entitlements, accounts, general intangibles, payment intangibles, instruments, documents, deposit accounts, certificates of deposit, commodities contracts, and other investment property and other property of whatever kind or description and all cash and non-cash proceeds of the sale, exchange, or redemption of, and all stock or conversion rights, rights to subscribe, liquidation dividends or preferences, stock dividends, rights to interest, dividends, earnings, income, rents, issues, profits, interest payments or other distributions of cash or other property that secures a Pledged Asset Loan, (iv) all documents, books and records concerning the foregoing (including all computer programs, tapes, disks and related items containing any such information) and (v) all insurance proceeds (including proceeds from the Federal Deposit Insurance Corporation or the Securities Investor Protection Corporation or any other insurance company) of any of the foregoing or replacements thereof or substitutions therefor, proceeds of proceeds and the conversion, voluntary or involuntary, of any thereof. The foregoing transfer, sale, assignment and conveyance does not constitute and is not intended to result in the creation, or an assumption by the Trustee, of any obligation of the Company, or any other person in connection with the Pledged Assets or under any agreement or instrument relating thereto, including any obligation to the Mortgagor, other than as owner of the Mortgage Loan.

#### Section 2.02. Acceptance by Trustee.

The Trustee acknowledges receipt (or, with respect to Mortgage Loans subject to a Custodial Agreement, and based solely upon a receipt or certification executed by the Custodian, receipt by the respective Custodian as the duly appointed agent of the Trustee) of the documents referred to in Section 2.01(b)(i) above (except that for purposes of such acknowledgement only, a Mortgage Note may be endorsed in blank) and declares that it, or a Custodian as its agent, holds and will hold such documents and the other documents constituting a part of the Mortgage Files delivered to it, or a Custodian as its agent, and the rights of Residential Funding with respect to any Pledged Assets, Additional Collateral and the Surety Bond assigned to the Trustee pursuant to Section 2.01, in trust for the use and benefit of all present and future Certificateholders. The Trustee or Custodian (such Custodian being so obligated

- (v) No litigation is pending or, to the best of the Master Servicer's knowledge, threatened against the Master Servicer which would prohibit its entering into this Agreement or performing its obligations under this Agreement;
- (vi) The Master Servicer will comply in all material respects in the performance of this Agreement with all reasonable rules and requirements of each insurer under each Required Insurance Policy;
- (vii) No information, certificate of an officer, statement furnished in writing or report delivered to the Company, any Affiliate of the Company or the Trustee by the Master Servicer will, to the knowledge of the Master Servicer, contain any untrue statement of a material fact or omit a material fact necessary to make the information, certificate, statement or report not misleading;
- (viii) The Master Servicer has examined each existing, and will examine each new, Subservicing Agreement and is or will be familiar with the terms thereof. The terms of each existing Subservicing Agreement and each designated Subservicer are acceptable to the Master Servicer and any new Subservicing Agreements will comply with the provisions of Section 3.02; and
- (ix) The Master Servicer is a member of MERS in good standing, and will comply in all material respects with the rules and procedures of MERS in connection with the servicing of the Mortgage Loans that are registered with MERS.

It is understood and agreed that the representations and warranties set forth in this Section 2.03(a) shall survive delivery of the respective Mortgage Files to the Trustee or any Custodian.

Upon discovery by either the Company, the Master Servicer, the Trustee or any Custodian of a breach of any representation or warranty set forth in this Section 2.03(a) which materially and adversely affects the interests of the Certificateholders in any Mortgage Loan, the party discovering such breach shall give prompt written notice to the other parties (any Custodian being so obligated under a Custodial Agreement). Within 90 days of its discovery or its receipt of notice of such breach, the Master Servicer shall either (i) cure such breach in all material respects or (ii) to the extent that such breach is with respect to a Mortgage Loan or a related document, purchase such Mortgage Loan from the Trust Fund at the Purchase Price and in the manner set forth in Section 2.02; provided that if the omission or defect would cause the Mortgage Loan to be other than a "qualified mortgage" as defined in Section 860G(a)(3) of the Code, any such cure or repurchase must occur within 90 days from the date such breach was discovered. The obligation of the Master Servicer to cure such breach or to so purchase such Mortgage Loan shall constitute the sole remedy in respect of a breach of a representation and warranty set forth in this Section 2.03(a) available to the Certificateholders or the Trustee on behalf of the Certificateholders.

(b) Representations and warranties relating to the Mortgage Loans are set forth in Section 2.03(b) of the Series Supplement.

#### Section 2.04. Representations and Warranties of Residential Funding.

The Company, as assignee of Residential Funding under the Assignment Agreement, hereby assigns to the Trustee for the benefit of Certificateholders all of its right, title and interest in respect of the Assignment Agreement applicable to a Mortgage Loan. Insofar as the Assignment Agreement relates to the representations and warranties made by Residential Funding in respect of such Mortgage Loan and any remedies provided thereunder for any breach of such representations and warranties, such right, title and interest may be enforced by the Master Servicer on behalf of the Trustee and the Certificateholders. Upon the discovery by the Company, the Master Servicer, the Trustee or any Custodian of a breach of any of the representations and warranties made in the Assignment Agreement (which, for purposes hereof, will be deemed to include any other cause giving rise to a repurchase obligation under the Assignment Agreement) in respect of any Mortgage Loan which materially and adversely affects the interests of the Certificateholders in such Mortgage Loan, the party discovering such breach shall give prompt written notice to the other parties (any Custodian being so obligated under a Custodial Agreement). The Master Servicer shall promptly notify Residential Funding of such breach and request that Residential Funding either (i) cure such breach in all material respects within 90 days from the date the Master Servicer was notified of such breach or (ii) purchase such Mortgage Loan from the Trust Fund at the Purchase Price and in the manner set forth in Section 2.02; provided that Residential Funding shall have the option to substitute a Qualified Substitute Mortgage Loan or Loans for such Mortgage Loan if such substitution occurs within two years following the Closing Date; provided that if the breach would cause the Mortgage Loan to be other than a "qualified mortgage" as defined in Section 860G(a)(3) of the Code, any such cure, repurchase or substitution must occur within 90 days from the date the breach was discovered. If a breach of the Compliance With Laws Representation has given rise to the obligation to repurchase or substitute a Mortgage Loan pursuant to Section 4 of the Assignment Agreement, then the Master Servicer shall request that Residential Funding pay to the Trust Fund, concurrently with and in addition to the remedies provided in the preceding sentence, an amount equal to any liability, penalty or expense that was actually incurred and paid

out of or on behalf of the Trust Fund, and that directly resulted from such breach, or if incurred and paid by the Trust Fund therefor, shall constitute such payment. In the event that Residential Funding elects to substitute a Qualified Substitute Mortgage Loan or Loans for a Deleted Mortgage Loan pursuant to this Section 2.04, Residential Funding shall deliver to the Trustee or the Custodian for the benefit of the Certificateholders with respect to such Qualified Substitute Mortgage Loan or Loans, the original Mortgage Note, the Mortgage, an Assignment of the Mortgage in recordable form, if required pursuant to Section 2.01, and such other documents and agreements as are required by Section 2.01, with the Mortgage Note endorsed as required by Section 2.01. No substitution will be made in any calendar month after the Determination Date for such month. Monthly Payments due with respect to Qualified Substitute Mortgage Loans in the month of substitution shall not be part of the Trust Fund and will be retained by the Master Servicer and remitted by the Master Servicer to Residential Funding on the next succeeding Distribution Date. For the month of substitution, distributions to the Certificateholders will include the Monthly Payment due on a Deleted Mortgage Loan for such month and thereafter Residential Funding shall be entitled to retain all amounts received in respect of such Deleted Mortgage Loan. The Master Servicer shall amend or cause to be amended the Mortgage Loan Schedule, and, if the Deleted Mortgage Loan was a Discount Mortgage Loan, the Schedule of Discount Fractions, for the benefit of the Certificateholders to reflect the removal of such Deleted Mortgage Loan and the substitution of the Qualified Substitute Mortgage Loan or Loans and the Master Servicer shall deliver the amended Mortgage Loan Schedule, and, if the Deleted Mortgage Loan was a Discount Mortgage Loan, the amended Schedule of Discount Fractions, to the Trustee. Upon such substitution, the Qualified Substitute Mortgage Loan or Loans shall be subject to the terms of this Agreement and the related Subservicing Agreement in all respects, Residential Funding shall be deemed to have made the representations and warranties with respect to the Qualified Substitute Mortgage Loan contained in the related Assignment Agreement, and the Company and the Master Servicer shall be deemed to have made with respect to any Qualified Substitute Mortgage Loan or Loans, as of the date of substitution, the covenants, representations and warranties set forth in this Section 2.04, in Section 2.03 hereof and in Section 4 of the Assignment Agreement, and the Master Servicer shall be obligated to repurchase or substitute for any Qualified Substitute Mortgage Loan as to which a Repurchase Event (as defined in the Assignment Agreement) has occurred pursuant to Section 4 of the Assignment Agreement.

In connection with the substitution of one or more Qualified Substitute Mortgage Loans for one or more Deleted Mortgage Loans, the Master Servicer will determine the amount (if any) by which the aggregate principal balance of all such Qualified Substitute Mortgage Loans as of the date of substitution is less than the aggregate Stated Principal Balance of all such Deleted Mortgage Loans (in each case after application of the principal portion of the Monthly Payments due in the month of substitution that are to be distributed to the Certificateholders in the month of substitution). Residential Funding shall deposit the amount of such shortfall into the Custodial Account on the day of substitution, without any reimbursement therefor. Residential Funding shall give notice in writing to the Trustee of such event, which notice shall be accompanied by an Officers' Certificate as to the calculation of such shortfall and (subject to Section 10.01(f)) by an Opinion of Counsel to the effect that such substitution will not cause (a) any federal tax to be imposed on the Trust Fund, including without limitation, any federal tax imposed on "prohibited transactions" under Section 860F(a)(1) of the Code or on "contributions after the startup date" under Section 860G(d)(1) of the Code or (b) any portion of any REMIC to fail to qualify as such at any time that any Certificate is outstanding.

It is understood and agreed that the obligation of Residential Funding to cure such breach or purchase, or to substitute for, a Mortgage Loan as to which such a breach has occurred and is continuing and to make any additional payments required under the Assignment Agreement in connection with a breach of the Compliance With Laws Representation shall constitute the sole remedy respecting such breach available to the Certificateholders or the Trustee on behalf of Certificateholders. If the Master Servicer is Residential Funding, then the Trustee shall also have the right to give the notification and require the purchase or substitution provided for in the second preceding paragraph in the event of such a breach of a representation or warranty made by Residential Funding in the Assignment Agreement. In connection with the purchase of or substitution for any such Mortgage Loan by Residential Funding, the Trustee shall assign to Residential Funding all of the Trustee's right, title and interest in respect of the Assignment Agreement applicable to such Mortgage Loan.

Section 2.05. Execution and Authentication of Certificates/Issuance of Certificates Evidencing Interests in REMIC I Certificates.

As provided in Section 2.05 of the Series Supplement.

Section 2.06. Conveyance of Uncertificated REMIC I and REMIC II Regular Interests; Acceptance by the Trustee.

As provided in Section 2.06 of the Series Supplement.

Section 2.07. Issuance of Certificates Evidencing Interests in REMIC II.

As provided in Section 2.07 of the Series Supplement.

# EXHIBIT 7-D

RESIDENTIAL ASSET MORTGAGE PRODUCTS, INC.,

Depositor,

RESIDENTIAL FUNDING CORPORATION,

Master Servicer,

and

JPMORGAN CHASE BANK, N.A.,

Trustee

POOLING AND SERVICING AGREEMENT

DATED AS OF APRIL 1, 2006

MORTGAGE ASSET-BACKED PASS-THROUGH CERTIFICATES

Series 2006-RS3

TABLE OF CONTENTS

	PAGE
	----
ARTICLE I	
DEFINITIONS	
Section 1.01. Definitions.....	3
Section 1.02. Determination of LIBOR.....	49
ARTICLE II	
CONVEYANCE OF MORTGAGE LOANS; ORIGINAL ISSUANCE OF CERTIFICATES	
Section 2.01. Conveyance of Mortgage Loans.....	50
Section 2.02. Acceptance by Trustee.....	55
Section 2.03. Representations, Warranties and Covenants of the Master Servicer and the Depositor.....	56
Section 2.04. Representations and Warranties of Residential Funding.....	58
Section 2.05. Execution and Authentication of Certificates; Conveyance of REMIC Regular Interests.....	60
Section 2.06. Purposes and Powers of the Trust.....	61
Section 2.07. Agreement Regarding Ability to Disclose.....	61
ARTICLE III	
ADMINISTRATION AND SERVICING OF MORTGAGE LOANS	
Section 3.01. Master Servicer to Act as Servicer.....	62
Section 3.02. Subservicing Agreements Between Master Servicer and Subservicers; Enforcement of Subservicers' Obligations.....	64
Section 3.03. Successor Subservicers.....	65
Section 3.04. Liability of the Master Servicer.....	65
Section 3.05. No Contractual Relationship Between Subservicer and Trustee or Certificateholders.....	66

ARTICLE XII  
 COMPLIANCE WITH REGULATION AB

Section 12.01.	Intent of the Parties; Reasonableness.....	144
Section 12.02.	Additional Representations and Warranties of the Trustee.....	145
Section 12.03.	Information to Be Provided by the Trustee.....	145
Section 12.04.	Report on Assessment of Compliance and Attestation.....	146

-iv-

TABLE OF CONTENTS  
 (continued)

		PAGE
		----
Section 12.05.	Indemnification; Remedies.....	146

-v-

EXHIBITS

Exhibit A	Form of Class A Certificate
Exhibit B	Form of Class M Certificate
Exhibit C	[Reserved]
Exhibit D	Form of Class SB Certificate
Exhibit E	Form of Class R Certificate
Exhibit F	Form of Custodial Agreement
Exhibit G	Mortgage Loan Schedule
Exhibit H	Forms of Request for Release
Exhibit I-1	Form of Transfer Affidavit and Agreement
Exhibit I-2	Form of Transferor Certificate
Exhibit J	Form of Investor Representation Letter
Exhibit K	Form of Transferor Representation Letter
Exhibit L	Text of Amendment to Pooling and Servicing Agreement Pursuant to Section 11.01(e) for a Limited Guaranty
Exhibit M	Form of Limited Guaranty
Exhibit N	Form of Lender Certification for Assignment of Mortgage Loan
Exhibit O	Form of Rule 144A Investment Representation
Exhibit P	[Reserved]
Exhibit Q	Form of ERISA Representation Letter
Exhibit R-1	Form 10-K Certification
Exhibit R-2	Form 10-K Back-up Certification
Exhibit S	Information to be Provided by the Master Servicer to the Rating Agencies Relating to Reportable Modified Mortgage Loans
Exhibit T	Schedule of Swap Agreement Notional Balances
Exhibit U	Swap Agreement
Exhibit V	Servicing Criteria To Be Addressed In Assessment of Compliance

-vi-

This Pooling and Servicing Agreement, effective as of April 1, 2006, among RESIDENTIAL ASSET MORTGAGE PRODUCTS, INC., as depositor (together with its permitted successors and assigns, the "Depositor"), RESIDENTIAL FUNDING CORPORATION, as master servicer (together with its permitted successors and assigns, the "Master Servicer"), and JPMORGAN CHASE BANK, N.A., a national banking association organized under the laws of the United States, as trustee (together with its permitted successors and assigns, the "Trustee").



**Appraised Value:** With respect to any Mortgaged Property, one of the following: (i) the lesser of (a) the appraised value of such Mortgaged Property based upon the appraisal made at the time of the origination of the related Mortgage Loan, and (b) the sales price of the Mortgaged Property at such time of origination, (ii) in the case of a Mortgaged Property securing a refinanced or modified Mortgage Loan, one of (1) the appraised value based upon the appraisal made at the time of origination of the loan which was refinanced or modified, (2) the appraised value determined in an appraisal made at the time of refinancing or modification or (3) the sales price of the Mortgaged Property, or (iii) with respect to the Mortgage Loans for which a broker's price opinion was obtained, the value contained in such opinion.

**Assignment:** An assignment of the Mortgage, notice of transfer or equivalent instrument, in recordable form, sufficient under the laws of the jurisdiction wherein the related Mortgaged Property is located to reflect of record the sale of the Mortgage Loan to the Trustee for the benefit of Certificateholders, which assignment, notice of transfer or equivalent instrument may be in the form of one or more blanket assignments covering Mortgages secured by Mortgaged Properties located in the same county, if permitted by law and accompanied by an Opinion of Counsel to that effect.

**Assignment Agreement:** The Assignment and Assumption Agreement, dated the Closing Date, between Residential Funding and the Depositor relating to the transfer and assignment of the Mortgage Loans.

**Assignment of Proprietary Lease:** With respect to a Cooperative Loan, the assignment of the related Cooperative Lease from the Mortgagor to the originator of the Cooperative Loan.

**Available Distribution Amount:** With respect to any Distribution Date, an amount equal to (a) the sum of (i) the amount relating to the Mortgage Loans on deposit in the Custodial Account as of the close of business on the immediately preceding Determination Date, including any Subsequent Recoveries, and amounts deposited in the Custodial Account in connection with the substitution of Qualified Substitute Mortgage Loans, (ii) the amount of any Advance made on the immediately preceding Certificate Account Deposit Date with respect to the Mortgage Loans, (iii) any amount deposited in the Certificate Account on the related Certificate Account Deposit Date pursuant to Section 3.12(a) in respect of the Mortgage Loans, (iv) any amount that the Master Servicer is not permitted to withdraw from the Custodial Account pursuant to Section 3.16(e) in respect of the Mortgage Loans, (v) any amount deposited in the Certificate

5

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Account pursuant to Section 4.07 and any amounts deposited in the Custodial Account pursuant to Section 9.01 and (vi) any amount described in clauses (i) and (ii) of Section 4.09(c), reduced by (b) the sum as of the close of business on the immediately preceding Determination Date of: (w) any payments or collections consisting of prepayment charges on the Mortgage Loans that were received during the related Prepayment Period, (x) the Amount Held for Future Distribution, (y) amounts permitted to be withdrawn by the Master Servicer from the Custodial Account pursuant to clauses (ii)-(xi), inclusive, of Section 3.10(a) and (z) any Net Swap Payments owed to the Swap Counterparty and Swap Termination Payments owed to the Swap Counterparty not due to Swap Counterparty Trigger Event for such Distribution Date.

**Balloon Loan:** Each of the Mortgage Loans having an original term to maturity that is shorter than the related amortization term.

**Balloon Payment:** With respect to any Balloon Loan, the related Monthly Payment payable on the stated maturity date of such Balloon Loan.

**Bankruptcy Code:** The Bankruptcy Code of 1978, as amended.

**Basis Risk Shortfall:** Any Class A Basis Risk Shortfall or Class M Basis Risk Shortfall.

**Basis Risk Shortfall Carry-Forward Amount:** Any Class A Basis Risk Shortfall Carry-Forward Amount or Class M Basis Risk Shortfall Carry-Forward Amount, as applicable.

Startup Date: The day designated as such pursuant to Article X hereof.

Stated Principal Balance: With respect to any Mortgage Loan or related REO Property, at any given time, (i) the sum of (a) the Cut-off Date Principal Balance of the Mortgage Loan, and (b) any amount by which the Stated Principal Balance of the Mortgage Loan has been increased pursuant to a Servicing Modification, minus (ii) the sum of (a) the principal portion of the Monthly Payments due with respect to such Mortgage Loan or REO Property during each Due Period commencing on the first Due Period after the Cut-Off Date and ending with the Due Period related to the most recent Distribution Date which were received or with respect to which an Advance was made, and (b) all Principal Prepayments with respect to such Mortgage Loan or REO Property, and all Insurance Proceeds, Liquidation Proceeds and REO Proceeds, to the extent applied by the Master Servicer as recoveries of principal in accordance with Section 3.14 with respect to such Mortgage Loan or REO Property, in each case which were distributed pursuant to Section 4.02 or 4.03 on any previous Distribution Date, and (c) any Realized Loss incurred with respect to such Mortgage Loan allocated to Certificateholders with respect thereto for any previous Distribution Date.

Stepdown Date: The Distribution Date which is the earlier to occur of (i) the Distribution Date immediately succeeding the Distribution Date on which the aggregate Certificate Principal Balance of the Class A Certificates has been reduced to zero or (ii) the later to occur of (x) the Distribution Date occurring in May 2009 and (y) the first Distribution Date on which the Senior Enhancement Percentage is equal to or greater than 21.60%.

Subordination: The provisions described in Section 4.05 relating to the allocation of Realized Losses.

Subordination Percentage: With respect to the Class A Certificates, 78.40%; with respect to the Class M-1 Certificates, 82.50%; with respect to the Class M-2 Certificates, 86.20%; with

44

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respect to the Class M-3 Certificates, 88.40%; with respect to the Class M-4 Certificates, 90.40%; with respect to the Class M-5 Certificates, 92.30%; with respect to the Class M-6 Certificates, 93.70%; with respect to the Class M-7 Certificates, 94.70%; with respect to the Class M-8 Certificates, 95.70%; and with respect to the Class M-9 Certificates, 97.70%.

Subsequent Recoveries: As of any Distribution Date, amounts received by the Master Servicer (net of any related expenses permitted to be reimbursed pursuant to Section 3.10) or surplus amounts held by the Master Servicer to cover estimated expenses (including, but not limited to, recoveries in respect of the representations and warranties made by the related Seller pursuant to the applicable Seller's Agreement and assigned to the Trustee pursuant to Section 2.04) specifically related to a Mortgage Loan that was the subject of a Cash Liquidation or an REO Disposition prior to the related Prepayment Period and that resulted in a Realized Loss.

Subserviced Mortgage Loan: Any Mortgage Loan that, at the time of reference thereto, is subject to a Subservicing Agreement.

Subservicer: Any Person with whom the Master Servicer has entered into a Subservicing Agreement and who generally satisfied the requirements set forth in the Program Guide in respect of the qualification of a Subservicer as of the date of its approval as a Subservicer by the Master Servicer.

Subservicer Advance: Any delinquent installment of principal and interest on a Mortgage Loan which is advanced by the related Subservicer (net of its Subservicing Fee) pursuant to the Subservicing Agreement.

Subservicing Account: An account established by a Subservicer in accordance with Section 3.08.

Subservicing Agreement: The written contract between the Master Servicer and any Subservicer relating to servicing and administration of certain Mortgage Loans as provided in Section 3.02, generally in the form of the servicer contract referred to or contained in the Program Guide or in such other form as has been approved by the Master Servicer and the Depositor.

Accrual Period, will equal the rate for one month United States dollar deposits that appears on the Telerate Screen Page 3750 as of 11:00 a.m., London time, on such LIBOR Rate Adjustment Date. "Telerate Screen Page 3750" means the display designated as page 3750 on the Bridge Telerate Service (or such other page as may replace page 3750 on that service for the purpose of displaying London interbank offered rates of major banks). If such rate does not appear on such page (or such other page as may replace that page on that service, or if such service is no longer offered, LIBOR shall be so established by use of such other service for displaying LIBOR or comparable rates as may be selected by the Trustee after consultation with the Master Servicer), the rate will be the Reference Bank Rate. The "Reference Bank Rate" will be determined on the basis of the rates at which deposits in U.S. Dollars are offered by the reference banks (which shall be any three major banks that are engaged in transactions in the London interbank market, selected by the Trustee after consultation with the Master Servicer) as of 11:00 a.m., London time, on the LIBOR Rate Adjustment Date to prime banks in the London interbank market for a period of one month in amounts approximately equal to the aggregate Certificate Principal Balance of the Class A and

Class M Certificates then outstanding. The Trustee shall request the principal London office of each of the reference banks to provide a quotation of its rate. If at least two such quotations are provided, the rate will be the arithmetic mean of the quotations rounded up to the next multiple of 1/16%. If on such date fewer than two quotations are provided as requested, the rate will be the arithmetic mean of the rates quoted by one or more major banks in New York City, selected by the Trustee after consultation with the Master Servicer, as of 11:00 a.m., New York City time, on such date for loans in U.S. Dollars to leading European banks for a period of one month in amounts approximately equal to the aggregate Certificate Principal Balance of the Class A and Class M Certificates then outstanding. If no such quotations can be obtained, the rate will be LIBOR for the prior Distribution Date; provided however, if, under the priorities described above, LIBOR for a Distribution Date would be based on LIBOR for the previous Distribution Date for the third consecutive Distribution Date, the Trustee shall select an alternative comparable index (over which the Trustee has no control), used for determining one-month Eurodollar lending rates that is calculated and published (or otherwise made available) by an independent party. The establishment of LIBOR by the Trustee on any LIBOR Rate Adjustment Date and the Trustee's subsequent calculation of the Pass-Through Rates applicable to the Class A and Class M Certificates for the relevant Interest Accrual Period, in the absence of manifest error, will be final and binding. Promptly following each LIBOR Rate Adjustment Date the Trustee shall supply the Master Servicer with the results of its determination of LIBOR on such date. Furthermore, the Trustee shall supply to any Certificateholder so requesting by calling the Trustee at 1-800-275-2048 the Pass-Through Rate on the Class A and Class M Certificates for the current and the immediately preceding Interest Accrual Period.

ARTICLE II  
CONVEYANCE OF MORTGAGE LOANS;  
ORIGINAL ISSUANCE OF CERTIFICATES

Section 2.01. Conveyance of Mortgage Loans.

(a) The Depositor, concurrently with the execution and delivery hereof, does hereby assign to the Trustee without recourse all the right, title and interest of the Depositor in and to (i) the Mortgage Loans, including all interest and principal on or with respect to the Mortgage Loans due on or after the Cut-off Date (other than Monthly Payments due on the Mortgage Loans in the month of the Cut-off Date); and (ii) all proceeds of the foregoing. In addition, on the Closing Date, the Trustee is hereby directed to enter into the Swap Agreement on behalf of the Trust Fund with the Swap Counterparty.

The Depositor, the Master Servicer and the Trustee agree that it is not intended that any mortgage loan be included in the Trust Fund that is either (i) a "High-Cost Home Loan" as defined in the New Jersey Home Ownership Security Act effective November 27, 2003, (ii) a "High-Cost Home Loan" as defined in the New Mexico Home Loan Protection Act effective January 1, 2004, (iii) a "High Cost Home Mortgage Loan" as defined in the Massachusetts Predatory Home Loan Practices Act effective November 7, 2004 or (iv) a "High-Cost Home Loan" as defined in the Indiana Home Loan Practices Act effective as of January 1, 2005.

(b) In connection with such assignment, and contemporaneously with the delivery of this Agreement, the Depositor delivered or caused to be delivered the Pool Policy to the Trustee,

50

and the Trustee, on behalf of the Certificateholders, acknowledges receipt of the same, and except as set forth in Section 2.01(c) below and subject to Section 2.01(d) below, the Depositor does hereby deliver to, and deposit with, the Trustee, or to and with one or more Custodians, as the duly appointed agent or agents of the Trustee for such purpose, the following documents or instruments (or copies thereof as permitted by this Section) with respect to each Mortgage Loan (other than a Cooperative Loan) so assigned:

(i) The original Mortgage Note, endorsed without recourse to the order of the Trustee and showing an unbroken chain of endorsements from the originator thereof to the Person endorsing it to the Trustee, or with respect to any Destroyed Mortgage Note, an original lost note affidavit from the related Seller or Residential Funding stating that the original Mortgage Note was lost, misplaced or destroyed, together with a copy of the related Mortgage Note;

(ii) The original Mortgage, noting the presence of the MIN of the Mortgage Loan (if the Mortgage Loan is registered on the MERS(R) System) and language indicating that the Mortgage Loan is a MOM Loan if the Mortgage Loan is a MOM Loan, with evidence of recording indicated thereon or, if the original Mortgage has not yet been returned from the public recording office, a copy of the original Mortgage with evidence of recording indicated thereon;

(iii) Unless the Mortgage Loan is registered on the MERS(R) System, the Assignment (which may be included in one or more blanket assignments if permitted by applicable law) of the Mortgage to the Trustee with evidence of recording indicated thereon or a copy of such assignment with evidence of recording indicated thereon;

(iv) The original recorded assignment or assignments of the Mortgage showing an unbroken chain of title from the originator to the Person assigning it to the Trustee (or to MERS, if the Mortgage Loan is registered on the MERS(R) System and noting the presence of a MIN) with evidence of recordation noted thereon or attached thereto, or a copy of such assignment or assignments of the Mortgage with evidence of recording indicated thereon; and

(v) The original of each modification, assumption agreement or preferred loan agreement, if any, relating to such Mortgage Loan, or a copy of each modification, assumption agreement or preferred loan agreement.

(II) with respect to each Cooperative Loan so assigned:

(i) The original Mortgage Note, endorsed without recourse to the order of the Trustee and showing an unbroken chain of endorsements from the originator thereof to the Person endorsing it to the Trustee, or with respect to any Destroyed Mortgage Note, an original lost note affidavit from the related Seller or Residential Funding stating that the original Mortgage Note was lost, misplaced or destroyed, together with a copy of the related Mortgage Note;

51

(ii) A counterpart of the Cooperative Lease and the Assignment of Proprietary Lease to the originator of the Cooperative Loan with intervening assignments showing an unbroken chain of title from such originator to the Trustee;

(iii) The related Cooperative Stock Certificate, representing the related Cooperative Stock pledged with respect to such Cooperative Loan, together with an undated stock power (or other similar instrument) executed in blank;

- (iv) The original recognition agreement by the Cooperative of the interests of the mortgagee with respect to the secured Cooperative Loan;
- (v) The Security Agreement;
- (vi) Copies of the original UCC-1 financing statement, and any continuation statements, filed by the originator of such Cooperative Loan as secured party, each with evidence of recording thereof, evidencing the interest of the originator under the Security Agreement and the Assignment of Proprietary Lease;
- (vii) Copies of the filed UCC-3 assignments or amendments of the security interest referenced in clause (vi) above showing an unbroken chain of title from the originator to the Trustee, each with evidence of recording thereof, evidencing the interest of the originator under the Security Agreement and the Assignment of Proprietary Lease;
- (viii) An executed assignment of the interest of the originator in the Security Agreement, Assignment of Proprietary Lease and the recognition agreement referenced in clause (iv) above, showing an unbroken chain of title from the originator to the Trustee;
- (ix) The original of each modification, assumption agreement or preferred loan agreement, if any, relating to such Cooperative Loan; and
- (x) A duly completed UCC-1 financing statement showing the Master Servicer as debtor, the Depositor as secured party and the Trustee as assignee and a duly completed UCC-1 financing statement showing the Depositor as debtor and the Trustee as secured party, each in a form sufficient for filing, evidencing the interest of such debtors in the Cooperative Loans.

The Depositor may, in lieu of delivering the original of the documents set forth in Section 2.01(b)(ii), (iii), (iv) and (v) (or copies thereof as permitted by Section 2.01(b)) to the Trustee or the Custodian, deliver such documents to the Master Servicer, and the Master Servicer shall hold such documents in trust for the use and benefit of all present and future Certificateholders until such time as is set forth in the next sentence. Within thirty Business Days following the earlier of (i) the receipt of the original of all of the documents or instruments set forth in Section 2.01(b)(ii), (iii), (iv) and (v) (or copies thereof as permitted by such Section) for any Mortgage Loan and (ii) a written request by the Trustee to deliver those documents with respect to any or all of the Mortgage Loans then being held by the Master Servicer, the Master

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Servicer shall deliver a complete set of such documents to the Trustee or the Custodian that is the duly appointed agent of the Trustee.

(c) Notwithstanding the provisions of Section 2.01(b), in the event that in connection with any Mortgage Loan, if the Depositor cannot deliver the original of the Mortgage, any assignment, modification, assumption agreement or preferred loan agreement (or copy thereof as permitted by Section 2.01(b)) with evidence of recording thereon concurrently with the execution and delivery of this Agreement because of (i) a delay caused by the public recording office where such Mortgage, assignment, modification, assumption agreement or preferred loan agreement as the case may be, has been delivered for recordation, or (ii) a delay in the receipt of certain information necessary to prepare the related assignments, the Depositor shall deliver or cause to be delivered to the Trustee or the respective Custodian a copy of such Mortgage, assignment, modification, assumption agreement or preferred loan agreement.

The Depositor shall promptly cause to be recorded in the appropriate public office for real property records the Assignment referred to in clause (iii) of Section 2.01(b), except (a) in states where, in the Opinion of Counsel acceptable to the Master Servicer, such recording is not required to protect the Trustee's interests in the Mortgage Loan or (b) if MERS is identified on the Mortgage or on a properly recorded assignment of the Mortgage as the mortgagee of record solely as nominee for Residential Funding and its successors and assigns, and shall promptly cause to be filed the Form UCC-3 assignment and

If the Depositor delivers to the Trustee or Custodian any Mortgage Note or Assignment of Mortgage in blank, the Depositor shall, or shall cause the Custodian to, complete the endorsement of the Mortgage Note and the Assignment of Mortgage in the name of the Trustee in conjunction with the Interim Certification issued by the Custodian, as contemplated by Section 2.02.

Any of the items set forth in Sections 2.01(b)(ii), (iii), (iv) and (v) that may be delivered as a copy rather than the original may be delivered to the Trustee or the Custodian.

In connection with the assignment of any Mortgage Loan registered on the MERS(R) System, the Depositor further agrees that it will cause, at the Depositor's own expense, within 30 Business Days after the Closing Date, the MERS(R) System to indicate that such Mortgage Loans have been assigned by the Depositor to the Trustee in accordance with this Agreement for the

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benefit of the Certificateholders by including (or deleting, in the case of Mortgage Loans which are repurchased in accordance with this Agreement) in such computer files (a) the code in the field which identifies the specific Trustee and (b) the code in the field "Pool Field" which identifies the series of the Certificates issued in connection with such Mortgage Loans. The Depositor further agrees that it will not, and will not permit the Master Servicer to, and the Master Servicer agrees that it will not, alter the codes referenced in this paragraph with respect to any Mortgage Loan during the term of this Agreement unless and until such Mortgage Loan is repurchased in accordance with the terms of this Agreement.

(d) It is intended that the conveyances by the Depositor to the Trustee of the Mortgage Loans as provided for in this Section 2.01 be construed as a sale by the Depositor to the Trustee of the Mortgage Loans for the benefit of the Certificateholders. Further, it is not intended that any such conveyance be deemed to be a pledge of the Mortgage Loans by the Depositor to the Trustee to secure a debt or other obligation of the Depositor. However, in the event that the Mortgage Loans are held to be property of the Depositor or of Residential Funding, or if for any reason this Agreement is held or deemed to create a security interest in the Mortgage Loans, then it is intended that (a) this Agreement shall also be deemed to be a security agreement within the meaning of Articles 8 and 9 of the New York Uniform Commercial Code and the Uniform Commercial Code of any other applicable jurisdiction; (b) the conveyances provided for in this Section 2.01 shall be deemed to be (1) a grant by the Depositor to the Trustee of a security interest in all of the Depositor's right (including the power to convey title thereto), title and interest, whether now owned or hereafter acquired, in and to (A) the Mortgage Loans, including (a)(i) with respect to each Cooperative Loan, the related Mortgage Note, Security Agreement, Assignment of Proprietary Lease, Cooperative Stock Certificate and Cooperative Lease, (ii) with respect to each Mortgage Loan other than a Cooperative Loan, the related Mortgage Note and Mortgage, and (b) any insurance policies and all other documents in the related Mortgage File, (B) all amounts payable pursuant to the Mortgage Loans or the Swap Agreement in accordance with the terms thereof and (C) any and all general intangibles, payment intangibles, accounts, chattel paper, instruments, documents, money, deposit accounts, certificates of deposit, goods, letters of credit, advices of credit and investment property and other property of whatever kind or description now existing or hereafter acquired consisting of, arising from or relating to any of the foregoing, and all proceeds of the conversion, voluntary or involuntary, of the foregoing into cash, instruments, securities or other property, including

without limitation all amounts from time to time held or invested in the Certificate Account or the Custodial Account, whether in the form of cash, instruments, securities or other property and (2) an assignment by the Depositor to the Trustee of any security interest in any and all of Residential Funding's right (including the power to convey title thereto), title and interest, whether now owned or hereafter acquired, in and to the property described in the foregoing clauses (1)(A), (B) and (C) granted by Residential Funding to the Depositor pursuant to the Assignment Agreement; (c) the possession by the Trustee, the Custodian or any other agent of the Trustee of Mortgage Notes or such other items of property as they constitute instruments, money, payment intangibles, negotiable documents, goods, deposit accounts, letters of credit, advices of credit, investment property, certificated securities or chattel paper shall be deemed to be "possession by the secured party," or possession by a purchaser or a person designated by such secured party, for purposes of perfecting the security interest pursuant to the Uniform Commercial Code as in effect in the States of New York and Minnesota and any other applicable jurisdiction; and (d) notifications to persons holding such property, and acknowledgments,

54

receipts or confirmations from persons holding such property, shall be deemed notifications to, or acknowledgments, receipts or confirmations from, securities intermediaries, bailees or agents of, or persons holding for, (as applicable) the Trustee for the purpose of perfecting such security interest under applicable law.

The Depositor and, at the Depositor's direction, Residential Funding and the Trustee shall, to the extent consistent with this Agreement, take such reasonable actions as may be necessary to ensure that, if this Agreement were deemed to create a security interest in the Mortgage Loans and the other property described above, such security interest would be deemed to be a perfected security interest of first priority under applicable law and will be maintained as such throughout the term of this Agreement. Without limiting the generality of the foregoing, the Depositor shall prepare and deliver to the Trustee not less than 15 days prior to any filing date and, the Trustee shall forward for filing, or shall cause to be forwarded for filing, at the expense of the Depositor, all filings necessary to maintain the effectiveness of any original filings necessary under the Uniform Commercial Code as in effect in any jurisdiction to perfect the Trustee's security interest in or lien on the Mortgage Loans, as evidenced by an Officers' Certificate of the Depositor, including without limitation (x) continuation statements, and (y) such other statements as may be occasioned by (1) any change of name of Residential Funding, the Depositor or the Trustee (such preparation and filing shall be at the expense of the Trustee, if occasioned by a change in the Trustee's name), (2) any change of location of the place of business or the chief executive office of Residential Funding or the Depositor or (3) any transfer of any interest of Residential Funding or the Depositor in any Mortgage Loan.

#### Section 2.02. Acceptance by Trustee.

The Trustee acknowledges receipt (or, with respect to Mortgage Loans subject to a Custodial Agreement, and based solely upon a receipt or certification executed by the Custodian, receipt by the respective Custodian as the duly appointed agent of the Trustee) of the documents referred to in Section 2.01(b)(i) above (except that for purposes of such acknowledgment only, a Mortgage Note may be endorsed in blank and an Assignment of Mortgage may be in blank) and declares that it, or a Custodian as its agent, holds and will hold such documents and the other documents constituting a part of the Mortgage Files delivered to it, or a Custodian as its agent, in trust for the use and benefit of all present and future Certificateholders. The Trustee or Custodian (such Custodian being so obligated under a Custodial Agreement) agrees, for the benefit of Certificateholders, to review each Mortgage File delivered to it pursuant to Section 2.01(b) within 45 days after the Closing Date to ascertain that all required documents (specifically as set forth in Section 2.01(b)), have been executed and received, and that such documents relate to the Mortgage Loans identified on the Mortgage Loan Schedule, as supplemented, that have been conveyed to it, and to deliver to the Trustee a certificate (the "Interim Certification") to the effect that all documents required to be delivered pursuant to Section 2.01(b) above have been executed and received and that such documents relate to the Mortgage Loans identified on the Mortgage Loan Schedule, except for any exceptions listed on Schedule A attached to such Interim Certification. Upon delivery of the Mortgage Files by the Depositor or the

Master Servicer, the Trustee shall acknowledge receipt (or, with respect to Mortgage Loans subject to a Custodial Agreement, and based solely upon a receipt or certification (the "Final Certification") executed by the Custodian, receipt by the respective

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Custodian as the duly appointed agent of the Trustee) of the documents referred to in Section 2.01(b) above.

If the Custodian, as the Trustee's agent, finds any document or documents constituting a part of a Mortgage File to be missing or defective, upon receipt of notification from the Custodian as specified in the succeeding sentence, the Trustee shall promptly so notify or cause the Custodian to notify the Master Servicer and the Depositor; provided, that if the Mortgage Loan related to such Mortgage File is listed on Schedule A of the Assignment Agreement, no notification shall be necessary. Pursuant to Section 2.3 of the Custodial Agreement, the Custodian will notify the Master Servicer, the Depositor and the Trustee of any such omission or defect found by it in respect of any Mortgage File held by it in respect of the items received by it pursuant to the Custodial Agreement. If such omission or defect materially and adversely affects the interests in the related Mortgage Loan of the Certificateholders, the Master Servicer shall promptly notify Residential Funding of such omission or defect and request that Residential Funding correct or cure such omission or defect within 60 days from the date the Master Servicer was notified of such omission or defect and, if Residential Funding does not correct or cure such omission or defect within such period, then Residential Funding shall purchase such Mortgage Loan from the Trust Fund at its Purchase Price, in either case within 90 days from the date the Master Servicer was notified of such omission or defect; provided that if the omission or defect would cause the Mortgage Loan to be other than a "qualified mortgage" as defined in Section 860G(a)(3) of the Code, any such cure or repurchase must occur within 90 days from the date such breach was discovered; and provided further, that no cure, substitution or repurchase shall be required if such omission or defect is in respect of a Mortgage Loan listed on Schedule A of the Assignment Agreement. The Purchase Price for any such Mortgage Loan shall be deposited or caused to be deposited by the Master Servicer in the Custodial Account maintained by it pursuant to Section 3.07 and, upon receipt by the Trustee of written notification of such deposit signed by a Servicing Officer, the Trustee or any Custodian, as the case may be, shall release to Residential Funding the related Mortgage File and the Trustee shall execute and deliver such instruments of transfer or assignment prepared by the Master Servicer, in each case without recourse, as shall be necessary to vest in Residential Funding or its designee any Mortgage Loan released pursuant hereto and thereafter such Mortgage Loan shall not be part of the Trust Fund. In furtherance of the foregoing, if the Subservicer or Residential Funding that repurchases the Mortgage Loan is not a member of MERS and the Mortgage is registered on the MERS System, the Master Servicer, at its own expense and without any right of reimbursement, shall cause MERS to execute and deliver an assignment of the Mortgage in recordable form to transfer the Mortgage from MERS to such Subservicer or Residential Funding and shall cause such Mortgage to be removed from registration on the MERS System in accordance with MERS's rules and regulations. It is understood and agreed that the obligation of Residential Funding, to so cure or purchase any Mortgage Loan as to which a material and adverse defect in or omission of a constituent document exists shall constitute the sole remedy respecting such defect or omission available to Certificateholders or the Trustee on behalf of Certificateholders.

Section 2.03. Representations, Warranties and Covenants of the Master Servicer and the Depositor.

(a) The Master Servicer hereby represents and warrants to the Trustee for the benefit of the Certificateholders that:

56

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(i) The Master Servicer is a corporation duly organized, validly existing and in good standing under the laws governing its creation and existence and is or will be in compliance with the laws of each state in which any Mortgaged Property is located to the extent necessary to ensure the enforceability of each Mortgage Loan in accordance with the terms of



(ii) The execution and delivery of this Agreement by the Master Servicer and its performance and compliance with the terms of this Agreement will not violate the Master Servicer's Certificate of Incorporation or Bylaws or constitute a material default (or an event which, with notice or lapse of time, or both, would constitute a material default) under, or result in the material breach of, any material contract, agreement or other instrument to which the Master Servicer is a party or which may be applicable to the Master Servicer or any of its assets;

(iii) This Agreement, assuming due authorization, execution and delivery by the Trustee and the Depositor, constitutes a valid, legal and binding obligation of the Master Servicer, enforceable against it in accordance with the terms hereof subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws affecting the enforcement of creditors' rights generally and to general principles of equity, regardless of whether such enforcement is considered in a proceeding in equity or at law;

(iv) The Master Servicer is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or governmental agency, which default might have consequences that would materially and adversely affect the condition (financial or other) or operations of the Master Servicer or its properties or might have consequences that would materially adversely affect its performance hereunder;

(v) No litigation is pending or, to the best of the Master Servicer's knowledge, threatened against the Master Servicer which would prohibit its entering into this Agreement or performing its obligations under this Agreement;

(vi) The Master Servicer shall comply in all material respects in the performance of this Agreement with all reasonable rules and requirements of each insurer under each Required Insurance Policy;

(vii) No information, certificate of an officer, statement furnished in writing or report delivered to the Depositor, any Affiliate of the Depositor or the Trustee by the Master Servicer will, to the knowledge of the Master Servicer, contain any untrue statement of a material fact or omit a material fact necessary to make the information, certificate, statement or report not misleading;

(viii) The Master Servicer has examined each existing, and will examine each new, Subservicing Agreement and is or will be familiar with the terms thereof. The terms of each existing Subservicing Agreement and each designated Subservicer are acceptable to the Master Servicer and any new Subservicing Agreements will comply with the provisions of Section 3.02; and

57

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(ix) The Master Servicer is a member of MERS in good standing, and will comply in all material respects with the rules and procedures of MERS in connection with the servicing of the Mortgage Loans that are registered with MERS.

It is understood and agreed that the representations and warranties set forth in this Section 2.03(a) shall survive delivery of the respective Mortgage Files to the Trustee or any Custodian. Upon discovery by either the Depositor, the Master Servicer, the Trustee or any Custodian of a breach of any representation or warranty set forth in this Section 2.03(a) which materially and adversely affects the interests of the Certificateholders in any Mortgage Loan, the party discovering such breach shall give prompt written notice to the other parties (any Custodian being so obligated under a Custodial Agreement). Within 90 days of its discovery or its receipt of notice of such breach, the Master Servicer shall either (i) cure such breach in all material respects or (ii) to the extent that such breach is with respect to a Mortgage Loan or a related document, purchase such Mortgage Loan from the Trust Fund at the Purchase Price and in the manner set forth in Section 2.02; provided that if the breach would cause the Mortgage Loan to be other than a "qualified mortgage" as

defined in Section 860G(a)(3) of the Code, any such cure or repurchase must occur within 90 days from the date such breach or to so purchase such Mortgage Loan shall constitute the sole remedy in respect of a breach of a representation and warranty set forth in this Section 2.03(a) available to the Certificateholders or the Trustee on behalf of the Certificateholders.

(b) The Depositor hereby represents and warrants to the Trustee for the benefit of the Certificateholders that as of the Closing Date (or, if otherwise specified below, as of the date so specified): (i) the information set forth in Exhibit G hereto with respect to each Mortgage Loan or the Mortgage Loans, as the case may be, is true and correct in all material respects at the respective date or dates which such information is furnished; (ii) immediately prior to the conveyance of the Mortgage Loans to the Trustee, the Depositor had good title to, and was the sole owner of, each Mortgage Loan free and clear of any pledge, lien, encumbrance or security interest (other than rights to servicing and related compensation) and such conveyance validly transfers ownership of the Mortgage Loans to the Trustee free and clear of any pledge, lien, encumbrance or security interest; and (iii) each Mortgage Loan constitutes a qualified mortgage under Section 860G(a)(3)(A) of the Code and Treasury Regulations Section 1.860G-2(a)(1).

It is understood and agreed that the representations and warranties set forth in this Section 2.03(b) shall survive delivery of the respective Mortgage Files to the Trustee or any Custodian.

Upon discovery by any of the Depositor, the Master Servicer, the Trustee or any Custodian of a breach of any of the representations and warranties set forth in this Section 2.03(b) which materially and adversely affects the interests of the Certificateholders in any Mortgage Loan, the party discovering such breach shall give prompt written notice to the other parties (any Custodian being so obligated under a Custodial Agreement); provided, however, that in the event of a breach of the representation and warranty set forth in Section 2.03(b)(iii), the party discovering such breach shall give such notice within five days of discovery. Within 90 days of its discovery or its receipt of notice of breach, the Depositor shall either (i) cure such breach in all material respects or (ii) purchase such Mortgage Loan from the

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Trust Fund at the Purchase Price and in the manner set forth in Section 2.02; provided that the Depositor shall have the option to substitute a Qualified Substitute Mortgage Loan or Loans for such Mortgage Loan if such substitution occurs within two years following the Closing Date; provided that if the omission or defect would cause the Mortgage Loan to be other than a "qualified mortgage" as defined in Section 860G(a)(3) of the Code, any such cure, substitution or repurchase must occur within 90 days from the date such breach was discovered. Any such substitution shall be effected by the Depositor under the same terms and conditions as provided in Section 2.04 for substitutions by Residential Funding. It is understood and agreed that the obligation of the Depositor to cure such breach or to so purchase or substitute for any Mortgage Loan as to which such a breach has occurred and is continuing shall constitute the sole remedy respecting such breach available to the Certificateholders or the Trustee on behalf of the Certificateholders. Notwithstanding the foregoing, the Depositor shall not be required to cure breaches or purchase or substitute for Mortgage Loans as provided in this Section 2.03(b) if the substance of the breach of a representation set forth above also constitutes fraud in the origination of the Mortgage Loan.

#### Section 2.04. Representations and Warranties of Residential Funding.

The Depositor, as assignee of Residential Funding under the Assignment Agreement, hereby assigns to the Trustee for the benefit of the Certificateholders all of its right, title and interest in respect of the Assignment Agreement applicable to a Mortgage Loan. Insofar as the Assignment Agreement relates to the representations and warranties made by Residential Funding in respect of such Mortgage Loan and any remedies provided thereunder for any breach of such representations and warranties, such right, title and interest may be enforced by the Master Servicer on behalf of the Trustee and the Certificateholders.

Upon the discovery by the Depositor, the Master Servicer, the Trustee or any Custodian of a breach of any of the representations and warranties made in

the Assignment Agreement in respect of any Mortgage Loan or of any Repurchase Event which materially and adversely affects the interest of the Certificateholders in such Mortgage Loan, the party discovering such breach shall give prompt written notice to the other parties (any Custodian being so obligated under a Custodial Agreement). The Master Servicer shall promptly notify Residential Funding of such breach or Repurchase Event and request that Residential Funding either (i) cure such breach or Repurchase Event in all material respects within 90 days from the date the Master Servicer was notified of such breach or Repurchase Event or (ii) purchase such Mortgage Loan from the Trust Fund at the Purchase Price and in the manner set forth in Section 2.02; provided that, in the case of a breach or Repurchase Event under the Assignment Agreement, Residential Funding shall have the option to substitute a Qualified Substitute Mortgage Loan or Loans for such Mortgage Loan if such substitution occurs within two years following the Closing Date; provided that if the breach would cause the Mortgage Loan to be other than a "qualified mortgage" as defined in Section 860G(a)(3) of the Code, any such cure or substitution must occur within 90 days from the date the breach was discovered. If the breach of representation and warranty that gave rise to the obligation to repurchase or substitute a Mortgage Loan pursuant to Section 4 of the Assignment Agreement was the representation and warranty set forth in clause (bb) of Section 4 thereof, then the Master Servicer shall request that Residential Funding pay to the Trust Fund, concurrently with and in addition to the remedies provided in the preceding sentence, an amount equal to any liability, penalty or expense that was actually

59

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incurred and paid out of or on behalf of the Trust Fund, and that directly resulted from such breach, or if incurred and paid by the Trust Fund thereafter, concurrently with such payment. In the event that Residential Funding elects to substitute a Qualified Substitute Mortgage Loan or Loans for a Deleted Mortgage Loan pursuant to this Section 2.04, Residential Funding shall deliver to the Trustee or the Custodian for the benefit of the Certificateholders with respect to such Qualified Substitute Mortgage Loan or Loans, the original Mortgage Note, the Mortgage, an Assignment of the Mortgage in recordable form, and such other documents and agreements as are required by Section 2.01, with the Mortgage Note endorsed as required by Section 2.01. No substitution will be made in any calendar month after the Determination Date for such month. Monthly Payments due with respect to Qualified Substitute Mortgage Loans in the month of substitution shall not be part of the Trust Fund and will be retained by the Master Servicer and remitted by the Master Servicer to Residential Funding on the next succeeding Distribution Date. For the month of substitution, distributions to the Certificateholders will include the Monthly Payment due on a Deleted Mortgage Loan for such month and thereafter Residential Funding shall be entitled to retain all amounts received in respect of such Deleted Mortgage Loan. The Master Servicer shall amend or cause to be amended the Mortgage Loan Schedule for the benefit of the Certificateholders to reflect the removal of such Deleted Mortgage Loan and the substitution of the Qualified Substitute Mortgage Loan or Loans and the Master Servicer shall deliver the amended Mortgage Loan Schedule to the Trustee and the Custodian. Upon such substitution, the Qualified Substitute Mortgage Loan or Loans shall be subject to the terms of this Agreement and the related Subservicing Agreement in all respects, and Residential Funding shall be deemed to have made the representations and warranties with respect to the Qualified Substitute Mortgage Loan contained in Section 4 of the Assignment Agreement, as of the date of substitution, and the covenants, representations and warranties set forth in this Section 2.04, and in Section 2.03 hereof and in Section 4 of the Assignment Agreement, and the Master Servicer shall be obligated to repurchase or substitute for any Qualified Substitute Mortgage Loan as to which a Repurchase Event (as defined in the Assignment Agreement) has occurred pursuant to Section 4 of the Assignment Agreement.

In connection with the substitution of one or more Qualified Substitute Mortgage Loans for one or more Deleted Mortgage Loans, the Master Servicer shall determine the amount (if any) by which the aggregate principal balance of all such Qualified Substitute Mortgage Loans as of the date of substitution is less than the aggregate Stated Principal Balance of all such Deleted Mortgage Loans (in each case after application of the principal portion of the Monthly Payments due in the month of substitution that are to be distributed to the Certificateholders in the month of substitution). Residential Funding shall deposit the amount of such shortfall into the Custodial Account on the day of substitution, without any reimbursement therefor. Residential Funding shall give notice in writing to the Trustee of such event, which notice shall be

accompanied by an Officers Certificate as to the calculation of such shortfall and (subject to Section 10.01(f)) by an Opinion of Counsel to the effect that such substitution will not cause (a) any federal tax to be imposed on the Trust Fund, including without limitation, any federal tax imposed on "prohibited transactions" under Section 860F(a)(1) of the Code or on "contributions after the startup date" under Section 860G(d)(1) of the Code or (b) any portion of any REMIC created hereunder to fail to qualify as a REMIC at any time that any Certificate is outstanding.

It is understood and agreed that the obligation of Residential Funding to cure such breach or purchase (or substitute for) such Mortgage Loan as to which such a breach has occurred and is continuing and to make any additional payments required under the Assignment Agreement in connection with a breach of the representation and warranty in clause (bb) of Section 4 thereof shall constitute the sole remedy respecting such breach available to the Certificateholders or the Trustee on behalf of the Certificateholders. If the Master Servicer is Residential Funding, then the Trustee shall also have the right (i) to give the notification and require the purchase or substitution provided for in the second preceding paragraph in the event of such a breach of a representation or warranty made by Residential Funding in the Assignment Agreement or (ii) to give the notification and require the purchase or substitution provided for in Section 6 of the Assignment Agreement. In connection with the purchase of or substitution for any such Mortgage Loan by Residential Funding, the Trustee shall assign to Residential Funding all of the right, title and interest in respect of the Assignment Agreement applicable to such Mortgage Loan.

Section 2.05. Execution and Authentication of Certificates; Conveyance of REMIC Regular Interests.

(a) The Trustee acknowledges the assignment to it of the Mortgage Loans and the delivery of the Mortgage Files to it, or any Custodian on its behalf, subject to any exceptions noted, together with the assignment to it of all other assets included in the Trust Fund, receipt of which is hereby acknowledged. Concurrently with such delivery and in exchange therefor, the Trustee, pursuant to the written request of the Depositor executed by an officer of the Depositor, has executed and caused to be authenticated and delivered to or upon the order of the Depositor the Certificates in authorized denominations which evidence ownership of the entire Trust Fund.

(b) The Depositor, as of the Closing Date, and concurrently with the execution and delivery hereof, does hereby assign without recourse all the right, title and interest of the Depositor in and to the Uncertificated REMIC I Regular Interests to the Trustee for the benefit of the holders of each Class of Certificates (other than the Class R-I Certificates). The Trustee acknowledges receipt of the Uncertificated REMIC I Regular Interests and declares that it holds and will hold the same in trust for the exclusive use and benefit of all present and future holders of each Class of Certificates (other than the Class R-I Certificates).

(c) The Depositor concurrently with the execution and delivery hereof, does hereby transfer, assign, set over and otherwise convey in trust to the Trustee without recourse all the right, title and interest of the Depositor in and to the REMIC I Regular Interests, and the other assets of REMIC II for the benefit of the holders of the REMIC II Regular Interests and the Class R-II Certificates. The Trustee acknowledges receipt of the REMIC I Regular Interests (which are uncertificated) and the other assets of REMIC II and declares that it holds and will hold the same in trust for the exclusive use and benefit of the holders of the REMIC II Regular Interests and the Class R-II Certificates.

Section 2.06. Purposes and Powers of the Trust.

The purpose of the trust, as created hereunder, is to engage in the following activities:

(a) To sell the Certificates to the Depositor in exchange for the Mortgage Loans;

each Distribution Date, the Master Servicer shall withdraw from the Custodial Account an amount equal to the Credit Risk Manager Fee for such Distribution Date and shall pay such amount to the Credit Risk Manager.

(c) The Trustee shall, upon written request from the Master Servicer, invest or cause the institution maintaining the Certificate Account to invest the funds in the Certificate Account in Permitted Investments designated in the name of the Trustee for the benefit of the Certificateholders, which shall mature not later than the Business Day next preceding the Distribution Date next following the date of such investment (except that (i) if such Permitted Investment is an obligation of the institution that maintains such account or a fund for which such institution serves as custodian, then such Permitted Investment may mature on such Distribution Date and (ii) any other investment may mature on such Distribution Date if the Trustee shall advance funds on such Distribution Date to the Certificate Account in the amount payable on such investment on such Distribution Date, pending receipt thereof to the extent necessary to make distributions on the Certificates) and shall not be sold or disposed of prior to maturity. All income and gain realized from any such investment shall be for the benefit of the Master Servicer and shall be subject to its withdrawal or order from time to time. The amount of any losses incurred in respect of any such investments shall be deposited in the Certificate Account by the Master Servicer out of its own funds immediately as realized.

Section 4.02. Distributions.

(a) On each Distribution Date, the Trustee (or the Paying Agent on behalf of the Trustee) shall allocate and distribute the Available Distribution Amount, if any, for such date to the interests issued in respect of REMIC I and REMIC II as specified in this Section.

(b) (1) On each Distribution Date, the following amounts, in the following order of priority, shall be distributed by REMIC I to REMIC II on account of the REMIC I Regular Interests:

i. to the extent of the Available Distribution Amount (other than the portion of the Available Distribution Amount described in clause (a)(vi) of the definition of Available Distribution Amount), to the Holders of the REMIC I Regular Interests, pro rata, in an amount equal to (A) the related Uncertificated Accrued Interest for such Distribution Date, plus (B) any amounts in respect thereof remaining unpaid from previous Distribution Dates. Amounts payable as Uncertificated Accrued Interest in respect of REMIC I Regular Interest ZZ shall be reduced when the REMIC I Overcollateralization Amount is less than the REMIC I Required Overcollateralization Amount, by the lesser of (x) the amount of such difference and (y) the REMIC I Regular Interest ZZ Maximum Interest Deferral Amount, and such amount will be payable to the Holders of REMIC I Regular Interests A-1, A-2, A-3, A-4, M-1, M-2, M-3, M-4, M-5, M-6, M-7, M-8 and M-9 in the same proportion as the Overcollateralization Increase Amount is allocated to the corresponding Class of Certificates, and the Uncertificated Principal Balance of the REMIC I Regular Interest ZZ shall be increased by such amount; and

ii. on each Distribution Date, to the Holders of REMIC I Regular Interests, in an amount equal to the remainder of the Available Distribution Amount (other than the portion of the Available Distribution Amount described in clause (a)(vi) of the definition of Available Distribution Amount) after the distributions made pursuant to clause (i) above, allocated as follows (except as provided below): (A) to the Holders of the REMIC I Regular Interest AA, 98.00% of such remainder until the Uncertificated

Principal Balance of such REMIC I Regular Interest is reduced to zero; (B) to the Holders of REMIC I Regular Interest A-1, A-2, A-3, A-4, M-1, M-2, M-3, M-4, M-5, M-6, M-7, M-8 and M-9, 1.00% of such remainder in the same proportion as amounts are distributed in respect of principal on the corresponding Class of Certificates; (C) to the Holders of the REMIC I Regular Interest ZZ, 1.00% of such remainder; and (D) any remaining amounts to the Holders of the Class R-I Certificates; provided, however, that 98.00% and 2.00% of any principal payments that are attributable to an Overcollateralization Reduction Amount shall be allocated to Holders of the REMIC I Regular Interest AA and REMIC I Regular Interest ZZ, respectively; and provided further, that any prepayment charges on deposit in the Certificate Account attributable to prepayment charges received on the Mortgage Loans during the related Prepayment Period shall be deemed distributed to REMIC II as the holder of the REMIC I Regular Interest AA.

(2) Notwithstanding the distributions described in this Section 4.02(b), distribution of funds from the Certificate Account shall be made only in accordance with Section 4.02(c).

(c) On each Distribution Date (x) the Master Servicer on behalf of the Trustee or (y) the Paying Agent appointed by the Trustee, shall distribute to each Certificateholder of record on the next preceding Record Date (other than as provided in Section 9.01 respecting the final distribution) either in immediately available funds (by wire transfer or otherwise) to the account of such Certificateholder at a bank or other entity having appropriate facilities therefor, if such Certificateholder has so notified the Master Servicer or the Paying Agent, as the case may be, or, if such Certificateholder has not so notified the Master Servicer or the Paying Agent by the Record Date, by check mailed to such Certificateholder at the address of such Holder appearing in the Certificate Register such Certificateholder's share (which share with respect to each Class of Certificates, shall be based on the aggregate of the Percentage Interests represented by Certificates of the applicable Class held by such Holder of the following amounts, in the following order of priority, subject to the provisions of Section 4.02(d)), in each case to the extent of the Available Distribution Amount on deposit in the Certificate Account (or, with respect to clause (xxi)(B) below, to the extent of prepayment charges on deposit in the Certificate Account and (ii) with respect to clauses (i) through (xi) below, to the extent of the Available Distribution Amount (other than the portion of the Available Distribution Amount described in clause (a)(vi) of the definition of Available Distribution Amount)) and to the extent not covered by amounts on deposit in the Swap Account:

92

(i) to the Class A Certificateholders, the Class A Interest Distribution Amount, with such amount allocated among the Class A Certificateholders on a pro rata basis;

(ii) to the Class M-1 Certificateholders from the amount, if any, of the Available Distribution Amount remaining after the foregoing distributions, the Class M-1 Interest Distribution Amount;

(iii) to the Class M-2 Certificateholders from the amount, if any, of the Available Distribution Amount remaining after the foregoing distributions, the Class M-2 Interest Distribution Amount;

(iv) to the Class M-3 Certificateholders from the amount, if any, of the Available Distribution Amount remaining after the foregoing distributions, the Class M-3 Interest Distribution Amount;

(v) to the Class M-4 Certificateholders from the amount, if any, of the Available Distribution Amount remaining after the foregoing distributions, the Class M-4 Interest Distribution Amount;

(vi) to the Class M-5 Certificateholders from the amount, if any, of the Available Distribution Amount remaining after the foregoing distributions, the Class M-5 Interest Distribution Amount;

(vii) to the Class M-6 Certificateholders from the amount, if any, of the Available Distribution Amount remaining after the foregoing distributions, the Class M-6 Interest Distribution Amount;

(viii) to the Class M-7 Certificateholders from the amount, if any, of the Available Distribution Amount remaining after the foregoing distributions, the Class M-7 Interest Distribution Amount;

(ix) to the Class M-8 Certificateholders from the amount, if any, of the Available Distribution Amount remaining after the foregoing distributions, the Class M-8 Interest Distribution Amount;

(x) to the Class M-9 Certificateholders from the amount, if any, of the Available Distribution Amount remaining after the foregoing distributions, the Class M-9 Interest Distribution Amount;

(xi) to the Class A and Class M Certificateholders, from the amount, if any, of the Available Distribution Amount remaining after the foregoing distributions, the Principal Distribution Amount (other than the amounts set forth in clauses (b)(iv), (b)(v), and (b)(vi) of the definition thereof), in the order of priority described in Section 4.02(d) hereof, until the Certificate Principal Balances of the Class A and Class M Certificates have been reduced to zero;

93

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(xii) to the Class A and Class M Certificateholders, from the amount, if any, of the Excess Cash Flow, an amount equal to the principal portion of Realized Losses previously allocated to reduce the Certificate Principal Balance of any Class of the Class A and Class M Certificates and remaining unreimbursed, but only to the extent of Subsequent Recoveries for that Distribution Date, which amount shall be included in the Principal Distribution Amount and paid in accordance with Section 4.02(d) hereof, until the Certificate Principal Balances of the Class A and Class M Certificates have been reduced to zero;

(xiii) to the Class A and Class M Certificateholders, from the amount, if any, of the Excess Cash Flow remaining after the foregoing distributions, an amount equal to the principal portion of Realized Losses on the Mortgage Loans during the immediately preceding Prepayment Period, which amount shall be included in the Principal Distribution Amount and paid in accordance with Section 4.02(d) hereof, until the Certificate Principal Balances of the Class A Certificates and Class M Certificates have been reduced to zero;

(xiv) to the Class A and Class M Certificateholders, from the amount, if any, of the Excess Cash Flow remaining after the foregoing distributions, the Overcollateralization Increase Amount for such Distribution Date, which amount shall be included in the Principal Distribution Amount and paid in accordance with Section 4.02(d) hereof, until the Certificate Principal Balances of the Class A and Class M Certificates have been reduced to zero to the extent not covered by any payments under the Swap Agreement pursuant to Section 4.09(c)(ii);

(xv) to the Class A and Class M Certificateholders from the amount, if any, of the Excess Cash Flow remaining after the foregoing distributions, the amount of any Prepayment Interest Shortfalls allocated thereto for such Distribution Date, on a pro rata basis based on Prepayment Interest Shortfalls previously allocated thereto that remain unreimbursed, to the extent not covered by Eligible Master Servicing Compensation on such Distribution Date to the extent not covered by any payments under the Swap Agreement pursuant to Section 4.09(c)(iii);

(xvi) to the Class A and Class M Certificateholders from the amount, if any, of the Excess Cash Flow remaining after the foregoing distributions, the amount of any Prepayment Interest Shortfalls previously allocated thereto on any prior Distribution Date that remain unreimbursed, together with interest thereon at the applicable Pass-Through Rate, on a pro rata basis based on Prepayment Interest Shortfalls previously allocated thereto that remain unreimbursed to the extent not covered by any payments under the Swap Agreement pursuant to Section 4.09(c)(iv);

(xvii) from the amount, if any, of the Excess Cash Flow remaining after the foregoing distributions, to pay the Class A Certificates, on a pro rata basis, based on the amount of Class A Basis Risk Shortfall

Carry-Forward Amount previously allocated thereto that remain unreimbursed, the amount of any Class A Basis Risk Shortfall Carry-Forward Amounts remaining unpaid as of such Distribution Date, and then to the Class M Certificates, in their order of their payment priority, the amount of any Class M

Basis Risk Shortfall Carry-Forward Amounts remaining unpaid as of such Distribution Date to the extent not covered by any payments under the Swap Agreement pursuant to Section 4.09(c)(v);

(xviii) to the Class A and Class M Certificates on a pro rata basis, based on the amount of Relief Act Shortfalls allocated thereto on such Distribution Date, from the amount, if any, of the Excess Cash Flow remaining after the foregoing distributions, the amount of any Relief Act Shortfalls allocated to those Certificates with respect to such Distribution Date to the extent not covered by any payments under the Swap Agreement pursuant to Section 4.09(c)(vi);

(xix) to the Class A and Class M Certificateholders, from the amount, if any, of the Excess Cash Flow remaining after the foregoing distributions, the principal portion of any Realized Losses previously allocated to those Certificates and remaining unreimbursed, which amount shall be allocated first, to the Class A Certificateholders on a pro rata basis, based on their respective principal portion of any Realized Losses previously allocated thereto that remain unreimbursed, and then to the Class M Certificates, in their order of payment priority;

(xx) from the amount, if any, of the Excess Cash Flow remaining after the foregoing distributions, to the Swap Account for Payment to the Swap Counterparty, any Swap Termination Payment owed by the Trust Fund due to a Swap Counterparty Trigger Event;

(xxi) to the Class SB Certificates, (A) from the amount, if any, of the Excess Cash Flow remaining after the foregoing distributions, the sum of (I) Accrued Certificate Interest thereon, (II) the amount of any Overcollateralization Reduction Amount for such Distribution Date and (III) for any Distribution Date after the Certificate Principal Balance of each Class of Class A Certificates and Class M Certificates has been reduced to zero, the Overcollateralization Amount, and (B) from prepayment charges on deposit in the Certificate Account, any prepayment charges received on the Mortgage Loans during the related Prepayment Period; and

(xxii) to the Class R-II Certificateholders, the balance, if any, of the Excess Cash Flow.

(d) On each Distribution Date, the Principal Distribution Amount will be paid as follows:

(i) the Class A Principal Distribution Amount shall be distributed, sequentially, as follows: (A) first, to the Class A-1 Certificates, until the Certificate Principal Balance thereof has been reduced to zero, (B) second, to the Class A-2 Certificates, until the Certificate Principal Balance thereof has been reduced to zero, and (C) third, to the Class A-3 Certificates, until the Certificate Principal Balance thereof has been reduced to zero, and (D) fourth, to the Class A-4 Certificates, until the Certificate Principal Balance thereof has been reduced to zero;

(ii) the Class M-1 Principal Distribution Amount shall be distributed to the Class M-1 Certificates, until the Certificate Principal Balance thereof has been reduced to zero;

(iii) the Class M-2 Principal Distribution Amount shall be distributed to the Class M-2 Certificates, until the Certificate Principal Balance thereof has been reduced to zero;

(iv) the Class M-3 Principal Distribution Amount shall be distributed



(v) the Class M-4 Principal Distribution Amount shall be distributed to the Class M-4 Certificates, until the Certificate Principal Balance thereof has been reduced to zero;

(vi) the Class M-5 Principal Distribution Amount shall be distributed to the Class M-5 Certificates, until the Certificate Principal Balance thereof has been reduced to zero;

(vii) the Class M-6 Principal Distribution Amount shall be distributed to the Class M-6 Certificates, until the Certificate Principal Balance thereof has been reduced to zero;

(viii) the Class M-7 Principal Distribution Amount shall be distributed to the Class M-7 Certificates, until the Certificate Principal Balance thereof has been reduced to zero;

(ix) the Class M-8 Principal Distribution Amount shall be distributed to the Class M-8 Certificates, until the Certificate Principal Balance thereof has been reduced to zero; and

(x) the Class M-9 Principal Distribution Amount shall be distributed to the Class M-9 Certificates, until the Certificate Principal Balance thereof has been reduced to zero.

(e) Notwithstanding the foregoing clauses (c) and (d), upon the reduction of the Certificate Principal Balance of a Class of Class A and Class M Certificates to zero, such Class of Certificates will not be entitled to further distributions pursuant to Section 4.02 (other than in respect of Subsequent Recoveries).

(f) Any Prepayment Interest Shortfalls on the Mortgage Loans which are not covered by Eligible Master Servicing Compensation as described in Section 3.16 and Relief Act Shortfalls on the Mortgage Loans will be allocated among the Class A and Class M Certificates, pro rata in accordance with the amount of Accrued Certificate Interest payable on such Distribution Date absent such shortfalls. Any such uncovered Prepayment Interest Shortfalls will be paid solely pursuant to Section 4.02(c)(xv) and (xvi) and Section 4.09(c)(iii) and (iv) to the

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extent funds are available therefor. Any such Relief Act Shortfalls will be paid solely pursuant to Section 4.02(c)(xviii) and Section 4.09(c)(vi) to the extent funds are available therefor.

(g) In addition to the foregoing distributions, with respect to any Subsequent Recoveries, the Master Servicer shall deposit such funds into the Custodial Account pursuant to Section 3.07(b)(iii).

(h) Each distribution with respect to a Book-Entry Certificate shall be paid to the Depository, as Holder thereof, and the Depository shall be responsible for crediting the amount of such distribution to the accounts of its Depository Participants in accordance with its normal procedures. Each Depository Participant shall be responsible for disbursing such distribution to the Certificate Owners that it represents and to each indirect participating brokerage firm (a "brokerage firm" or "indirect participating firm") for which it acts as agent. Each brokerage firm shall be responsible for disbursing funds to the Certificate Owners that it represents. None of the Trustee, the Certificate Registrar, the Depositor or the Master Servicer shall have any responsibility therefor except as otherwise provided by this Agreement or applicable law.

(i) Except as otherwise provided in Section 9.01, if the Master Servicer anticipates that a final distribution with respect to any Class of Certificates will be made on the next Distribution Date, the Master Servicer shall, no later than the Determination Date in the month of such final distribution, notify the Trustee and the Trustee shall, no later than two (2) Business Days after such Determination Date, mail on such date to each Holder of such Class of Certificates a notice to the effect that: (i) the Trustee anticipates that the final distribution with respect to such Class of Certificates will be made on

such Distribution Date but only upon presentation and surrender of such Certificates at the office of the Trustee or as otherwise specified therein, and (ii) no interest shall accrue on such Certificates from and after the end of the prior calendar month. In the event that Certificateholders required to surrender their Certificates pursuant to Section 9.01(c) do not surrender their Certificates for final cancellation, the Trustee shall cause funds distributable with respect to such Certificates to be held in the Certificate Account for the benefit of such Certificateholders as provided in Section 9.01(d).

Section 4.03. Statements to Certificateholders; Statements to Rating Agencies; Exchange Act Reporting.

(a) Concurrently with each distribution charged to the Certificate Account and with respect to each Distribution Date the Master Servicer shall forward to the Trustee and the Credit Risk Manager and the Trustee shall forward by mail or otherwise make available electronically on its website (which may be obtained by any Certificateholder by telephoning the Trustee at (877) 722-1095) to each Holder, and the Depositor a statement setting forth the following information as to each Class of Certificates, in each case to the extent applicable:

(i) the applicable Record Date, Determination Date, Distribution Date and the date on which the Interest Accrual Period commenced;

(ii) the aggregate amount of payments received with respect to the Mortgage Loans in the aggregate, including prepayment amounts;

97

(iii) the Servicing Fee and Subservicing Fee payable to the Master Servicer and the Subservicer;

(iv) the amount of any other fees or expenses paid, and the identity of the party receiving such fees or expenses;

(v) (A) the amount of such distribution to the Certificateholders of such Class applied to reduce the Certificate Principal Balance thereof, and (B) the aggregate amount included therein representing Principal Prepayments;

(vi) the amount of such distribution to Holders of such Class of Certificates allocable to interest, including amounts payable as excess cash flow and the disposition of the excess cash flow;

(vii) if the distribution to the Holders of such Class of Certificates is less than the full amount that would be distributable to such Holders if there were sufficient funds available therefor, the amount of the shortfall;

(viii) the aggregate Certificate Principal Balance of each Class of Certificates, before and after giving effect to the amounts distributed on such Distribution Date, separately identifying any reduction thereof due to Realized Losses other than pursuant to an actual distribution of principal;

(ix) the Certificate Principal Balance for each Class of Certificates as of the Closing Date;

(x) the number and Stated Principal Balance of the Mortgage Loans in the aggregate after giving effect to the distribution of principal on such Distribution Date and the number of Mortgage Loans in the aggregate at the beginning and end of the related Due Period;

(xi) on the basis of the most recent reports furnished to it by Subservicers, (A) the number and Stated Principal Balance of the Mortgage Loans in the aggregate that are Delinquent (1) 30-59 days, (2) 60-89 days and (3) 90 or more days and the number and Stated Principal Balance of the Mortgage Loans in the aggregate that are in foreclosure, (B) the number and Stated Principal Balances of the Mortgage Loans in the aggregate that are Reportable Modified Mortgage Loans that are in foreclosure and are REO Property, indicating in each case capitalized Mortgage Loans, other Servicing Modifications and totals, and (C) for all Reportable Modified Mortgage Loans, the number and Stated Principal Balances of the Mortgage Loans in the aggregate that have been liquidated, the subject of pay-offs and that have been repurchased by the Master Servicer or Seller;

# EXHIBIT 7-E

RESIDENTIAL ASSET SECURITIES CORPORATION,

Depositor,

RESIDENTIAL FUNDING CORPORATION,

Master Servicer,

and

U.S. BANK NATIONAL ASSOCIATION

Trustee

POOLING AND SERVICING AGREEMENT

Dated as of August 1, 2006

Home Equity Mortgage Asset-Backed Pass-Through Certificates

Series 2006-EMX7

TABLE OF CONTENTS

	Page
ARTICLE I	DEFINITIONS.....3
Section 1.01.	Definitions.....3
Section 1.02.	Determination of LIBOR.....41
ARTICLE II	CONVEYANCE OF MORTGAGE LOANS; ORIGINAL ISSUANCE OF CERTIFICATES.....43
Section 2.01.	Conveyance of Mortgage Loans.....43
Section 2.02.	Acceptance by Trustee.....46
Section 2.03.	Representations, Warranties and Covenants of the Master Servicer and the Depositor.....47
Section 2.04.	Representations and Warranties of Sellers.....49
Section 2.05.	Execution and Authentication of Certificates; Conveyance of REMIC-I Regular Interests.....51
Section 2.06.	Purposes and Powers of the Trust.....51
Section 2.07.	Agreement Regarding Ability to Disclose.....52
ARTICLE III	ADMINISTRATION AND SERVICING OF MORTGAGE LOANS.....53
Section 3.01.	Master Servicer to Act as Servicer.....53
Section 3.02.	Subservicing Agreements Between Master Servicer and Subservicers; Enforcement of Subservicers' Obligations.....55
Section 3.03.	Successor Subservicers.....56
Section 3.04.	Liability of the Master Servicer.....56
Section 3.05.	No Contractual Relationship Between Subservicer and Trustee or Certificateholders.....57
Section 3.06.	Assumption or Termination of Subservicing Agreements by Trustee.....57
Section 3.07.	Collection of Certain Mortgage Loan Payments; Deposits to Custodial Account.....57
Section 3.08.	Subservicing Accounts; Servicing Accounts.....60
Section 3.09.	Access to Certain Documentation and Information Regarding the Mortgage Loans.....61
Section 3.10.	Permitted Withdrawals from the Custodial Account.....61
Section 3.11.	Maintenance of Primary Insurance Coverage.....63
Section 3.12.	Maintenance of Fire Insurance and Omissions and Fidelity Coverage.....63
Section 3.13.	Enforcement of Due-on-Sale Clauses; Assumption and Modification Agreements; Certain Assignments.....64
Section 3.14.	Realization Upon Defaulted Mortgage Loans.....66
Section 3.15.	Trustee to Cooperate; Release of Custodial Files.....68
Section 3.16.	Servicing and Other Compensation; Compensating Interest.....69
Section 3.17.	Reports to the Trustee and the Depositor.....70
Section 3.18.	Annual Statement as to Compliance and Servicing Assessment.....70
Section 3.19.	Annual Independent Public Accountants' Servicing Report.....71

EXHIBIT A FORM OF CLASS A CERTIFICATE.....A-1

EXHIBIT B FORM OF CLASS M CERTIFICATE.....B-1

EXHIBIT C FORM OF CLASS SB CERTIFICATE.....C-1

EXHIBIT D FORM OF CLASS R CERTIFICATE.....D-1

EXHIBIT E FORM OF CUSTODIAL AGREEMENT.....E-1

EXHIBIT F MORTGAGE LOAN SCHEDULE.....F-1

EXHIBIT G FORM OF REQUEST FOR RELEASE.....G-1

EXHIBIT H-1 FORM OF TRANSFER AFFIDAVIT AND AGREEMENT.....H-1-1

EXHIBIT H-2 FORM OF TRANSFEROR CERTIFICATE.....H-2-1

EXHIBIT I FORM OF INVESTOR REPRESENTATION LETTER.....I-1

EXHIBIT J FORM OF TRANSFEROR REPRESENTATION LETTER.....J-1

EXHIBIT K TEXT OF AMENDMENT TO POOLING AND SERVICING AGREEMENT PURSUANT TO SECTION 11.01(E) FOR A LIMITED GUARANTY.....K-1

EXHIBIT L FORM OF LIMITED GUARANTY.....L-1

EXHIBIT M FORM OF LENDER CERTIFICATION FOR ASSIGNMENT OF MORTGAGE LOAN.....M-1

EXHIBIT N FORM OF RULE 144A INVESTMENT REPRESENTATION.....N-1

EXHIBIT O [RESERVED].....O-1

EXHIBIT P FORM OF ERISA LETTER.....P-1

EXHIBIT Q [RESERVED].....Q-1

EXHIBIT R ASSIGNMENT AGREEMENT.....R-1

EXHIBIT S SERVICING CRITERIA.....S-1

EXHIBIT T-1 FORM OF 10-K CERTIFICATION.....T-1-1

EXHIBIT T-2 FORM OF BACK-UP CERTIFICATION.....T-2-1

EXHIBIT U INFORMATION TO BE PROVIDED BY THE MASTER SERVICER TO THE RATING AGENCIES RELATING TO REPORTABLE MODIFIED MORTGAGE LOANS.....U-1

This Pooling and Servicing Agreement, effective as of August 1, 2006, among RESIDENTIAL ASSET SECURITIES CORPORATION, as the depositor (together with its permitted successors and assigns, the "Depositor"), RESIDENTIAL FUNDING CORPORATION, as master servicer (together with its permitted successors and assigns, the "Master Servicer"), and U.S. BANK NATIONAL ASSOCIATION, a banking association organized under the laws of the United States, as trustee (together with its permitted successors and assigns, the "Trustee").

PRELIMINARY STATEMENT:

The Depositor intends to sell mortgage asset-backed pass-through certificates (collectively, the "Certificates"), to be issued hereunder in fifteen Classes, which in the aggregate will evidence the entire beneficial ownership interest in the Mortgage Loans (as defined herein) and certain other related

**Accrued Certificate Interest:** With respect to each Distribution Date and each Class of Class A Certificates and Class M Certificates, interest accrued during the related Interest Accrual Period on the Certificate Principal Balance thereof immediately prior to such Distribution Date at the Pass-Through Rate for that Distribution Date.

The amount of Accrued Certificate Interest on each Class of Certificates shall be reduced by the amount of Prepayment Interest Shortfalls on the related Mortgage Loans during the prior calendar month to the extent not covered by Compensating Interest pursuant to Section 3.16, and by Relief Act Shortfalls on the related Mortgage Loans during the related Due Period. All such reductions with respect to the related Mortgage Loans will be allocated among the Certificates on a pro-rata basis in proportion to the amount of Accrued Certificate Interest payable on such Certificates on such Distribution Date absent such reductions.

Accrued Certificate Interest for any Distribution Date shall further be reduced by the interest portion of Realized Losses allocated to any Class of Certificates pursuant to Section 4.05.

Accrued Certificate Interest shall accrue on the basis of a 360-day year and the actual number of days in the related Interest Accrual Period.

With respect to each Distribution Date and the Class SB Certificates, interest accrued during the preceding Interest Accrual Period at the Pass-Through Rate on the Notional Amount as specified in the definition of Pass-Through Rate, immediately prior to such Distribution Date, reduced by any interest shortfalls with respect to the Mortgage Loans, including Prepayment Interest Shortfalls to the extent not covered by Compensating Interest pursuant to Section 3.16 or by Excess Cash Flow pursuant to Section 4.02(c)(v) and (vi). Accrued Certificate Interest on the Class SB Certificates shall accrue on the basis of a 360-day year and the actual number of days in the related Interest Accrual Period.

**Adjusted Mortgage Rate:** With respect to any Mortgage Loan and any date of determination, the Mortgage Rate borne by the related Mortgage Note, less the rate at which the related Servicing Fee accrues.

**Adjustment Date:** With respect to each adjustable-rate Mortgage Loan, each date set forth in the related Mortgage Note on which an adjustment to the interest rate on such Mortgage Loan becomes effective.

**Advance:** With respect to any Mortgage Loan, any advance made by the Master Servicer, pursuant to Section 4.04.

**Affiliate:** With respect to any Person, any other Person controlling, controlled by or under common control with such first Person. For purposes of this definition, "control" means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

**Agreement:** This Pooling and Servicing Agreement and all amendments hereof and supplements hereto.

**Amount Held for Future Distribution:** With respect to any Distribution Date, the total of the amounts held in the Custodial Account at the close of business on the preceding Determination Date on account of (i) Liquidation Proceeds, Subsequent Recoveries, Insurance Proceeds, REO Proceeds, Principal Prepayments, Mortgage Loan purchases made pursuant to Section 2.02, 2.03, 2.04 or 4.07 and Mortgage Loan substitutions made pursuant to Section 2.03 or 2.04 received or made in the month of such Distribution Date (other than such Liquidation Proceeds, Subsequent Recoveries, Insurance Proceeds, REO Proceeds and purchases of Mortgage Loans that the Master Servicer has deemed to have been received in the preceding month in accordance with Section 3.07(b)) and (ii) payments which represent early receipt of scheduled payments of principal and interest due on a date or dates subsequent to the Due Date in the related Due Period.

**Appraised Value:** With respect to any Mortgaged Property, the lesser of (i) the appraised value of such Mortgaged Property based upon the appraisal made at the time of the origination of the related Mortgage Loan, and (ii) the sales price of the Mortgaged Property at such time of origination, except in the case of a Mortgaged Property securing a refinanced or modified Mortgage Loan as to which it is either the appraised value based upon the appraisal made at the time of origination of the loan which was refinanced or modified or the appraised value determined in an appraisal at the time of refinancing or modification, as the case may be.

**Assignment:** An assignment of the Mortgage, notice of transfer or equivalent instrument, in recordable form, sufficient under the laws of the jurisdiction wherein the related Mortgaged Property is located to reflect of record the sale of the Mortgage Loan to the Trustee for the benefit of Certificateholders, which assignment, notice of transfer or equivalent instrument may be in the form of one or more blanket assignments covering Mortgages secured by Mortgaged Properties located in the same county, if permitted by law and accompanied by an Opinion of Counsel to that effect.

**Assignment Agreement:** The Assignment and Assumption Agreement, dated the Closing Date, between Residential Funding and the Depositor relating to the transfer and assignment of the Mortgage Loans, attached hereto as Exhibit R.

**Available Distribution Amount:** With respect to any Distribution Date, an amount equal to (a) the sum of (i) the amount relating to the Mortgage Loans on deposit in the Custodial Account as of the close of business on the immediately preceding Determination Date, including any Subsequent Recoveries, and amounts deposited in the Custodial Account in connection with the substitution of Qualified Substitute Mortgage Loans, (ii) the amount of any Advance made on the immediately preceding Certificate Account Deposit Date with respect to the Mortgage Loans, (iii) any amount deposited in the Certificate Account on the related Certificate Account Deposit Date pursuant to the second paragraph of Section 3.12(a) in respect of the Mortgage Loans, (iv) any amount that the Master Servicer is not permitted to withdraw from the Custodial Account pursuant to Section 3.16(e) in respect of the Mortgage Loans, and (v) any amount deposited in the Certificate Account pursuant to Section 4.07 or 9.01 in respect of the Mortgage Loans, reduced by (b) the sum as of the close of business on the immediately preceding Determination Date of (x) the Amount Held for Future Distribution with respect to the Mortgage Loans, and (y) amounts permitted to be withdrawn by the Master Servicer from the Custodial Account in respect of the Mortgage Loans pursuant to clauses (ii)-(x), inclusive, of Section 3.10(a).

**Balloon Loan:** Each of the Mortgage Loans having an original term to maturity that is shorter

**Servicing Accounts:** The account or accounts created and maintained pursuant to Section 3.08.

**Servicing Advances:** All customary, reasonable and necessary "out of pocket" costs and expenses incurred in connection with a default, delinquency or other unanticipated event by the Master Servicer or a Subservicer in the performance of its servicing obligations, including, but not limited to, the cost of (i) the preservation, restoration and protection of a Mortgaged Property or, with respect to a cooperative loan, the related cooperative apartment, (ii) any enforcement or judicial proceedings, including foreclosures, including any expenses incurred in relation to any such proceedings that result from the Mortgage Loan being registered on the MERS® System, (iii) the management and liquidation of any REO Property, (iv) any mitigation procedures implemented in accordance with Section 3.07, and (v) compliance with the obligations under Sections 3.01, 3.08, 3.11, 3.12(a) and 3.14, including, if the Master Servicer or any Affiliate of the Master Servicer provides services such as appraisals and brokerage services that are customarily provided by Persons other than servicers of mortgage loans, reasonable compensation for such services.

**Servicing Criteria:** The "servicing criteria" set forth in Item 1122(d) of Regulation AB, as such may be amended from time to time.

**Servicing Fee:** With respect to any Mortgage Loan and Distribution Date, the fee payable monthly to the Master Servicer in respect of master servicing compensation that accrues at an annual rate equal to the Servicing Fee Rate multiplied by the Stated Principal Balance of such Mortgage Loan as of the related Due Date in the related Due Period, as may be adjusted pursuant to Section 3.16(e).

**Servicing Fee Rate:** With respect to any Mortgage Loan, the per annum rate designated on the Mortgage Loan Schedule as the "MSTR SERV FEE," as may be adjusted with respect to successor Master Servicers as provided in Section 7.02, which rate shall never be greater than the Mortgage Rate of such Mortgage Loan.

**Servicing Modification:** Any reduction of the interest rate on or the outstanding principal balance of a Mortgage Loan, any extension of the final maturity date of a Mortgage Loan, and any increase to the Stated Principal Balance of a Mortgage Loan by adding to the Stated Principal Balance unpaid principal and interest and other amounts owing under the Mortgage Loan, in each case pursuant to a modification of a Mortgage Loan that is in default, or for which, in the judgment of the Master Servicer, default is reasonably foreseeable in accordance with Section 3.07(a).

**Servicing Officer:** Any officer of the Master Servicer involved in, or responsible for, the administration and servicing of the Mortgage Loans whose name and specimen signature appear on a list of servicing officers furnished to the Trustee by the Master Servicer on the Closing Date, as such list may from time to time be amended.

**Sixty-Plus Delinquency Percentage:** With respect to any Distribution Date and the Mortgage Loans, the arithmetic average, for each of the three Distribution Dates ending with such Distribution Date, of the fraction, expressed as a percentage, equal to (x) the aggregate Stated Principal Balance of the Mortgage Loans that are 60 or more days delinquent in payment of principal and interest for that Distribution Date, including Mortgage Loans in foreclosure and REO, over (y) the aggregate Stated Principal Balance of all of the Mortgage Loans immediately preceding that Distribution Date.

**Standard & Poor's:** Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. or its successors in interest.

**Startup Date:** The day designated as such pursuant to Article X hereof.

**Stated Principal Balance:** With respect to any Mortgage Loan or related REO Property, as of any date of determination, (i) the sum of (a) the Cut-off Date Principal Balance of the Mortgage Loan and (b) any amount by which the Stated Principal Balance of the Mortgage Loan has been increased pursuant to a Servicing Modification, minus (ii) the sum of (a) the principal portion of the Monthly Payments due with respect to such Mortgage Loan or REO Property during each Due Period ending with the Due Period relating to the most recent Distribution Date which were received or with respect to which an Advance was made, (b) all Principal Prepayments with respect to such Mortgage Loan or REO Property, and all Insurance Proceeds, Liquidation Proceeds and REO Proceeds, to the extent applied by the Master Servicer as recoveries of principal in accordance with Section 3.14 with respect to such Mortgage Loan or REO Property, in each case which were distributed pursuant to Section 4.02 on any previous Distribution Date, and (c) any Realized Loss incurred with respect to such Mortgage Loan allocated to Certificateholders with respect thereto for any previous Distribution Date.

**Stepdown Date:** That Distribution Date which is the earlier to occur of (a) the Distribution Date immediately succeeding the Distribution Date on which the aggregate Certificate Principal Balance of the Class A Certificates has been reduced to zero and (b) the later to occur of (i) the Distribution Date in September 2009 and (ii) the first Distribution Date on which the Senior Enhancement Percentage is equal to or greater than 49.50%.

**Subordination:** The provisions described in Section 4.05 relating to the allocation of Realized Losses.

**Subordination Percentage:** With respect to each Class of Class A Certificates and Class M Certificates, the respective percentage set forth below.

Class	Subordination Percentage
A	50.50%
M-1	59.40%
M-2	68.10%
M-3	72.40%
M-4	76.40%
M-5	80.10%
M-6	82.60%
M-7	85.40%
M-8	87.60%
M-9	90.50%

**Subsequent Recoveries:** As of any Distribution Date, amounts received by the Master Servicer (net of any related expenses permitted to be reimbursed pursuant to Section 3.10) or surplus amounts

held by the Master Servicer to cover estimated expenses incurred, but not limited to, Servicer's in respect of the representations and warranties made by the related Borrower pursuant to the applicable Seller's Agreement and assigned to the Trustee pursuant to Section 3.04) specifically related to a Mortgage Loan that was the subject of a Cash Liquidation or an REO Disposition prior to the related Prepayment Period and that resulted in a Realized Loss.

**Subserviced Mortgage Loan:** Any Mortgage Loan that, at the time of reference thereto, is subject to a Subservicing Agreement.

**Subservicer:** Any Person with whom the Master Servicer has entered into a Subservicing Agreement and who generally satisfied the requirements set forth in the Program Guide in respect of the qualification of a Subservicer as of the date of its approval as a Subservicer by the Master Servicer.

**Subservicer Advance:** Any delinquent installment of principal and interest on a Mortgage Loan which is advanced by the related Subservicer (net of its Subservicing Fee) pursuant to the Subservicing Agreement.

**Subservicing Account:** An account established by a Subservicer in accordance with Section 3.08.

**Subservicing Agreement:** The written contract between the Master Servicer and any Subservicer relating to servicing and administration of certain Mortgage Loans as provided in Section 3.02, generally in the form of the servicer contract referred to or contained in the Program Guide or in such other form as has been approved by the Master Servicer and the Depositor.

**Subservicing Fee:** With respect to any Mortgage Loan, the fee payable monthly to the related Subservicer (or, in the case of a Nonsubserviced Mortgage Loan, to the Master Servicer) in respect of subservicing and other compensation that accrues with respect to each Distribution Date at an annual rate designated as "SUBSERV FEE" on the Mortgage Loan Schedule.

**Tax Returns:** The federal income tax return on Internal Revenue Service Form 1066, U.S. Real Estate Mortgage Investment Conduit Income Tax Return, including Schedule Q thereto, Quarterly Notice to Residual Interest Holders of REMIC Taxable Income or Net Loss Allocation, or any successor forms, to be filed on behalf of any REMIC hereunder due to its classification as a REMIC under the REMIC Provisions, together with any and all other information, reports or returns that may be required to be furnished to the Certificateholders or filed with the Internal Revenue Service or any other governmental taxing authority under any applicable provisions of federal, state or local tax laws.

**Tolerance Screen Page 3750:** As defined in Section 1.02.

**Transfer:** Any direct or indirect transfer, sale, pledge, hypothecation or other form of assignment of any Ownership Interest in a Certificate.

**Transfer Affidavit and Agreement:** As defined in Section 5.02(f).

**Transferee:** Any Person who is acquiring by Transfer any Ownership Interest in a Certificate.

**Transferor:** Any Person who is disposing by Transfer of any Ownership Interest in a Certificate.

**Trigger Event:** A Trigger Event is in effect with respect to any Distribution Date on or after the Stepdown Date if either (a) the related Sixty-Plus Delinquency Percentage, as determined on that Distribution Date, equals or exceeds 32.32% of the Senior Enhancement Percentage for that Distribution Date or (b) on or after the Distribution Date in September 2008, the aggregate amount of Realized Losses on the Mortgage Loans as a percentage of the Cut-Off Date Balance exceeds the applicable amount set forth below:

September 2008 to August 2009:	1.85% with respect to September 2008, plus an additional 1/12th of 2.30% for each month thereafter.
September 2009 to August 2010:	4.15% with respect to September 2009, plus an additional 1/12th of 2.30% for each month thereafter.
September 2010 to August 2011:	6.45% with respect to September 2010, plus an additional 1/12th of 1.85% for each month thereafter.
September 2011 to August 2012:	8.30% with respect to September 2011, plus an additional 1/12th of 1.00% for each month thereafter.
September 2012 and thereafter:	9.30%.

**Trustee:** As defined in the preamble hereto.

**Trust Fund:** The segregated pool of assets subject hereto, consisting of: (i) the Mortgage Loans and the related Mortgage Files; (ii) all payments on and collections in respect of the Mortgage Loans due after the Cut-off Date (other than Monthly Payments due in the month of the Cut-off Date) as shall be on deposit in the Custodial Account or in the Certificate Account and identified as belonging to the Trust Fund; (iii) property which secured a Mortgage Loan and which has been acquired for the benefit of the Certificateholders by foreclosure or deed in lieu of foreclosure; (iv) the hazard insurance policies and Primary Insurance Policies pertaining to the Mortgage Loans, if any; (v) the Yield Maintenance Agreement; and (vi) all proceeds of clauses (i) through (v) above.

**Uncertificated Accrued Interest:** With respect to any REMIC I Regular Interest for any Distribution Date, one month's interest at the related Uncertificated REMIC I Pass-Through Rate for such Distribution Date, accrued on its Uncertificated Principal Balance immediately prior to such Distribution Date. Uncertificated Accrued Interest for the REMIC I Regular Interests shall accrue on the basis of a 360-day year consisting of twelve 30-day months. For purposes of calculating the amount of Uncertificated Accrued Interest for the REMIC I Regular Interests for any Distribution Date, any Prepayment Interest Shortfalls and Relief Act Shortfalls (to the extent not covered by Compensating Interest) relating to the Mortgage Loans for any Distribution Date shall be allocated among REMIC I Regular Interests LT1, LT2, LT3 and LT4 pro rata, based on, and to the extent of, Uncertificated Accrued Interest, as calculated without application of this sentence. Uncertificated Accrued Interest on REMIC



The establishment of the Pass-Through Rates on any LIBOR Rate on the LIBOR Certificates for the relevant Interest Accrual Period, in the absence of manifest error, will be final and binding. Promptly following each LIBOR Rate Adjustment Date the Trustee shall supply the Master Servicer with the results of its determination of LIBOR on such date. Furthermore, the Trustee shall supply to any Certificateholder so requesting by calling 1-800-934-6802, the Pass-Through Rate on the LIBOR Certificates for the current and the immediately preceding Interest Accrual Period.

ARTICLE II

CONVEYANCE OF MORTGAGE LOANS;  
ORIGINAL ISSUANCE OF CERTIFICATES

Section 2.01. Conveyance of Mortgage Loans.

(a) The Depositor, concurrently with the execution and delivery hereof, does hereby assign to the Trustee in respect of the Trust Fund without recourse all the right, title and interest of the Depositor in and to (i) the Mortgage Loans, including all interest and principal on or with respect to the Mortgage Loans due on or after the Cut-off Date (other than Monthly Payments due in the month of the Cut-off Date); and (ii) all proceeds of the foregoing.

(b) In connection with such assignment, and contemporaneously with the delivery of this Agreement, the Depositor delivered or caused to be delivered hereunder to the Trustee, the Yield Maintenance Agreement (the delivery of which shall evidence that the fixed payment for the Yield Maintenance Agreement has been paid and the Trustee and the Trust Fund shall have no further payment obligation thereunder and that such fixed payment has been authorized hereby), and except as set forth in Section 2.01(c) below and subject to Section 2.01(d) below, the Depositor does hereby (1) with respect to each Mortgage Loan, deliver to the Master Servicer (or an Affiliate of the Master Servicer) each of the documents or instruments described in clause (ii) below (and the Master Servicer shall hold (or cause such Affiliate to hold) such documents or instruments in trust for the use and benefit of all present and future Certificateholders), (2) with respect to to each MOM Loan, deliver to, and deposit with, the Trustee, or the Custodian, as the duly appointed agent of the Trustee for such purpose, the documents or instruments described in clauses (i) and (v) below, (3) with respect to each Mortgage Loan that is not a MOM Loan but is registered on the MERS® System, deliver to, and deposit with, the Trustee, or the Custodian, as the duly appointed agent of the Trustee for such purpose, the documents or instruments described in clauses (i), (iv) and (v) below and (4) with respect to each Mortgage Loan that is not a MOM Loan and is not registered on the MERS® System, deliver to, and deposit with, the Trustee, or the Custodian, as the duly appointed agent of the Trustee for such purpose, the documents or instruments described in clauses (i), (iii), (iv) and (v) below.

(i) The original Mortgage Note, endorsed without recourse to the order of the Trustee and showing an unbroken chain of endorsements from the originator thereof to the Person endorsing it to the Trustee, or with respect to any Destroyed Mortgage Note, an original lost note affidavit from the related Seller or Residential Funding stating that the original Mortgage Note was lost, misplaced or destroyed, together with a copy of the related Mortgage Note.

(ii) The original Mortgage, noting the presence of the MIN of the Mortgage Loan and language indicating that the Mortgage Loan is a MOM Loan if the Mortgage Loan is a MOM Loan, with evidence of recording indicated thereon or a copy of the original Mortgage with evidence of recording indicated thereon.

(iii) The assignment (which may be included in one or more blanket assignments if permitted by applicable law) of the Mortgage to the Trustee with evidence of recording indicated thereon or a copy of such assignment with evidence of recording indicated thereon;

(iv) The original recorded assignment or assignments of the Mortgage showing an unbroken chain of title from the originator to the Person assigning it to the Trustee (or to MERS, if the Mortgage Loan is registered on the MERS® System and noting the presence of a MIN) with evidence of recordation noted thereon or attached thereto, or a copy of such assignment or assignments of the Mortgage with evidence of recording indicated thereon.

(v) The original of each modification, assumption agreement or preferred loan agreement, if any, relating to such Mortgage Loan, or a copy of each modification, assumption agreement or preferred loan agreement.

The Depositor may, in lieu of delivering the original of the documents set forth in Section 2.01(b)(iii), (iv) and (v) (or copies thereof) to the Trustee or the Custodian, deliver such documents to the Master Servicer, and the Master Servicer shall hold such documents in trust for the use and benefit of all present and future Certificateholders until such time as is set forth in the next sentence. Within thirty Business Days following the earlier of (i) the receipt of the original of all of the documents or instruments set forth in Section 2.01(b)(iii), (iv) and (v) (or copies thereof) for any Mortgage Loan and (ii) a written request by the Trustee to deliver those documents with respect to any or all of the Mortgage Loans then being held by the Master Servicer, the Master Servicer shall deliver a complete set of such documents to the Trustee or the Custodian, as duly appointed agent of the Trustee.

(c) Notwithstanding the provisions of Section 2.01(b), in the event that in connection with any Mortgage Loan, if the Depositor cannot deliver the original of the Mortgage, any assignment, modification, assumption agreement or preferred loan agreement (or copy thereof as permitted by Section 2.01(b)) with evidence of recording thereon concurrently with the execution and delivery of this Agreement because of (i) a delay caused by the public recording office where such Mortgage, assignment, modification, assumption agreement or preferred loan agreement as the case may be, has been delivered for recordation, or (ii) a delay in the receipt of certain information necessary to prepare the related assignments, the Depositor shall deliver or cause to be delivered to the Trustee or the respective Custodian a copy of such Mortgage, assignment, modification, assumption agreement or preferred loan agreement.

The Depositor shall promptly cause to be recorded in the appropriate public office for real property records the Assignment referred to in clause (iii) of Section 2.01(b), except (a) in states where, in an Opinion of Counsel acceptable to the Master Servicer, such recording is not required to protect the Trustee's interests in the Mortgage Loan or (b) if MERS is identified on the Mortgage or on a properly recorded assignment of the Mortgage, as applicable, as the mortgagee of record solely as nominee for Residential Funding and its successors and assigns. If any Assignment is lost or returned unrecorded to the Depositor because of any defect therein, the Depositor shall prepare a substitute

If the Depositor delivers to the Trustee or Custodian any Mortgage Note or Assignment of Mortgage in blank, the Depositor shall, or shall cause the Custodian to, complete the endorsement of the Mortgage Note and the Assignment of Mortgage in the name of the Trustee in conjunction with the Interim Certification issued by the Custodian, as contemplated by Section 2.02.

Any of the items set forth in Sections 2.01(b)(ii), (iii), (iv) and (v) and that may be delivered as a copy rather than the original may be delivered to the Trustee or the Custodian.

In connection with the assignment of any Mortgage Loan registered on the MERS® System, the Depositor further agrees that it will cause, at the Depositor's own expense, within 30 Business Days after the Closing Date, the MERS® System to indicate that such Mortgage Loans have been assigned by the Depositor to the Trustee in accordance with this Agreement for the benefit of the Certificateholders by including (or deleting, in the case of Mortgage Loans which are repurchased in accordance with this Agreement) in such computer files (a) the code in the field which identifies the specific Trustee and (b) the code in the field "Pool Field" which identifies the series of the Certificates issued in connection with such Mortgage Loans. The Depositor further agrees that it will not, and will not permit the Master Servicer to, and the Master Servicer agrees that it will not, alter the codes referenced in this paragraph with respect to any Mortgage Loan during the term of this Agreement unless and until such Mortgage Loan is repurchased in accordance with the terms of this Agreement.

(d) It is intended that the conveyances by the Depositor to the Trustee of the Mortgage Loans as provided for in this Section 2.01 and the Uncertificated Regular Interests be construed as a sale by the Depositor to the Trustee of the Mortgage Loans and the Uncertificated Regular Interests for the benefit of the Certificateholders. Further, it is not intended that any such conveyance be deemed to be a pledge of the Mortgage Loans and the Uncertificated Regular Interests by the Depositor to the Trustee to secure a debt or other obligation of the Depositor. Nonetheless, (a) this Agreement is intended to be and hereby is a security agreement within the meaning of Articles 8 and 9 of the New York Uniform Commercial Code and the Uniform Commercial Code of any other applicable jurisdiction; (b) the conveyances provided for in this Section 2.01 shall be deemed to be (1) a grant by the Depositor to the Trustee of a security interest in all of the Depositor's right (including the power to convey title thereto), title and interest, whether now owned or hereafter acquired, in and to (A) the Mortgage Loans, including the related Mortgage Note, the Mortgage, any insurance policies and all other documents in the related Mortgage File, (B) all amounts payable pursuant to the Mortgage Loans in accordance with the terms thereof, (C) any Uncertificated Regular Interests and any and all general intangibles, payment intangibles, accounts, chattel paper, instruments, documents, money, deposit accounts, certificates of deposit, goods, letters of credit, advices of credit and investment property and other property of whatever kind or description now existing or hereafter acquired consisting of, arising from or relating to any of the foregoing, and (D) all proceeds of the conversion, voluntary or involuntary, of the foregoing into cash, instruments, securities or other property, including without limitation all amounts from time to time held or invested in the Certificate Account or the Custodial Account, whether in the form of cash, instruments, securities or other property and (2) an assignment by the Depositor to the Trustee of any security interest in any and all of Residential Funding's right (including the power to convey title thereto), title and interest, whether now owned or hereafter acquired, in and to the property described in the foregoing clauses (1)(A), (B), (C) and (D) granted by Residential Funding to the Depositor pursuant to the Assignment Agreement; (c) the possession by the Trustee, the Custodian or any other agent of the Trustee of Mortgage Notes or such other items of property as constitute instruments, money, payment intangibles, negotiable documents, goods, deposit accounts, letters of credit, advices of credit, investment property, certificated securities or chattel paper shall be deemed to be "possession by the secured party," or possession by a purchaser or a person designated by such secured party, for purposes of perfecting the security interest pursuant to the Minnesota Uniform Commercial Code and the Uniform Commercial Code of any other applicable jurisdiction as in effect (including, without limitation, Sections 8-106, 9-313 and 9-106 thereof); and (d) notifications to persons holding such property, and acknowledgments, receipts or confirmations from persons holding such property, shall be deemed notifications to, or acknowledgments, receipts or confirmations from, securities intermediaries, bailees or agents of, or persons holding for, (as applicable) the Trustee for the purpose of perfecting such security interest under applicable law.

The Depositor and, at the Depositor's direction, Residential Funding and the Trustee shall, to the extent consistent with this Agreement, take such reasonable actions as may be necessary to ensure that, if this Agreement were deemed to create a security interest in the Mortgage Loans and the Uncertificated Regular Interests and the other property described above, such security interest would be deemed to be a perfected security interest of first priority under applicable law and will be maintained as such throughout the term of this Agreement. Without limiting the generality of the foregoing, the Depositor shall prepare and deliver to the Trustee not less than 15 days prior to any filing date and, the Trustee shall forward for filing, or shall cause to be forwarded for filing, at the expense of the Depositor, all filings necessary to maintain the effectiveness of any original filings necessary under the Uniform Commercial Code as in effect in any jurisdiction to perfect the Trustee's security interest in or lien on the Mortgage Loans and the Uncertificated Regular Interests, as evidenced by an Officers' Certificate of the Depositor, including without limitation (x) continuation statements, and (y) such other statements as may be occasioned by (1) any change of name of Residential Funding, the Depositor or the Trustee (such preparation and filing shall be at the expense of the Trustee, if occasioned by a change in the Trustee's name), (2) any change of location of the place of business or the chief executive office of Residential Funding or the Depositor, (3) any transfer of any interest of Residential Funding or the Depositor in any Mortgage Loan or (4) any transfer of any interest of Residential Funding or the Depositor in any Uncertificated Regular Interests.

Section 2.02. Acceptance by Trustee.

The Trustee acknowledges receipt (or, with respect to Mortgage Loans subject to a Custodial Agreement, and based solely upon a receipt or certification executed by the Custodian, receipt by the respective Custodian as the duly appointed agent of the Trustee) of the documents referred to in Section 2.01(b)(1) above (except that for purposes of such acknowledgement only, a Mortgage Note may be endorsed in blank and an Assignment of Mortgage may be in blank) and declares that it, or the Custodian as its agent, holds and will hold such documents and the other documents constituting a part of the Custodial Files delivered to it, or a Custodian as its agent, in trust for the use and benefit of all present and future Certificateholders. The Trustee or Custodian (the Custodian being so obligated under a Custodial Agreement) agrees, for the benefit of Certificateholders, to review each Custodial File delivered to it pursuant to Section 2.01(b) within 90 days after the Closing Date to ascertain that all required documents (specifically as set forth in Section 2.01(b)), have been executed and received, and

that such documents relate to the Mortgage Loans identified on the Mortgage Loan Schedule as supplemented, that have been conveyed to it, and to deliver the Trustee's certificate (the "Interim Certification") to the effect that all documents required to be delivered pursuant to Section 2.01(b) above have been executed and received and that such documents relate to the Mortgage Loans identified on the Mortgage Loan Schedule, except for any exceptions listed on Schedule A attached to such Interim Certification. Upon delivery of the Custodial Files by the Depositor or the Master Servicer, the Trustee shall acknowledge receipt (or, with respect to Mortgage Loans subject to a Custodial Agreement, and based solely upon a receipt or certification executed by the Custodian, receipt by the respective Custodian as the duly appointed agent of the Trustee) of the documents referred to in Section 2.01(b) above.

If the Custodian, as the Trustee's agent, finds any document or documents constituting a part of a Custodial File to be missing or defective, upon receipt of notification from the Custodian as specified in the succeeding sentence, the Trustee shall promptly so notify or cause the Custodian to notify the Master Servicer and the Depositor. Pursuant to Section 2.3 of the Custodial Agreement, the Custodian will notify the Master Servicer, the Depositor and the Trustee of any such omission or defect found by it in respect of any Custodial File held by it in respect of the items received by it pursuant to the Custodial Agreement. If such omission or defect materially and adversely affects the interests in the related Mortgage Loan of the Certificateholders, the Master Servicer shall promptly notify the related Subservicer or Seller of such omission or defect and request that such Subservicer or Seller correct or cure such omission or defect within 60 days from the date the Master Servicer was notified of such omission or defect and, if such Subservicer or Seller does not correct or cure such omission or defect within such period, that such Subservicer or Seller purchase such Mortgage Loan from the Trust Fund at its Purchase Price, in either case within 90 days from the date the Master Servicer was notified of such omission or defect; provided that if the omission or defect would cause the Mortgage Loan to be other than a "qualified mortgage" as defined in Section 860G(a)(3) of the Code, any such cure or repurchase must occur within 90 days from the date such breach was discovered. The Purchase Price for any such Mortgage Loan shall be deposited or caused to be deposited by the Master Servicer in the Custodial Account maintained by it pursuant to Section 3.07 and, upon receipt by the Trustee of written notification of such deposit signed by a Servicing Officer, Master Servicer, the Trustee or the Custodian, as the case may be, shall release the contents of any related Mortgage File in its possession and the Trustee shall execute and deliver such instruments of transfer or assignment prepared by the Master Servicer, in each case without recourse, as shall be necessary to vest in the Subservicer or Seller or its designee, as the case may be, any Mortgage Loan released pursuant hereto and thereafter such Mortgage Loan shall not be part of the Trust Fund. In furtherance of the foregoing and Section 2.04, if the Subservicer or Seller or Residential Funding that repurchases the Mortgage Loan is not a member of MERS and the Mortgage is registered on the MERS® System, the Master Servicer, at its own expense and without any right of reimbursement, shall cause MERS to execute and deliver an assignment of the Mortgage in recordable form to transfer the Mortgage from MERS to such Subservicer or Seller or Residential Funding and shall cause such Mortgage to be removed from registration on the MERS® System in accordance with MERS' rules and regulations. It is understood and agreed that the obligation of the Subservicer or Seller, to so cure or purchase any Mortgage Loan as to which a material and adverse defect in or omission of a constituent document exists shall constitute the sole remedy respecting such defect or omission available to Certificateholders or the Trustee on behalf of Certificateholders.

Section 2.03. Representations, Warranties and Covenants of the Master Servicer and the Depositor.

(a) The Master Servicer hereby represents and warrants to the Trustee for the benefit of the Certificateholders that:

(i) The Master Servicer is a corporation duly organized, validly existing and in good standing under the laws governing its creation and existence and is or will be in compliance with the laws of each state in which any Mortgaged Property is located to the extent necessary to ensure the enforceability of each Mortgage Loan in accordance with the terms of this Agreement;

(ii) The execution and delivery of this Agreement by the Master Servicer and its performance and compliance with the terms of this Agreement will not violate the Master Servicer's Certificate of Incorporation or Bylaws or constitute a material default (or an event which, with notice or lapse of time, or both, would constitute a material default) under, or result in the material breach of, any material contract, agreement or other instrument to which the Master Servicer is a party or which may be applicable to the Master Servicer or any of its assets;

(iii) This Agreement, assuming due authorization, execution and delivery by the Trustee and the Depositor, constitutes a valid, legal and binding obligation of the Master Servicer, enforceable against it in accordance with the terms hereof subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws affecting the enforcement of creditors' rights generally and to general principles of equity, regardless of whether such enforcement is considered in a proceeding in equity or at law;

(iv) The Master Servicer is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or governmental agency, which default might have consequences that would materially and adversely affect the condition (financial or other) or operations of the Master Servicer or its properties or might have consequences that would materially adversely affect its performance hereunder;

(v) No litigation is pending or, to the best of the Master Servicer's knowledge, threatened against the Master Servicer which would prohibit its entering into this Agreement or performing its obligations under this Agreement;

(vi) The Master Servicer shall comply in all material respects in the performance of this Agreement with all reasonable rules and requirements of each insurer under each Required Insurance Policy;

(vii) No information, certificate of an officer, statement furnished in writing or report delivered to the Depositor, any Affiliate of the Depositor or the Trustee by the Master Servicer will, to the knowledge of the Master Servicer, contain any untrue statement of a material fact or omit a material fact necessary to make the information, certificate, statement or report not misleading;

(viii) The Master Servicer has examined each existing, and will examine each new, Subservicing Agreement and is or will be familiar with the terms thereof. The terms of each existing Subservicing Agreement and each designated Subservicer are acceptable to the Master Servicer and any new Subservicing Agreements will comply with the provisions of Section 3.02;

(ix) The Master Servicer is a member of MERS in good standing, and will comply in

(x) The Servicing Guide of the Master Servicer requires that the Subservicer for each Mortgage Loan accurately and fully reports its borrower credit files to each of the Credit Repositories in a timely manner.

It is understood and agreed that the representations and warranties set forth in this Section 2.03(a) shall survive delivery of the respective Custodial Files to the Trustee or the Custodian. Upon discovery by either the Depositor, the Master Servicer, the Trustee or the Custodian of a breach of any representation or warranty set forth in this Section 2.03(a) which materially and adversely affects the interests of the Certificateholders in any Mortgage Loan, the party discovering such breach shall give prompt written notice to the other parties (the Custodian being so obligated under a Custodial Agreement). Within 90 days of its discovery or its receipt of notice of such breach, the Master Servicer shall either (i) cure such breach in all material respects or (ii) to the extent that such breach is with respect to a Mortgage Loan or a related document, purchase such Mortgage Loan from the Trust Fund at the Purchase Price and in the manner set forth in Section 2.02; provided that if the breach would cause the Mortgage Loan to be other than a "qualified mortgage" as defined in Section 860G(a)(3) of the Code, any such cure or repurchase must occur within 90 days from the date such breach was discovered. The obligation of the Master Servicer to cure such breach or to so purchase such Mortgage Loan shall constitute the sole remedy in respect of a breach of a representation and warranty set forth in this Section 2.03(a) available to the Certificateholders or the Trustee on behalf of the Certificateholders.

(b) The Depositor hereby represents and warrants to the Trustee for the benefit of the Certificateholders that as of the Closing Date (or, if otherwise specified below, as of the date so specified): (i) immediately prior to the conveyance of the Mortgage Loans to the Trustee, the Depositor had good title to, and was the sole owner of, each Mortgage Loan free and clear of any pledge, lien, encumbrance or security interest (other than rights to servicing and related compensation) and such conveyance validly transfers ownership of the Mortgage Loans to the Trustee free and clear of any pledge, lien, encumbrance or security interest; and (ii) each Mortgage Loan constitutes a qualified mortgage under Section 860G(a)(3)(A) of the Code and Treasury Regulations Section 1.860G-2(a)(1).

It is understood and agreed that the representations and warranties set forth in this Section 2.03(b) shall survive delivery of the respective Custodial Files to the Trustee or the Custodian.

Upon discovery by any of the Depositor, the Master Servicer, the Trustee or the Custodian of a breach of any of the representations and warranties set forth in this Section 2.03(b) which materially and adversely affects the interests of the Certificateholders in any Mortgage Loan, the party discovering such breach shall give prompt written notice to the other parties (the Custodian being so obligated under a Custodial Agreement); provided, however, that in the event of a breach of the representation and warranty set forth in Section 2.03(b)(ii), the party discovering such breach shall give such notice within five days of discovery. Within 90 days of its discovery or its receipt of notice of breach, the Depositor shall either (i) cure such breach in all material respects or (ii) purchase such Mortgage Loan from the Trust Fund at the Purchase Price and in the manner set forth in Section 2.02; provided that the Depositor shall have the option to substitute a Qualified Substitute Mortgage Loan or Loans for such Mortgage Loan if such substitution occurs within two years following the Closing Date; provided that if the omission or defect would cause the Mortgage Loan to be other than a "qualified mortgage" as defined in Section 860G(a)(3) of the Code, any such cure, substitution or repurchase must occur within 90 days from the date such breach was discovered. Any such substitution shall be effected by the Depositor under the same terms and conditions as provided in Section 2.04 for substitutions by Residential Funding. It is understood and agreed that the obligation of the Depositor to cure such breach or to so purchase or substitute for any Mortgage Loan as to which such a breach has occurred and is continuing shall constitute the sole remedy respecting such breach available to the Certificateholders or the Trustee on behalf of the Certificateholders. Notwithstanding the foregoing, the Depositor shall not be required to cure breaches or purchase or substitute for Mortgage Loans as provided in this Section 2.03(b) if the substance of the breach of a representation set forth above also constitutes fraud in the origination of the Mortgage Loan.

#### Section 2.04. Representations and Warranties of Sellers.

The Depositor, as assignee of Residential Funding under the Assignment Agreement, hereby assigns to the Trustee for the benefit of the Certificateholders all of its right, title and interest in respect of the Assignment Agreement applicable to a Mortgage Loan as and to the extent set forth in the Assignment Agreement. Insofar as the Assignment Agreement relates to the representations and warranties made by Residential Funding in respect of such Mortgage Loan and any remedies provided thereunder for any breach of such representations and warranties, such right, title and interest may be enforced by the Master Servicer on behalf of the Trustee and the Certificateholders. Upon the discovery by the Depositor, the Master Servicer, the Trustee or the Custodian of a breach of any of the representations and warranties made in the Assignment Agreement in respect of any Mortgage Loan or of any Repurchase Event which materially and adversely affects the interests of the Certificateholders in such Mortgage Loan, the party discovering such breach shall give prompt written notice to the other parties (the Custodian being so obligated under a Custodial Agreement). The Master Servicer shall promptly notify Residential Funding of such breach or Repurchase Event and request that Residential Funding either (i) cure such breach or Repurchase Event in all material respects within 90 days from the date the Master Servicer was notified of such breach or Repurchase Event or (ii) purchase such Mortgage Loan from the Trust Fund at the Purchase Price and in the manner set forth in Section 2.02.

Upon the discovery by the Depositor, the Master Servicer, the Trustee or the Custodian of a breach of any of such representations and warranties set forth in the Assignment Agreement in respect of any Mortgage Loan which materially and adversely affects the interests of the Certificateholders in such Mortgage Loan, the party discovering such breach shall give prompt written notice to the other parties (the Custodian being so obligated under a Custodial Agreement). The Master Servicer shall promptly notify Residential Funding of such breach of a representation or warranty set forth in the Assignment Agreement and request that Residential Funding either (i) cure such breach in all material respects within 90 days from the date the Master Servicer was notified of such breach or (ii) purchase such Mortgage Loan from the Trust Fund within 90 days of the date of such written notice of such breach at the Purchase Price and in the manner set forth in Section 2.02; provided that Residential Funding shall have the option to substitute a Qualified Substitute Mortgage Loan or Loans for such Mortgage Loan if such substitution occurs within two years following the Closing Date; provided that if the breach would cause the Mortgage Loan to be other than a "qualified mortgage" as defined in Section 860G(a)(3) of the Code, any such cure or substitution must occur within 90 days from the date the breach was discovered. If the breach of representation and warranty that gave rise to the obligation to repurchase or substitute a Mortgage Loan pursuant to Section 4 of the Assignment Agreement was the representation and warranty set forth in clause (xlvii) of Section 4 thereof, then the Master Servicer shall request that

Residential Funding to the Trust Fund, concurrently with the substitution of the Deleted Mortgage Loan as provided in the preceding sentence, an amount equal to any liability or liability of expense that was actually incurred and paid out of or on behalf of the Trust Fund, and that directly resulted from such breach, or if incurred and paid by the Trust Fund thereafter, concurrently with such payment. In the event that Residential Funding elects to substitute a Qualified Substitute Mortgage Loan or Loans for a Deleted Mortgage Loan pursuant to this Section 2.04, Residential Funding shall deliver to the Trustee for the benefit of the Certificateholders with respect to such Qualified Substitute Mortgage Loan or Loans, the original Mortgage Note, the Mortgage, an Assignment of the Mortgage in recordable form, and such other documents and agreements as are required by Section 2.01, with the Mortgage Note endorsed as required by Section 2.01. No substitution will be made in any calendar month after the Determination Date for such month. Monthly Payments due with respect to Qualified Substitute Mortgage Loans in the month of substitution shall not be part of the Trust Fund and will be retained by the Master Servicer and remitted by the Master Servicer to Residential Funding on the next succeeding Distribution Date. For the month of substitution, distributions to the Certificateholders will include the Monthly Payment due on a Deleted Mortgage Loan for such month and thereafter Residential Funding shall be entitled to retain all amounts received in respect of such Deleted Mortgage Loan. The Master Servicer shall amend or cause to be amended the Mortgage Loan Schedule for the benefit of the Certificateholders to reflect the removal of such Deleted Mortgage Loan and the substitution of the Qualified Substitute Mortgage Loan or Loans and the Master Servicer shall deliver the amended Mortgage Loan Schedule to the Trustee. Upon such substitution, the Qualified Substitute Mortgage Loan or Loans shall be subject to the terms of this Agreement and the related Subservicing Agreement in all respects, Residential Funding shall be deemed to have made the representations and warranties with respect to the Qualified Substitute Mortgage Loan (other than those of a statistical nature) contained in the Assignment Agreement as of the date of substitution, and the covenants, representations and warranties set forth in this Section 2.04, and in Section 2.03(b) hereof.

In connection with the substitution of one or more Qualified Substitute Mortgage Loans for one or more Deleted Mortgage Loans, the Master Servicer shall determine the amount (if any) by which the aggregate principal balance of all such Qualified Substitute Mortgage Loans as of the date of substitution is less than the aggregate Stated Principal Balance of all such Deleted Mortgage Loans (in each case after application of the principal portion of the Monthly Payments due in the month of substitution that are to be distributed to the Certificateholders in the month of substitution). Residential Funding shall deposit or cause the related Seller to deposit the amount of such shortfall into the Custodial Account on the day of substitution, without any reimbursement therefor. Residential Funding shall give notice in writing to the Trustee of such event, which notice shall be accompanied by an Officers' Certificate as to the calculation of such shortfall and (subject to Section 10.01(f)) by an Opinion of Counsel to the effect that such substitution will not cause (a) any federal tax to be imposed on the Trust Fund, including without limitation, any federal tax imposed on "prohibited transactions" under Section 860F(a)(1) of the Code or on "contributions after the startup date" under Section 860G(d)(1) of the Code or (b) any portion of any REMIC created hereunder to fail to qualify as a REMIC at any time that any Certificate is outstanding.

It is understood and agreed that the obligation of Residential Funding to cure such breach or purchase (and in the case of Residential Funding to substitute for) such Mortgage Loan as to which such a breach has occurred and is continuing and to make any additional payments required under the Assignment Agreement in connection with a breach of the representation and warranty in clause (xlvii) of Section 4 thereof shall constitute the sole remedy respecting such breach available to the Certificateholders or the Trustee on behalf of the Certificateholders. If the Master Servicer is Residential Funding, then the Trustee shall also have the right to give the notification and require the purchase or substitution provided for in the second preceding paragraph in the event of such a breach of a representation or warranty made by Residential Funding in the Assignment Agreement. In connection with the purchase of or substitution for any such Mortgage Loan by Residential Funding, the Trustee shall assign to Residential Funding all of the Trustee's right, title and interest in respect of the Assignment Agreement applicable to such Mortgage Loan.

Section 2.05. Execution and Authentication of Certificates; Conveyance of REMIC-I Regular Interests.

(a) The Trustee acknowledges the assignment to it of the Mortgage Loans and the delivery of the Custodial Files to it, or the Custodian on its behalf, subject to any exceptions noted, together with the assignment to it of all other assets included in the Trust Fund, receipt of which is hereby acknowledged. Concurrently with such delivery and in exchange therefor, the Trustee, pursuant to the written request of the Depositor executed by an officer of the Depositor, has executed and caused to be authenticated and delivered to or upon the order of the Depositor the Certificates in authorized denominations which evidence ownership of the entire Trust Fund.

(b) The Depositor, concurrently with the execution and delivery hereof, does hereby transfer, assign, set over and otherwise convey in trust to the Trustee without recourse all the right, title and interest of the Depositor in and to the REMIC I Regular Interests for the benefit of the holders of the Regular Certificates and Component II of the Class R Certificates. The Trustee acknowledges receipt of the REMIC I Regular Interests (each of which are uncertificated) and declares that it holds and will hold the same in trust for the exclusive use and benefit of the holders of the Regular Certificates and Component II of the Class R Certificates. The interests evidenced by Component II of the Class R Certificates, together with the Regular Certificates, constitute the entire beneficial ownership interest in REMIC II.

Section 2.06. Purposes and Powers of the Trust.

The purpose of the trust, as created hereunder, is to engage in the following activities:

- (a) to sell the Certificates to the Depositor in exchange for the Mortgage Loans;
- (b) to enter into and perform its obligations under this Agreement;
- (c) to engage in those activities that are necessary, suitable or convenient to accomplish the foregoing or are incidental thereto or connected therewith; and
- (d) subject to compliance with this Agreement, to engage in such other activities as may be required in connection with conservation of the Trust Fund and the making of distributions to the Certificateholders.

The trust is hereby authorized to engage in the foregoing activities. Notwithstanding the provisions of Section 11.01, the trust shall not engage in any activity other than in connection with the foregoing or other than as required or authorized by the terms of this Agreement while any Certificate is outstanding, and this Section 2.06 may not be amended, without the consent of the

(j) After delivery of any Advance Facility Notice, and until any such Advance Facility Notice has been terminated by a Notice of Facility Termination, this Section 3.22 may not be amended or otherwise modified without the prior written consent of the related Advancing Person.

#### ARTICLE IV

##### PAYMENTS TO CERTIFICATEHOLDERS

###### Section 4.01. Certificate Account.

(a) The Master Servicer acting as agent of the Trustee shall establish and maintain a Certificate Account in which the Master Servicer shall cause to be deposited on behalf of the Trustee on or before 2:00 P.M. New York time on each Certificate Account Deposit Date by wire transfer of immediately available funds an amount equal to the sum of (i) any Advance for the immediately succeeding Distribution Date, (ii) any amount required to be deposited in the Certificate Account pursuant to Section 3.12(a), (iii) any amount required to be deposited in the Certificate Account pursuant to Section 3.16(e) or Section 4.07, (iv) any amount required to be paid pursuant to Section 9.01, and (v) other amounts constituting the Available Distribution Amount for the immediately succeeding Distribution Date.

(b) [Reserved].

(c) The Trustee shall, upon written request from the Master Servicer, invest or cause the institution maintaining the Certificate Account to invest the funds in the Certificate Account in Permitted Investments designated in the name of the Trustee for the benefit of the Certificateholders, which shall mature not later than the Business Day next preceding the Distribution Date next following the date of such investment (except that (i) if such Permitted Investment is an obligation of the institution that maintains such account or fund for which such institution serves as custodian, then such Permitted Investment may mature on such Distribution Date and (ii) any other investment may mature on such Distribution Date if the Trustee shall advance funds on such Distribution Date to the Certificate Account in the amount payable on such investment on such Distribution Date, pending receipt thereof to the extent necessary to make distributions on the Certificates) and shall not be sold or disposed of prior to maturity. All income and gain realized from any such investment shall be for the benefit of the Master Servicer and shall be subject to its withdrawal or order from time to time. The amount of any losses incurred in respect of any such investments shall be deposited in the Certificate Account by the Master Servicer out of its own funds immediately as realized.

###### Section 4.02. Distributions.

(a) On each Distribution Date, the Trustee (or the Paying Agent on behalf of the Trustee) shall allocate and distribute the Available Distribution Amount, if any, for such date to the interests issued in respect of REMIC I and REMIC II as specified in this Section.

(b) (1) On each Distribution Date, the REMIC I Distribution Amount shall be distributed by REMIC I to REMIC II on account of the REMIC I Regular Interests and to the Holders of the Class R Certificates in the amounts and with the priorities set forth in the definition thereof.

(2) Notwithstanding the distributions described in this Section 4.02(b), distribution of funds from the Certificate Account shall be made only in accordance with Section 4.02(c).

(c) On each Distribution Date (x) the Master Servicer on behalf of the Trustee or (y) the Paying Agent appointed by the Trustee, shall distribute to each Certificateholder of record on the next preceding Record Date (other than as provided in Section 9.01 respecting the final distribution) either in immediately available funds (by wire transfer or otherwise) to the account of such Certificateholder at a bank or other entity having appropriate facilities therefor, if such Certificateholder has so notified the Master Servicer or the Paying Agent, as the case may be, or, if such Certificateholder has not so notified the Master Servicer or the Paying Agent by the Record Date, by check mailed to such Certificateholder at the address of such Holder appearing in the Certificate Register such Certificateholder's share (which share with respect to each Class of Certificates, shall be based on the aggregate of the Percentage Interests represented by Certificates of the applicable Class held by such Holder of the following amounts), in the following order of priority, in each case to the extent of the Available Distribution Amount on deposit in the Certificate Account (except, with respect to clauses (iii) through (x) below, to the extent of the remaining Available Distribution Amount plus the remaining Yield Maintenance Agreement Payment available for that purpose or, with respect to clause (x)(B) below, to the extent of prepayment charges on deposit in the Certificate Account):

(i) to the Class A Certificateholders, the Accrued Certificate Interest payable on the Class A Certificates with respect to such Distribution Date, plus any related amounts accrued pursuant to this clause (i) but remaining unpaid from any prior Distribution Date being paid from and in reduction of the Available Distribution Amount for such Distribution Date;

(ii) to the Class M Certificateholders, from the amount, if any, of the Available Distribution Amount remaining after the foregoing distributions, the Accrued Certificate Interest payable on the Class M Certificates with respect to such Distribution Date, plus any related amounts accrued pursuant to this clause (ii) but remaining unpaid from any prior Distribution Date, sequentially, to the Class M-1 Certificateholders, Class M-2 Certificateholders, Class M-3 Certificateholders, Class M-4 Certificateholders, Class M-5 Certificateholders, Class M-6 Certificateholders, Class M-7 Certificateholders, Class M-8 Certificateholders and Class M-9 Certificateholders, in that order, being paid from and in reduction of the Available Distribution Amount for such Distribution Date;

(iii) [reserved];

(iv) the Principal Distribution Amount shall be distributed as follows, to be applied to reduce the Certificate Principal Balance of the applicable Certificates in each case to the extent of the remaining Principal Distribution Amount:

(A) first, the Class A Principal Distribution Amount shall be distributed, sequentially, to the Class A-1 Certificateholders, Class A-2 Certificateholders, Class A-3 Certificateholders and Class A-4 Certificateholders, in that order, in each case until the aggregate Certificate Principal Balance thereof is reduced to zero;

(B) second, to the Class M-1 Certificateholders, the Class M-1 Principal Distribution Amount, until the Certificate Principal Balance of the Class M-1 Certificates has been reduced to zero;

(C) third, to the Class M-2 Certificateholders, the Class M-2 Principal Distribution Amount, until the Certificate Principal Balance of the Class M-2 Certificates has been reduced to zero;

(D) fourth, to the Class M-3 Certificateholders, the Class M-3 Principal Distribution Amount, until the Certificate Principal Balance of the Class M-3 Certificates has been reduced to zero;

(E) fifth, to the Class M-4 Certificateholders, the Class M-4 Principal Distribution Amount, until the Certificate Principal Balance of the Class M-4 Certificates has been reduced to zero;

(F) sixth, to the Class M-5 Certificateholders, the Class M-5 Principal Distribution Amount, until the Certificate Principal Balance of the Class M-5 Certificates has been reduced to zero;

(G) seventh, to the Class M-6 Certificateholders, the Class M-6 Principal Distribution Amount, until the Certificate Principal Balance of the Class M-6 Certificates has been reduced to zero;

(H) eighth, to the Class M-7 Certificateholders, the Class M-7 Principal Distribution Amount, until the Certificate Principal Balance of the Class M-7 Certificates has been reduced to zero;

(I) ninth, to the Class M-8 Certificateholders, the Class M-8 Principal Distribution Amount, until the Certificate Principal Balance of the Class M-8 Certificates has been reduced to zero; and

(J) tenth, to the Class M-9 Certificateholders, the Class M-9 Principal Distribution Amount, until the Certificate Principal Balance of the Class M-9 Certificates has been reduced to zero;

(v) to the Class A Certificateholders and Class M Certificateholders, the amount of any Prepayment Interest Shortfalls allocated thereto for such Distribution Date, on a pro rata basis based on Prepayment Interest Shortfalls allocated thereto to the extent not offset by Eligible Master Servicing Compensation on such Distribution Date;

(vi) to the Class A Certificateholders and Class M Certificateholders, the amount of any Prepayment Interest Shortfalls previously allocated thereto remaining unpaid from prior Distribution Dates together with interest thereon at the Pass-Through Rate, on a pro rata basis based on unpaid Prepayment Interest Shortfalls previously allocated thereto;

(vii) first, to the Class A Certificateholders, the amount of any unpaid Basis Risk Shortfalls allocated thereto, on a pro rata basis based on the amount of unpaid Basis Risk Shortfalls allocated thereto, and then, sequentially, to the Class M-1, Class M-2, Class M-3, Class M-4, Class M-5, Class M-6, Class M-7, Class M-8 and Class M-9 Certificateholders, in that order, the related Basis Risk Shortfall, as applicable, for such Class and that Distribution Date;

(viii) to the Class A Certificateholders and Class M Certificateholders, Relief Act Shortfalls allocated thereto for such Distribution Date, on a pro rata basis based on Relief Act Shortfalls allocated thereto for such Distribution Date,

(ix) first, to the Class A Certificateholders, the principal portion of any Realized Losses previously allocated to those Certificates and remaining unreimbursed, on a pro rata basis based on their respective principal portion of any Realized Losses previously allocated to those Certificates and remaining unreimbursed, and then, sequentially, to the Class M-1, Class M-2, Class M-3, Class M-4, Class M-5, Class M-6, Class M-7, Class M-8 and Class M-9 Certificateholders, in that order, the principal portion of any Realized Losses previously allocated to such Class and remaining unreimbursed;

(x) to the Class SB Certificates, (A) from the amount, if any, of the Excess Cash Flow remaining after the foregoing distributions, the sum of (I) Accrued Certificate Interest thereon, (II) the amount of any Overcollateralization Reduction Amount for such Distribution Date, (III) the amount of any Yield Maintenance Agreement Shortfall Amount for such Distribution Date, (IV) the amount of any Yield Maintenance Agreement Shortfall Carry-Forward Amount for such Distribution Date and (V) for any Distribution Date after the Certificate Principal Balance of each Class of Class A Certificates and Class M Certificates has been reduced to zero, the Overcollateralization Amount and (B) from prepayment charges on deposit in the Certificate Account, any prepayment charges received on the Mortgage Loans during the related Prepayment Period; and

(xi) to the Class R Certificateholders, the balance, if any, of the Excess Cash Flow.

(d) Notwithstanding the foregoing clause (c), upon the reduction of the Certificate Principal Balance of a Class of Class A Certificates or Class M Certificates to zero, such Class of Certificates will not be entitled to further distributions pursuant to Section 4.02.

(e) Each distribution with respect to a Book-Entry Certificate shall be paid to the Depository, as Holder thereof, and the Depository shall be responsible for crediting the amount of such distribution to the accounts of its Depository Participants in accordance with its normal procedures. Each Depository Participant shall be responsible for disbursing such distribution to the Certificate Owners that it represents and to each indirect participating brokerage firm (a "brokerage firm" or "indirect participating firm") for which it acts as agent. Each brokerage firm shall be responsible for disbursing funds to the Certificate Owners that it represents. None of the Trustee, the Certificate

(f) Except as otherwise provided in Section 9.01, if the Master Servicer anticipates that a final distribution with respect to any Class of Certificates will be made on a Distribution Date, the Master Servicer shall, no later than 40 days' prior to such Distribution Date, notify the Trustee and the Trustee shall, not earlier than the 15th day and not later than the 25th day of the month preceding such Distribution Date, distribute, or cause to be distributed, on such date to each Holder of such Class of Certificates a notice to the effect that: (i) the Trustee anticipates that the final distribution with respect to such Class of Certificates will be made on such Distribution Date but only upon presentation and surrender of such Certificates at the office of the Trustee or as otherwise specified therein, and (ii) no interest shall accrue on such Certificates from and after the end of the prior calendar month. In the event that Certificateholders required to surrender their Certificates pursuant to Section 9.01(c) do not surrender their Certificates for final cancellation, the Trustee shall cause funds distributable with respect to such Certificates to be withdrawn from the Certificate Account and credited to a separate escrow account for the benefit of such Certificateholders as provided in Section 9.01(d).

Section 4.03. Statements to Certificateholders; Statements to Rating Agencies; Exchange Act Reporting.

(a) Concurrently with each distribution charged to the Certificate Account and with respect to each Distribution Date the Master Servicer shall forward to the Trustee and the Trustee shall forward by mail or otherwise make available electronically on its website (which may be obtained by any Certificateholder by telephoning the Trustee at (800) 934-6802) to each Holder and the Depositor a statement setting forth the following information as to each Class of Certificates, in each case to the extent applicable:

(i) the applicable Record Date, Determination Date and Distribution Date, and the date on which the applicable Interest Accrual Period commenced;

(ii) the aggregate amount of payments received with respect to the Mortgage Loans, including prepayment amounts;

(iii) the Servicing Fee and Subservicing Fee payable to the Master Servicer and the Subservicer;

(iv) the amount of any other fees or expenses paid, and the identity of the party receiving such fees or expenses; (A) the amount of such distribution to the Certificateholders of such Class applied to reduce the Certificate Principal Balance thereof, and (B) the aggregate amount included therein representing Principal Prepayments;

(v) the amount of such distribution to Holders of such Class of Certificates allocable to interest (including amounts payable as a portion of the Excess Cash Flow);

(vi) if the distribution to the Holders of such Class of Certificates is less than the full amount that would be distributable to such Holders if there were sufficient funds available therefor, the amount of the shortfall;

(vii) the Certificate Principal Balance of each Class of the Certificates, before and after giving effect to the amounts distributed on such Distribution Date, separately identifying any reduction thereof due to Realized Losses other than pursuant to an actual distribution of principal;

(viii) the Certificate Principal Balance of each Class of Class A Certificates as of the Closing Date;

(ix) the Certificate Principal Balance of each Class of Class M Certificates as of the Closing Date;

(x) the number and Stated Principal Balance of the Mortgage Loans after giving effect to the distribution of principal on such Distribution Date and the number of Mortgage Loans at the beginning and end of the related Due Period;

(xi) on the basis of the most recent reports furnished to it by Subservicers, (A) the number and Stated Principal Balances of Mortgage Loans that are Delinquent (1) 30-59 days, (2) 60-89 days and (3) 90 or more days and the number and Stated Principal Balance of Mortgage Loans that are in foreclosure, (B) the number and Stated Principal Balances of the Mortgage Loans in the aggregate that are Reportable Modified Mortgage Loans that are in foreclosure and are REO Property, indicating in each case capitalized Mortgage Loans, other Servicing Modifications and totals, and (C) for all Reportable Modified Mortgage Loans, the number and Stated Principal Balances of the Mortgage Loans in the aggregate that have been liquidated, the subject of pay-offs and that have been repurchased by the Master Servicer or Seller;

(xii) the amount, terms and general purpose of any Advance by the Master Servicer pursuant to Section 4.04 and the amount of all Advances that have been reimbursed during the related Due Period;

(xiii) any material modifications, extensions or waivers to the terms of the Mortgage Loans during the Due Period or that have cumulatively become material over time;

(xiv) any material breaches of Mortgage Loan representations or warranties or covenants in the Agreement;

(xv) the amount, if any, of the Yield Maintenance Agreement Payment for such Distribution Date and any shortfall in amounts previously required to be paid under the Yield Maintenance Agreement for prior Distribution Dates;

(xvi) the number, aggregate principal balance and Stated Principal Balance of any REO Properties with respect to the Mortgage Loans;

(xvii) the aggregate Accrued Certificate Interest remaining unpaid, if any, for each Class of Certificates, after giving effect to the distribution made on such Distribution Date;

(xviii) the aggregate amount of Realized Losses with respect to the Mortgage Loans for such Distribution Date and the aggregate amount of Realized Losses with respect to the Mortgage Loans incurred since the Cut-off Date;



# EXHIBIT 7-F

RESIDENTIAL FUNDING MORTGAGE SECURITIES I, INC.,

Company,

RESIDENTIAL FUNDING COMPANY, LLC,

Master Servicer,

and

U.S. BANK NATIONAL ASSOCIATION,

Trustee

SERIES SUPPLEMENT,

DATED AS OF OCTOBER 30, 2006

TO

STANDARD TERMS OF

POOLING AND SERVICING AGREEMENT

DATED AS OF OCTOBER 30, 2006

Mortgage Pass-Through Certificates

Series 2006-S10

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ARTICLE I	DEFINITIONS.....	5
Section 1.01	Definitions.....	5
Section 1.02	Use of Words and Phrases.....	24
ARTICLE II	ARTICLE II CONVEYANCE OF MORTGAGE LOANS; ORIGINAL ISSUANCE OF CERTIFICATES.....	25
Section 2.01	Conveyance of Mortgage Loans.....	25
Section 2.02	Acceptance by Trustee. (See Section 2.02 of the Standard Terms).....	25
Section 2.03	Representations, Warranties and Covenants of the Master Servicer and the Company.....	25
Section 2.04	Representations and Warranties of Residential Funding. (See Section 2.04 of the Standard Terms).....	28
Section 2.05	Execution and Authentication of Class R-I Certificates.....	28
Section 2.06	Conveyance of Uncertificated REMIC I and REMIC II Regular Interests; Acceptance by the Trustee.....	28
Section 2.07	Issuance of Certificates Evidencing Interest in REMIC III.....	29
Section 2.08	Purposes and Powers of the Trust. (See Section 2.08 of the Standard Terms).....	29
Section 2.09	Agreement Regarding Ability to Disclose.....	29
ARTICLE III	ADMINISTRATION AND SERVICING OF MORTGAGE LOANS.....	30
Section 3.01	Master Servicer to Act as Servicer. (See Section 3.01 of the Standard Terms).....	30
Section 3.02	Subservicing Agreements Between Master Servicer and Subservicers; Enforcement of Subservicers' and Sellers' Obligations.....	30
Section 3.03	Successor Subservicers. (See Section 3.03 of the Standard Terms).....	31
Section 3.04	Liability of the Master Servicer. (See Section 3.04 of the Standard Terms).....	31
Section 3.05	No Contractual Relationship Between Subservicer and Trustee or Certificateholders. (See Section 3.05 of the Standard Terms).....	31
Section 3.06	Assumption or Termination of Subservicing Agreements by Trustee. (See	

Part F Pg 3 of 22

Section 10.01	REMIC Administration. (See Section 10.01 of the Standard Terms).....	51
Section 10.02	Master Servicer; REMIC Administrator and Trustee Indemnification. (See Section 10.02 of the Standard Terms).....	51
Section 10.03	Designation of REMIC(s).....	51
Section 10.04	Distributions on the Uncertificated REMIC I Regular Interests Z, Uncertificated REMIC II Regular Interests and Uncertificated REMIC III Regular Interests Z.....	51
Section 10.05	Compliance with Withholding Requirements.....	53
ARTICLE XI	MISCELLANEOUS PROVISIONS.....	55
Section 11.01	Amendment. (See Section 11.01 of the Standard Terms).....	55
Section 11.02	Recordation of Agreement, Counterparts. (See Section 11.02 of the Standard Terms).....	55
Section 11.03	Limitation on Rights of Certificateholders. (See Section 11.03 of the Standard Terms).....	55
Section 11.04	Governing Laws. (See Section 11.04 of the Standard Terms).....	55
Section 11.05	Notices.....	55
Section 11.06	Required Notices to Rating Agency and Subservicer. (See Section 11.06 of the Standard Terms).....	56
Section 11.07	Severability of Provisions. (See Section 11.07 of the Standard Terms).....	56
Section 11.08	Supplemental Provisions for Resecuritization. (See Section 11.08 of the Standard Terms).....	56
Section 11.09	Allocation of Voting Rights.....	56
Section 11.10	No Petition. (See Section 11.10 of the Standard Terms).....	56
ARTICLE XII	COMPLIANCE WITH REGULATION AB.....	57
EXHIBITS		
Exhibit One-I:	Mortgage Loan Schedule (Group I Loans)	
Exhibit One-II:	Mortgage Loan Schedule (Group II Loans)	
Exhibit Two-I:	Schedule of Discount Fractions for Group I Loans	
Exhibit Two-II:	Schedule of Discount Fractions for Group II Loans	
Exhibit Three:	Information to be Included in Monthly Distribution Date Statement	
Exhibit Four:	Standard Terms of Pooling and Servicing Agreement dated as of October 30, 2006	

This is a Series Supplement, dated as of October 30, 2006 (the "Series Supplement"), to the Standard Terms of Pooling and Servicing Agreement, dated as of October 30, 2006 and attached as Exhibit Four hereto (the "Standard Terms" and, together with this Series Supplement, the "Pooling and Servicing Agreement" or "Agreement"), among RESIDENTIAL FUNDING MORTGAGE SECURITIES I, INC., as the company (together with its permitted successors and assigns, the "Company"), RESIDENTIAL FUNDING COMPANY, LLC, as master servicer (together with its permitted successors and assigns, the "Master Servicer"), and U.S. BANK NATIONAL ASSOCIATION, as Trustee (together with its permitted successors and assigns, the "Trustee").

PRELIMINARY STATEMENT

The Company intends to sell Mortgage Pass-Through Certificates (collectively, the "Certificates"), to be issued hereunder in multiple classes, which in the aggregate will evidence the entire beneficial ownership interest in the Trust Fund. As provided herein, the REMIC Administrator will make an election to treat the entire segregated pool of assets described in the definition of Trust Fund, and subject to this Agreement (including the Mortgage Loans but excluding the Initial Monthly Payment Funds), as three real estate mortgage investment conduits (each a "REMIC") for federal income tax purposes. A segregated pool of assets consisting of the Group I Loans and the related assets described in the definition of Trust Fund (other than the related Initial Monthly Payment Fund) will be designated as "REMIC I," and the REMIC Administrator will make a separate REMIC election with respect thereto. The Uncertificated REMIC Regular I Interests will be "regular interests" in REMIC I and the Class R-I Certificates will be the sole class of "residual interests" in REMIC I for purposes of the REMIC Provisions (as defined herein). A segregated pool of assets consisting of the Group II Loans and the related assets described in the definition of Trust Fund (other than the related Initial Monthly Payment Fund) will be designated as "REMIC II," and the REMIC Administrator will make a separate REMIC election with respect thereto. The Uncertificated REMIC Regular II Interests will be "regular interests" in REMIC II and the Class R-II Certificates will be the sole class of "residual interests" in REMIC II for purposes of the REMIC Provisions (as defined herein). A segregated pool of assets consisting of the Uncertificated REMIC I Regular Interests and Uncertificated REMIC II Regular Interests will be designated as "REMIC III," and the REMIC Administrator will make a separate REMIC election with respect thereto. The Class I-A-1 Certificates, Class I-A-2 Certificates, Class I-A-3 Certificates, Class I-A-4 Certificates, Class I-A-5 Certificates, Class I-A-6 Certificates, Class I-A-7 Certificates, Class I-A-P Certificates, Class II-A-1 Certificates, Class II-A-P Certificates, Class I-M-1 Certificates, Class I-M-2 Certificates, Class I-M-3 Certificates, Class II-M-1 Certificates, Class II-M-2 Certificates, Class II-M-3 Certificates, Class I-B-1 Certificates, Class I-B-2 Certificates, Class I-B-3 Certificates, Class II-B-1 Certificates, Class II-B-2 Certificates, Class II-B-3 Certificates and the

ARTICLE I

DEFINITIONS

Section 1.01.....Definitions.

Whenever used in this Agreement, the following words and phrases, unless the context otherwise requires, shall have the meanings specified in this Article.

**Accrued Certificate Interest:** With respect to each Distribution Date, as to any Class or Subclass of Certificates (other than any Principal Only Certificates), interest accrued during the related Interest Accrual Period at the related Pass-Through Rate on the Certificate Principal Balance or Notional Amount thereof immediately prior to such Distribution Date. Accrued Certificate Interest will be calculated on the basis of a 360-day year, consisting of twelve 30-day months. In each case Accrued Certificate Interest on any Class or Subclass of Certificates will be reduced by the amount of:

- (i) Prepayment Interest Shortfalls on all Mortgage Loans in the related Loan Group (to the extent not offset by the Master Servicer with a payment of Compensating Interest as provided in Section 4.01),
- (ii) the interest portion (adjusted to the Net Mortgage Rate (or the Modified Net Mortgage Rate in the case of a Modified Mortgage Loan)) of Realized Losses on all Mortgage Loans in the related Loan Group (including Excess Special Hazard Losses, Excess Fraud Losses, Excess Bankruptcy Losses and Extraordinary Losses) not allocated solely to one or more specific Classes of Certificates pursuant to Section 4.05,
- (iii) the interest portion of Advances that were (A) previously made with respect to a Mortgage Loan or REO Property on the Mortgage Loans in the related Loan Group, which remained unreimbursed following the Cash Liquidation or REO Disposition of such Mortgage Loan or REO Property and (B) made with respect to delinquencies that were ultimately determined to be Excess Special Hazard Losses, Excess Fraud Losses, Excess Bankruptcy Losses or Extraordinary Losses on the Mortgage Loans in the related Loan Group and were not allocated solely to one or more specific Classes of Certificates pursuant to Section 4.05, and
- (iv) any other interest shortfalls on the Mortgage Loans in the related Loan Group not covered by the subordination provided by the related Class M Certificates and related Class B Certificates, including interest that is not collectible from the Mortgagor pursuant to the Relief Act, all allocated as described below.

The Class I-A Percentage of these reductions with respect to the Group I Loans will be allocated among the Holders of the Group I Senior Certificates, other than the Class I-A-P Certificates, in proportion to the amounts of Accrued Certificate Interest that would have been payable to those Certificates from the Group I Loans on that Distribution Date absent such reductions. The Class II-A Percentage of these reductions with respect to the Group II Loans will be allocated among the Holders of the Group II Senior Certificates, other than the Class II-A-P Certificates, in proportion to the amounts of Accrued Certificate Interest that would have been payable to those Certificates from the Group II Loans on that Distribution Date absent such reductions. The remainder of these reductions will be allocated among the Holders of the related Class M Certificates and the related Class B Certificates in proportion to the respective amounts of Accrued Certificate Interest that would have been payable on that Distribution Date absent these reductions. In the case of each Class of Class A Certificates (other than the Principal-Only Certificates), Class M Certificates and Class B Certificates, Accrued Certificate Interest on that Class will be further reduced by the interest portion (adjusted to the Net Mortgage Rate) of Realized Losses that are allocated solely to such Class of such Class A Certificates, such Class M Certificates or such Class of Class B Certificates pursuant to Section 4.05.

**Available Distribution Amount:** As to any Distribution Date, an amount determined separately with respect to the Group I Loans and Group II Loans, and in each case shall be equal to (a) the sum of (i) the amount relating to the Mortgage Loans in the related Loan Group on deposit in the Custodial Account as of the close of business on the immediately preceding Determination Date, including any Subsequent Recoveries from the Mortgage Loans in the that Loan Group, and amounts deposited in the Custodial Account in connection with the substitution of Qualified Substitute Mortgage Loans, (ii) the amount of any Advance for the related Loan Group made on the immediately preceding Certificate Account Deposit Date, (iii) any amount deposited in the Certificate Account on the related Certificate Account Deposit Date pursuant to the second paragraph of Section 3.12(a), (iv) any amount deposited in the Certificate Account pursuant to Section 4.07 and any amounts deposited in the Custodial Account pursuant to Section 9.01 and (v) any amount that the Master Servicer is not permitted to withdraw from the Custodial Account or the Certificate Account pursuant to Section 3.16(e), reduced by (b) the sum as of the close of business on the immediately preceding Determination Date of (x) the Amount Held for Future Distribution, and (y) amounts permitted to be withdrawn by the Master Servicer from the Custodial Account in respect of the Mortgage Loans in the related Loan Group pursuant to clauses (ii)-(x), inclusive, of Section 3.10(a).

**Bankruptcy Amount:** With respect to each Loan Group, as of any date of determination prior to the first anniversary of the Cut-off Date, an amount equal to the excess, if any, of (A) \$224,503, in the case of Loan Group I, and \$100,000, in the case of Loan Group II, over (B) the aggregate amount of Bankruptcy Losses allocated solely to one or more specific Classes of Certificates in the related Certificate Group in accordance with Section 4.05 of this Series Supplement. As of any date of determination on or after the first anniversary of the Cut-off Date, an amount equal to the excess, if any, of:

- (1) the lesser of (a) the related Bankruptcy Amount calculated as of the close of business on the Business Day immediately preceding the most recent anniversary of the Cut-off Date coinciding with or preceding such date of determination (or, if such date of determination is an anniversary of the Cut-off Date, the Business Day immediately preceding such date of determination) (for purposes of this definition, the "Relevant Anniversary") and (b) the greater of:

- (A) the greater of (i) 0.0006 times the aggregate principal balance of all the Mortgage Loans in the related Loan Group as of the Relevant Anniversary (other than Additional Collateral Loans, if any) having a Loan-to-Value Ratio at origination which exceeds 75% and

Uncertificated REMIC III Regular Interests Z2; Each of the 455 uncertificated partial undivided beneficial ownership interests in REMIC III numbered sequentially from 1 through 455 each relating to the identically numbered Uncertificated REMIC II Regular Interests Z, each having no principal balance and bearing interest at a rate equal to the related Pool Strip Rate on the Stated Principal Balance of the Mortgage Loan related to the identically numbered Uncertificated REMIC II Regular Interests Z, comprising such Uncertificated REMIC III Regular Interests Z2's pro rata share of the amount distributed pursuant to Section 10.04(a).

Uncertificated REMIC III Regular Interests Distribution Amount: With respect to any Distribution Date, the sum of the amounts deemed to be distributed on the Uncertificated REMIC I Regular Interests Z and Uncertificated REMIC II Regular Interests Z for such Distribution Date pursuant to Section 10.04(a).

Underwriters: Citigroup Global Markets Inc. and Residential Funding Securities, LLC.

Section 1.02 Use of Words and Phrases.

"Herein," "hereby," "hereunder," "hereof," "hereinbefore," "hereinafter" and other equivalent words refer to the Pooling and Servicing Agreement as a whole. All references herein to Articles, Sections or Subsections shall mean the corresponding Articles, Sections and Subsections in the Pooling and Servicing Agreement. The definitions set forth herein include both the singular and the plural.

References in the Pooling and Servicing Agreement to "interest" on and "principal" of the Mortgage Loans shall mean, with respect to the Sharia Mortgage Loans, amounts in respect profit payments and acquisition payments, respectively.

ARTICLE II

ARTICLE II CONVEYANCE OF MORTGAGE LOANS;

ORIGINAL ISSUANCE OF CERTIFICATES

Section 2.01 Conveyance of Mortgage Loans.

- (a) (See Section 2.01(a) of the Standard Terms)
- (b) (See Section 2.01(b) of the Standard Terms)
- (c) (See Section 2.01(c) of the Standard Terms)
- (d) (See Section 2.01(d) of the Standard Terms)
- (e) (See Section 2.01(e) of the Standard Terms)
- (f) (See Section 2.01(f) of the Standard Terms)
- (g) (See Section 2.01(g) of the Standard Terms)
- (h) (See Section 2.01(h) of the Standard Terms)

Section 2.02 Acceptance by Trustee. (See Section 2.02 of the Standard Terms)

Section 2.03 Representations, Warranties and Covenants of the Master Servicer and the Company.

- (a) For representations, warranties and covenants of the Master Servicer, see Section 2.03(a) of the Standard Terms.
- (b) The Company hereby represents and warrants to the Trustee for the benefit of Certificateholders that as of the Cut-off Date (or, if otherwise specified below, as of the date so specified):
  - (i) No Group I Loan is 30 or more days Delinquent in the payment of principal and interest as of the Cut-off Date and no Group I Loan has been so Delinquent more than once in the 12 month period prior to the Cut-off Date. No Group II Loan is currently 30 or more days Delinquent in payment of principal and interest. As of the Cut-off Date, approximately 0.5% of the Group II Loans have been a maximum of 30 to 59 days Delinquent in the payment of principal and interest since their origination. As of the Cut-off Date, no Group II Loan is 60 or more days Delinquent in the payment of principal and interest and no Group II Loan has been 60 days or more Delinquent in payment of principal and interest since its origination;
  - (ii) The information set forth in Exhibit One-I and Exhibit One-II hereto with respect to each Mortgage Loan or the Mortgage Loans, as the case may be, is true and correct in all material respects at the date or dates respecting which such information is furnished;
  - (iii) The Mortgage Loans are fully-amortizing (subject to interest only periods, if applicable), fixed-rate mortgage loans with level Monthly Payments due, with respect to a majority of the Mortgage Loans, on the first day of each month and terms to maturity at origination or modification of not more than 30 years, in the case of Group I Loans, and 15 years, in the case of Group II Loans;
  - (iv) To the best of the Company's knowledge, except in the case of no more than 2.2% of the Group I Loans and 1.4% of the Group II Loans, if a Mortgage Loan is secured by a Mortgaged Property with a Loan-to-Value Ratio at origination in excess of 80%, such Mortgage Loan is the subject of a Primary Insurance Policy that insures that (a) at least 30% of the Stated Principal Balance of the Mortgage Loan at origination if the Loan-to-Value Ratio is between 95.00% and 90.01%, (b) at least 25% of such balance if the Loan-to-Value Ratio is between 90.00% and 85.01%, and (c) at least 12% of such balance if the Loan-to-Value Ratio is between 85.00% and 80.01%. To the best of the Company's knowledge, each such

- (v) The issuers of the Primary Insurance Policies are insurance companies whose claims-paying abilities are currently acceptable to each Rating Agency;
- (vi) No more than 0.5% of the Group I Loans by aggregate Cut-off Date Principal Balance are secured by Mortgaged Properties located in any one zip code area in the State of Arizona and no more than 0.5% of the Group I Loans by aggregate Cut-off Date Principal Balance are secured by Mortgaged Properties located in any one zip code area outside the State of Arizona; no more than 1.6% of the Group II Loans by aggregate Cut-off Date Principal Balance are secured by Mortgaged Properties located in any one zip code area in the State of Maryland and no more than 0.8% of the Group II Loans by aggregate Cut-off Date Principal Balance are secured by Mortgaged Properties located in any one zip code area outside the State of Maryland;
- (vii) The improvements upon the Mortgaged Properties are insured against loss by fire and other hazards as required by the Program Guide, including flood insurance if required under the National Flood Insurance Act of 1968, as amended. The Mortgage requires the Mortgagor to maintain such casualty insurance at the Mortgagor's expense, and on the Mortgagor's failure to do so, authorizes the holder of the Mortgage to obtain and maintain such insurance at the Mortgagor's expense and to seek reimbursement therefore from the Mortgagor;
- (viii) Immediately prior to the assignment of the Mortgage Loans to the Trustee, the Company had good title to, and was the sole owner of, each Mortgage Loan free and clear of any pledge, lien, encumbrance or security interest (other than rights to servicing and related compensation) and such assignment validly transfers ownership of the Mortgage Loans to the Trustee free and clear of any pledge, lien, encumbrance or security interest;
- (ix) No more than 29.9% of the Group I Loans by aggregate Cut-off Date Principal Balance were underwritten under a reduced loan documentation program; no more than 24.2% of the Group II Loans by aggregate Cut-off Date Principal Balance were underwritten under a reduced loan documentation program;
- (x) Each Mortgagor represented in its loan application with respect to the related Mortgage Loan that the Mortgaged Property would be owner-occupied and therefore would not be an investor property as of the date of origination of such Mortgage Loan. No Mortgagor is a corporation or a partnership;
- (xi) None of the Group I Loans and none of the Group II Loans, by aggregate Cut-off Date Principal Balance, is a Buydown Mortgage Loan;
- (xii) Each Mortgage Loan constitutes a qualified mortgage under Section 860G(a)(3)(A) of the Code and Treasury Regulations Section 1.860G-2(a)(1);
- (xiii) A policy of title insurance was effective as of the closing of each Mortgage Loan and is valid and binding and remains in full force and effect, unless the Mortgaged Properties are located in the State of Iowa and an attorney's certificate has been provided as described in the Program Guide;
- (xiv) Except with respect to 0.3% of the Group I Loans and 0.2% of the Group II Loans, none of the Mortgage Loans are Cooperative Loans;
- (xv) Except with respect to thirty of the Group I Loans and seventeen of the Group II Loans, none of the Mortgage Loans were originated under a "streamlined" Mortgage Loan program (through which no new or updated appraisals of Mortgaged Properties are obtained in connection with the refinancing thereof), the related Seller has represented that either (a) the value of the related Mortgaged Property as of the date the Mortgage Loan was originated was not less than the appraised value of such property at the time of origination of the refinanced Mortgage Loan or (b) the Loan-to-Value Ratio of the Mortgage Loan as of the date of origination of the Mortgage Loan generally meets the Company's underwriting guidelines;
- (xvi) Interest on each Mortgage Loan is calculated on the basis of a 360-day year consisting of twelve 30-day months;
- (xvii) None of the Mortgage Loans contains in the related Mortgage File a Destroyed Mortgage Note; and
- (xviii) None of the Mortgage Loans are Pledged Asset Loans or Additional Collateral Loans.

It is understood and agreed that the representations and warranties set forth in this Section 2.03(b) shall survive delivery of the respective Custodial Files to the Trustee or the Custodian.

Upon discovery by any of the Company, the Master Servicer, the Trustee, or the Custodian of a breach of any of the representations and warranties set forth in this Section 2.03(b) that materially and adversely affects the interests of the Certificateholders in any Mortgage Loan, the party discovering such breach shall give prompt written notice to the other parties (any Custodian being so obligated under a Custodial Agreement); provided, however, that in the event of a breach of the representation and warranty set forth in Section 2.03(b)(xii), the party discovering such breach shall give such notice within five days of discovery. Within 90 days of its discovery or its receipt of notice of breach, the Company shall either (i) cure such breach in all material respects or (ii) purchase such Mortgage Loan from the Trust Fund at the Purchase Price and in the manner set forth in Section 2.02; provided that the Company shall have the option to substitute a Qualified Substitute Mortgage Loan or Loans for such Mortgage Loan if such substitution occurs within two years following the Closing Date; provided that if the omission or defect would cause the Mortgage Loan to be other than a "qualified mortgage" as defined in Section 860G(a)(3) of the Code, any such cure or repurchase must occur within 90 days from the date such breach was discovered. Any such substitution shall be effected by the Company under the same terms and conditions as provided in Section 2.04 for substitutions by Residential Funding. It is understood and agreed that the obligation of the Company to cure such breach or to so purchase or substitute for any Mortgage Loan as to which such a breach has occurred and is continuing shall constitute the sole remedy respecting such breach available to the Certificateholders or the Trustee on behalf of the Certificateholders. Notwithstanding the foregoing, the Company shall not be required to cure breaches or purchase or substitute for Mortgage Loans as provided in this Section 2.03(b) if the substance of the breach of a representation set forth above also constitutes fraud in the origination of the Mortgage Loan.

Agreements; provided, however, that any such amendments or different terms shall be consistent with and not violate the provisions of either this Agreement or the Program Guide in a manner which would materially and adversely affect the interests of the Certificateholders. The Program Guide and any other Subservicing Agreement entered into between the Master Servicer and any Subservicer shall require the Subservicer to accurately and fully report its borrower credit files to each of the Credit Repositories in a timely manner.

- (b) (See Section 3.02(b) of the Standard Terms)
- Section 3.03 Successor Subservicers. (See Section 3.03 of the Standard Terms)
- Section 3.04 Liability of the Master Servicer. (See Section 3.04 of the Standard Terms)
- Section 3.05 No Contractual Relationship Between Subservicer and Trustee or Certificateholders. (See Section 3.05 of the Standard Terms)
- Section 3.06 Assumption or Termination of Subservicing Agreements by Trustee. (See Section 3.06 of the Standard Terms)
- Section 3.07 Collection of Certain Mortgage Loan Payments; Deposits to Custodial Account. (See Section 3.07 of the Standard Terms)
- Section 3.08 Subservicing Accounts; Servicing Accounts. (See Section 3.08 of the Standard Terms)
- Section 3.09 Access to Certain Documentation and Information Regarding the Mortgage Loans. (See Section 3.09 of the Standard Terms)
- Section 3.10 Permitted Withdrawals from the Custodial Account. (See Section 3.10 of the Standard Terms)
- Section 3.11 Maintenance of the Primary Insurance Policies; Collections Thereunder. (See Section 3.11 of the Standard Terms)
- Section 3.12 Maintenance of Fire Insurance and Omissions and Fidelity Coverage. (See Section 3.12 of the Standard Terms)
- Section 3.13 Enforcement of Due-on-Sale Clauses; Assumption and Modification Agreements; Certain Assignments. (See Section 3.13 of the Standard Terms)
- Section 3.14 Realization Upon Defaulted Mortgage Loans. (See Section 3.14 of the Standard Terms)
- Section 3.15 Trustee to Cooperate; Release of Custodial Files. (See Section 3.15 of the Standard Terms)
- Section 3.16 Servicing and Other Compensation; Compensating Interest. (See Section 3.16 of the Standard Terms)
- Section 3.17 Reports to the Trustee and the Company. (See Section 3.17 of the Standard Terms)
- Section 3.18 Annual Statement as to Compliance. (See Section 3.18 of the Standard Terms)
- Section 3.19 Annual Independent Public Accountants' Servicing Report. (See Section 3.19 of the Standard Terms)
- Section 3.20 Rights of the Company in Respect of the Master Servicer. (See Section 3.20 of the Standard Terms)
- Section 3.21 Administration of Buydown Funds. (See Section 3.21 of the Standard Terms)
- Section 3.22 Advance Facility. (See Section 3.22 of the Standard Terms)

#### ARTICLE IV

##### PAYMENTS TO

##### CERTIFICATEHOLDERS

- Section 4.01 Certificate Account. (See Section 4.01 of the Standard Terms)
- Section 4.02 Distributions.

(a) On each Distribution Date, (x) the Master Servicer on behalf of the Trustee or (y) the Paying Agent appointed by the Trustee, shall distribute (I) to the Master Servicer or a sub-servicer, in the case of a distribution pursuant to Section 4.02(a)(iii) below, the amount required to be distributed to the Master Servicer or a sub-servicer pursuant to Section 4.02(a)(iii) below, and (II) to each Certificateholder of record on the next preceding Record Date (other than as provided in Section 9.01 respecting the final distribution), either (1) in immediately available funds (by wire transfer or otherwise) to the account of such Certificateholder at a bank or other entity having appropriate facilities therefore, if such Certificateholder has so notified the Master Servicer or the Paying Agent, as the case may be, or (2) if such Certificateholder has not so notified the Master Servicer or the Paying Agent by the Record Date, by check mailed to such Certificateholder at the address of such Holder appearing in the Certificate Register, such Certificateholder's share (which share (A) with respect to each Class of Certificates (other than any Subclass of the Class A-V Certificates), shall be based on the aggregate of the Percentage Interests represented by Certificates of the applicable Class held by such Holder or (B) with respect to any Subclass of the Class A-V Certificates, shall be equal to the amount (if any) distributed pursuant to Section 4.02(a)(i) below to each Holder of a Subclass thereof) of the following amounts, in the following order of priority (subject to the provisions of Section 4.02(b), (c), (d) and (e) below), in each case to the extent of the related Available Distribution Amount remaining:

- (i) (X) from the Available Distribution Amount related to the Loan Group I, to the holders of the Group I Senior Certificates (other than the Class I-A-V Certificates) on a pro rata basis based on the Accrued Certificate Interest payable on such Certificates with respect to such Distribution Date, Accrued Certificate Interest on such Classes of Certificates (or Subclasses, if any, with respect to the Class I-A-V Certificates) for such Distribution Date, plus any Accrued Certificate Interest thereon remaining unpaid from any previous Distribution Date, except as provided in the last paragraph of this Section 4.02(a); and
- (Y) from the Available Distribution Amount related to the Loan Group II, to the holders of the Group II Senior Certificates (other than the Class II-A-P Certificates) on a pro rata basis based on the Accrued Certificate Interest payable on such Certificates with respect to such Distribution Date, Accrued Certificate Interest on such Classes of Certificates (or Subclasses, if any, with respect to the Class II-A-V Certificates) for such Distribution Date, plus any Accrued Certificate Interest thereon remaining unpaid from any previous Distribution Date, except as provided in the last paragraph of this Section 4.02(a);
- (ii) (X) to the Class I-A-P Certificates from the Available Distribution Amount from Loan Group I and to the Class II-A-P Certificates from the Available Distribution Amount from Loan Group II, the Class A-P Principal Distribution Amount for the related Loan Group, until the Certificate Principal Balance of the related Class A-P Certificates has been reduced to zero; and
- (Y) to the Senior Certificates (other than the related Class A-P Certificates) of each Certificate Group, from the Available Distribution Amount for the related Loan Group in the priorities and amounts set forth in Sections 4.02(b)(ii) through 4.02(e), the sum of the following (applied to reduce the Certificate Principal Balances of such Senior Certificates, as applicable):
- (A) the related Senior Percentage for such Distribution Date and Loan Group, as applicable, times the sum of the following:
- (1) the principal portion of each Monthly Payment due during the related Due Period on each Outstanding Mortgage Loan in the related Loan Group (other than the related Discount Fraction of the principal portion of such payment with respect to a Discount Mortgage Loan, if any, in the related Loan Group), whether or not received on or prior to the related Determination Date, minus the principal portion of any Debt Service Reduction (other than the related Discount Fraction of the principal portion of such Debt Service Reductions with respect to each Discount Mortgage Loan, if any) which together with other Bankruptcy Losses on the Mortgage Loans in the related Loan Group exceeds the related Bankruptcy Amount;
- (2) the Stated Principal Balance of any Mortgage Loan in the related Loan Group repurchased during the preceding calendar month (or deemed to have been so repurchased in accordance with Section 3.07(b) of the Standard Terms) pursuant to Sections 2.02, 2.03, 2.04 or 4.07 and the amount of any shortfall deposited in the Custodial Account in connection with the substitution of a Deleted Mortgage Loan in the related Loan Group pursuant to Section 2.03 or 2.04 during the preceding calendar month (other than the related Discount Fraction of such Stated Principal Balance or shortfall with respect to each Discount Mortgage Loan, if any); and
- (3) the principal portion of all other unscheduled collections (other than Principal Prepayments in Full and Curtailments and amounts received in connection with a Cash Liquidation or REO Disposition of a Mortgage Loan described in Section 4.02(a)(ii)(Y)(B) of this Series Supplement, including without limitation Insurance Proceeds, Liquidation Proceeds and REO Proceeds) with respect to the related Loan Group, including Subsequent Recoveries received during the preceding calendar month (or deemed to have been so received in accordance with Section 3.07(b) of the Standard Terms) to the extent applied by the Master Servicer as recoveries of principal of the related Mortgage Loan pursuant to Section 3.14 of the Standard Terms (other than the related Discount Fraction of the principal portion of such unscheduled collections, with respect to each Discount Mortgage Loan, if any, in the related Loan Group);
- (B) with respect to each Mortgage Loan in the related Loan Group for which a Cash Liquidation or a REO Disposition occurred during the preceding calendar month (or was deemed to have occurred during such period in accordance with Section 3.07(b) of the Standard Terms) and did not result in any Excess Special Hazard Losses, Excess Fraud Losses, Excess Bankruptcy Losses or Extraordinary Losses, an amount equal to the lesser of (a) the related Senior Percentage for such Distribution Date times the Stated Principal Balance of such Mortgage Loan (other than the related Discount Fraction of such Stated Principal Balance, with respect to each Discount Mortgage Loan) and (b) the related Senior Accelerated Distribution Percentage for such Distribution Date times the related unscheduled collections (including without limitation Insurance Proceeds, Liquidation Proceeds and REO Proceeds) to the extent applied by the Master Servicer as recoveries of principal of the related Mortgage Loan pursuant to Section 3.14 of the Standard Terms (in each case other than the portion of such unscheduled collections, with respect to a Discount Mortgage Loan, included in clause (C) of the definition of Class A-P Principal Distribution Amount in this Series Supplement);
- (C) the related Senior Accelerated Distribution Percentage for such Distribution Date times the aggregate of all Principal Prepayments in Full with respect to the related Loan Group received in the related Prepayment Period and Curtailments with respect to the



- (D) any Excess Subordinate Principal Amount for such Distribution Date with respect to such Loan Group;
- (E) any amounts described in subsection (ii)(Y), clauses (A), (B) and (C) of this Section 4.02(a), as determined for any previous Distribution Date, which remain unpaid after application of amounts previously distributed pursuant to this clause (E) to the extent that such amounts are not attributable to Realized Losses which have been allocated to the related Subordinate Certificates; minus
- (F) the related Capitalization Reimbursement Amount for such Distribution Date, other than the related Discount Fraction of any portion of that amount related to each Discount Mortgage Loan, if any, in the related Loan Group, multiplied by a fraction, the numerator of which is the related Senior Principal Distribution Amount, without giving effect to this clause (F), and the denominator of which is the sum of the principal distribution amounts for all Classes of related Certificates other than the related Class A-P Certificates, payable from the Available Distribution Amount for the related Loan Group without giving effect to any reductions for the related Capitalization Reimbursement Amount;
- (iii) if the Certificate Principal Balances of the Subordinate Certificates relating to a Loan Group have not been reduced to zero, to the Master Servicer or a Sub-Servicer, by remitting for deposit to the Custodial Account, to the extent of and in reimbursement for any Advances or Sub-Servicer Advances previously made with respect to any related Mortgage Loan or REO Property which remain unreimbursed in whole or in part following the Cash Liquidation or REO Disposition of such Mortgage Loan or REO Property, minus any such Advances that were made with respect to delinquencies that ultimately constituted Excess Special Hazard Losses, Excess Fraud Losses, Excess Bankruptcy Losses or Extraordinary Losses with respect to that Loan Group;
- (iv) to the Holders of the Class I-M-1 Certificates or the Class II-M-1 Certificates, as applicable, the Accrued Certificate Interest thereon for such Distribution Date, plus any Accrued Certificate Interest thereon remaining unpaid from any previous Distribution Date, except as provided below;
- (v) to the Holders of the Class I-M-1 Certificates or the Class II-M-1 Certificates, as applicable, an amount equal to (x) the related Subordinate Principal Distribution Amount for such Class of Certificates for the related Loan Group for such Distribution Date, minus (y) the amount of any Class A-P Collection Shortfalls for the related Loan Group for such Distribution Date or remaining unpaid for all previous Distribution Dates, to the extent the amounts available pursuant to clause (x) of Sections 4.02(a)(vii), (ix), (xi), (xiii), (xiv) and (xv) of this Series Supplement are insufficient therefore, applied in reduction of the Certificate Principal Balance of the Class I-M-1 Certificates or the Class II-M-1 Certificates, as applicable;
- (vi) to the Holders of the Class I-M-2 Certificates or the Class II-M-2 Certificates, as applicable, the Accrued Certificate Interest thereon for such Distribution Date, plus any Accrued Certificate Interest thereon remaining unpaid from any previous Distribution Date, except as provided below;
- (vii) to the Holders of the Class I-M-2 Certificates or the Class II-M-2 Certificates, as applicable, an amount equal to (x) the related Subordinate Principal Distribution Amount for such Class of Certificates for the related Loan Group for such Distribution Date, minus (y) the amount of any Class A-P Collection Shortfalls for the related Loan Group for such Distribution Date or remaining unpaid for all previous Distribution Dates, to the extent the amounts available pursuant to clause (x) of Sections 4.02(a)(ix), (xi), (xiii), (xiv) and (xv) of this Series Supplement are insufficient therefore, applied in reduction of the Certificate Principal Balance of the Class I-M-2 Certificates or the Class II-M-2 Certificates, as applicable;
- (viii) to the Holders of the Class I-M-3 Certificates or the Class II-M-3 Certificates, as applicable, the Accrued Certificate Interest thereon for such Distribution Date, plus any Accrued Certificate Interest thereon remaining unpaid from any previous Distribution Date, except as provided below;
- (ix) to the Holders of the Class I-M-3 Certificates or the Class II-M-3 Certificates, as applicable, an amount equal to (x) the related Subordinate Principal Distribution Amount for such Class of Certificates for the related Loan Group for such Distribution Date minus (y) the amount of any Class A-P Collection Shortfalls for the related Loan Group for such Distribution Date or remaining unpaid for all previous Distribution Dates, to the extent the amounts available pursuant to clause (x) of Sections 4.02(a)(xi), (xiii), (xiv) and (xv) of this Series Supplement are insufficient therefore, applied in reduction of the Certificate Principal Balance of the Class I-M-3 Certificates or the Class II-M-3 Certificates, as applicable;
- (x) to the Holders of the Class I-B-1 Certificates or the Class II-B-1 Certificates, as applicable, the Accrued Certificate Interest thereon for such Distribution Date, plus any Accrued Certificate Interest thereon remaining unpaid from any previous Distribution Date, except as provided below;
- (xi) to the Holders of the Class I-B-1 Certificates or the Class II-B-1 Certificates, as applicable, an amount equal to (x) the related Subordinate Principal Distribution Amount for such Class of Certificates for the related Loan Group for such Distribution Date minus (y) the amount of any Class A-P Collection Shortfalls for the related Loan Group for such Distribution Date or remaining unpaid for all previous Distribution Dates, to the extent the amounts available pursuant to clause (x) of Sections 4.02(a)(xiii), (xiv) and (xv) of this Series Supplement are insufficient therefore, applied in reduction of the Certificate Principal Balance of the Class I-B-1 Certificates or the Class II-B-1 Certificates, as applicable;
- (xii) to the Holders of the Class I-B-2 Certificates or the Class II-B-2 Certificates, as applicable, the Accrued Certificate Interest thereon for such Distribution Date, plus any Accrued Certificate Interest thereon remaining unpaid from any previous Distribution Date, except as provided below;
- (xiii) to the Holders of the Class I-B-2 Certificates or the Class II-B-2 Certificates, as applicable, an amount equal to (x) the related Subordinate Principal Distribution Amount for such Class of Certificates for the related Loan Group for such Distribution Date minus (y) the amount of any Class A-P Collection

Shortfalls for the related Loan Group for such Distribution Date or remaining unpaid for all previous Distribution Dates, to the extent the amounts available pursuant to clause (x) of Sections 4.02(a)(xiv) and (xv) of this Series Supplement are insufficient therefore, applied in reduction of the Certificate Principal Balance of the Class I-B-2 Certificates or the Class II-B-2 Certificates, as applicable;

- (xiv) to the Holders of the Class I-B-3 Certificates or the Class II-B-3 Certificates, as applicable, an amount equal to (x) the Accrued Certificate Interest thereon for such Distribution Date, plus any Accrued Certificate Interest thereon remaining unpaid from any previous Distribution Date, except as provided below, minus (y) the amount of any Class A-P Collection Shortfalls for the related Loan Group for such Distribution Date or remaining unpaid for all previous Distribution Dates, to the extent the amounts available pursuant to clause (x) of Section 4.02(a)(xv) of this Series Supplement are insufficient therefore;
- (xv) to the Holders of the Class I-B-3 Certificates or the Class II-B-3 Certificates, as applicable, an amount equal to (x) the related Subordinate Principal Distribution Amount for the related Loan Group for such Class of Certificates for such Distribution Date minus (y) the amount of any Class A-P Collection Shortfalls for the related Loan Group for such Distribution Date or remaining unpaid for all previous Distribution Dates, applied in reduction of the Certificate Principal Balance of the Class I-B-3 Certificates or the Class II-B-3 Certificates, as applicable;
- (xvi) to the Senior Certificates in a Certificate Group, in the priority set forth in Section 4.02(b) and (c) of this Series Supplement, the portion, if any, of the Available Distribution Amounts for the related Loan Group remaining after the foregoing distributions, applied to reduce the Certificate Principal Balances of such Senior Certificates, but in no event more than the aggregate of the outstanding Certificate Principal Balances of each such Class of Senior Certificates, and thereafter, to each Class of related Subordinate Certificates then outstanding beginning with such Class with the Highest Priority, any portion of the related Available Distribution Amount remaining after the related Senior Certificates have been retired, applied to reduce the Certificate Principal Balance of each such Class of related Subordinate Certificates, but in no event more than the outstanding Certificate Principal Balance of each such Class of Subordinate Certificates; and
- (xvii) to the Class R-I Certificates and Class R-III Certificates, the balances, if any, of the Available Distribution Amounts for Loan Group I and Loan Group II, respectively.

Notwithstanding the foregoing, on any Distribution Date, with respect to the Class of Subordinate Certificates in a Certificate Group outstanding on such Distribution Date with the Lowest Priority, or in the event the Subordinate Certificates in a Certificate Group are no longer outstanding, the related Senior Certificates, Accrued Certificate Interest thereon remaining unpaid from any previous Distribution Date will be distributable only to the extent that (1) a shortfall in the amounts available to pay Accrued Certificate Interest on any Class of related Certificates results from an interest rate reduction in connection with a Servicing Modification on a Mortgage Loan in the related Loan Group, or (2) such unpaid Accrued Certificate Interest was attributable to interest shortfalls on a Mortgage Loan in the related Loan Group relating to the failure of the Master Servicer to make any required Advance, or the determination by the Master Servicer that any proposed Advance would be a Nonrecoverable Advance with respect to the related Mortgage Loan where such Mortgage Loan has not yet been the subject of a Cash Liquidation or REO Disposition or the related Liquidation Proceeds, Insurance Proceeds and REO Proceeds have not yet been distributed to the Certificateholders.

(b) On each Distribution Date occurring prior to the Credit Support Depletion Date for the Group I Senior Certificates, the Senior Principal Distribution Amount for Loan Group I shall be distributed concurrently as follows:

- (i) first, to the Class R-I and Class R-III Certificates, pro rata, in accordance with their respective Certificate Principal Balances thereof, until the Certificate Principal Balances thereof have been reduced to zero;
- (ii) second, the balance of the Senior Principal Distribution Amount remaining after the distributions, if any, described in Section 4.02(b)(i) will be distributed concurrently as follows:
  - (A) 79.9999734207% of the amount described in Section 4.02(b)(ii) will be distributed to the Class I-A-1 Certificates, until the Certificate Principal Balance thereof has been reduced to zero; and
  - (B) 20.0000265793% of the amount described in Section 4.02(b)(ii) will be distributed in the following manner and priority:
    - (1) first, to the Class I-A-7 Certificates, an amount up to the Lockout Amount for that Distribution Date, until the Certificate Principal Balance thereof has been reduced to zero;
    - (2) second, to the Class I-A-2, Class I-A-3, Class I-A-4, Class I-A-5 and Class I-A-6 Certificates, sequentially, in that order, until the Certificate Principal Balances thereof have been reduced to zero; and
    - (3) third, to the Class I-A-7 Certificates, without regard to the Lockout Amount for that Distribution Date, until the Certificate Principal Balance thereof has been reduced to zero; and

(c) On each Distribution Date occurring prior to the Credit Support Depletion Date for the Group II Senior Certificates, the Senior Principal Distribution Amount for Loan Group II shall be distributed as follows:

- (i) first, to the Class R-II Certificates, until the Certificate Principal Balance thereof has been reduced to zero; and
- (ii) second, to the Class II-A-1 Certificates, until the Certificate Principal Balance thereof has been reduced to zero.

(d) On or after the occurrence of the related Credit Support Depletion Date for Loan Group I or Loan Group II, as applicable, all priorities relating to distributions as described in Section 4.02(b) and (c) of this Series Supplement in respect of principal among the Senior Certificates in the related Certificate Group (other than the related Class A-P Certificates) will be disregarded, and (i) an amount equal to the Class A-P Principal Distribution Amount for the related Loan Group shall be distributed to the Class A-P Certificates in that Certificate Group, and (ii) the Senior Principal Distribution Amount for the related Loan Group will be distributed to the remaining Senior Certificates in the related Certificate Group (other than the related Class

(e) After the reduction of the Certificate Principal Balances of all Classes of Senior Certificates of a Certificate Group (other than the related Class A-P Certificates) to zero but prior to the related Credit Support Depletion Date, such Senior Certificates (other than the related Class A-P Certificates) will be entitled to no further distributions of principal thereon and the applicable Available Distribution Amount will be distributed solely to the holders of the related Class A-P Certificates, the related Class A-V Certificates, and the related Subordinate Certificates, in each case as described herein.

(f) In addition to the foregoing distributions, with respect to any Subsequent Recoveries, the Master Servicer shall deposit such funds into the Custodial Account pursuant to Section 3.07(b)(iii). If, after taking into account such Subsequent Recoveries, the amount of a Realized Loss with respect to a Loan Group is reduced, the amount of such Subsequent Recoveries will be applied to increase the Certificate Principal Balance of the Class of related Subordinate Certificates with the Highest Priority to which Realized Losses from that Loan Group, other than any related Excess Bankruptcy Losses, Excess Fraud Losses, Excess Special Hazard Losses and Extraordinary Losses, have been allocated, but not by more than the amount of Realized Losses previously allocated to that Class of Certificates pursuant to Section 4.05. The amount of any remaining Subsequent Recoveries from the related Loan Group will be applied to increase the Certificate Principal Balance of the Class of related Certificates with the next Lower Priority, up to the amount of such Realized Losses previously allocated to that Class of Certificates pursuant to Section 4.05. Any remaining Subsequent Recoveries from the related Loan Group will in turn be applied to increase the Certificate Principal Balance of the Class of related Certificates with the next Lower Priority up to the amount of such Realized Losses previously allocated to that Class of Certificates pursuant to Section 4.05, and so on. Holders of such Certificates will not be entitled to any payment in respect of Accrued Certificate Interest on the amount of such increases for any Interest Accrual Period preceding the Distribution Date on which such increase occurs. Any such increases shall be applied to the Certificate Principal Balance of each Certificate of such Class in accordance with its respective Percentage Interest.

(g) Each distribution with respect to a Book-Entry Certificate shall be paid to the Depository, as Holder thereof, and the Depository shall be solely responsible for crediting the amount of such distribution to the accounts of its Depository Participants in accordance with its normal procedures. Each Depository Participant shall be responsible for disbursing such distribution to the Certificate Owners that it represents and to each indirect participating brokerage firm (a "brokerage firm" or "indirect participating firm") for which it acts as agent. Each brokerage firm shall be responsible for disbursing funds to the Certificate Owners that it represents. None of the Trustee, the Certificate Registrar, the Company or the Master Servicer shall have any responsibility therefore except as otherwise provided by this Series Supplement or applicable law.

(h) Except as otherwise provided in Section 9.01, if the Master Servicer anticipates that a final distribution with respect to any Class of Certificates will be made on a future Distribution Date, the Master Servicer shall, no later than 40 days prior to such final distribution, notify the Trustee and the Trustee shall, not earlier than the 15th day and not later than the 25th day of the month next preceding the month of such final distribution, distribute, or cause to be distributed to each Holder of such Class of Certificates a notice to the effect that: (i) the Trustee anticipates that the final distribution with respect to such Class of Certificates will be made on such Distribution Date but only upon presentation and surrender of such Certificates at the office of the Trustee or as otherwise specified therein, and (ii) no interest shall accrue on such Certificates from and after the end of the related Interest Accrual Period. In the event that Certificateholders required to surrender their Certificates pursuant to Section 9.01(c) do not surrender their Certificates for final cancellation, the Trustee shall cause funds distributable with respect to such Certificates to be withdrawn from the Certificate Account and credited to a separate escrow account for the benefit of such Certificateholders as provided in Section 9.01(d).

Section 4.03 Statements to Certificateholders; Statements to Rating Agencies; Exchange Act Reporting. (See Section 4.03 of the Standard Terms) and Exhibit Three hereto)

Section 4.04 Distribution of Reports to the Trustee and the Company; Advances by the Master Servicer. (See Section 4.04 of the Standard Terms)

Section 4.05 Allocation of Realized Losses.

Prior to each Distribution Date, the Master Servicer shall determine the total amount of Realized Losses, if any, that resulted from any Cash Liquidation, Servicing Modification, Debt Service Reduction, Deficient Valuation or REO Disposition that occurred during the related Prepayment Period or, in the case of a Servicing Modification that constitutes a reduction of the interest rate on a Mortgage Loan in the related loan group, the amount of the reduction in the interest portion of the Monthly Payment due during the related Due Period. The amount of each Realized Loss shall be evidenced by an Officers' Certificate. All Realized Losses, on Mortgage Loans in a Loan Group, other than Excess Special Hazard Losses, Extraordinary Losses, Excess Bankruptcy Losses or Excess Fraud Losses, shall be allocated to the Certificates in the related Certificate Group as follows: first, to the Class I-B-3 Certificates or the Class II-B-3 Certificates, as applicable, until the Certificate Principal Balance thereof has been reduced to zero; second, to the Class I-B-2 Certificates or the Class II-B-2 Certificates, as applicable, until the Certificate Principal Balance thereof has been reduced to zero; third, to the Class I-B-1 Certificates or the Class II-B-1 Certificates, as applicable, until the Certificate Principal Balance thereof has been reduced to zero; fourth, to the Class I-M-3 Certificates or the Class II-M-3 Certificates, as applicable, until the Certificate Principal Balance thereof has been reduced to zero; fifth, to the Class I-M-2 Certificates or the Class II-M-2 Certificates, as applicable, until the Certificate Principal Balance thereof has been reduced to zero; sixth, to the Class I-M-1 Certificates or the Class II-M-1 Certificates, as applicable, until the Certificate Principal Balance thereof has been reduced to zero; and, thereafter, if any such Realized Losses are on a Discount Mortgage Loan, to the related Class A-P Certificates in an amount equal to the related Discount Fraction of the principal portion thereof until the Certificate Principal Balance of such Class A-P Certificates has been reduced to zero, and the remainder of such Realized Losses on the Discount Mortgage Loans in the related Loan Group and the entire amount of such Realized Losses on Non-Discount Mortgage Loans in the related Loan Group will be allocated among (i) all the Group I Senior Certificates other than the Class I-A-P Certificates and, in the case of the interest portion of such Realized Loss, the Class I-A-V Certificates (in the case of a Realized Loss on a Group I Loan) on a pro rata basis or (ii) among all of the Group II Senior Certificates other than the Class II-A-P Certificates and, in the case of the interest portion of such Realized Loss, Class II-A-V Certificates (in the case of a Realized Loss on a Group II Loan) on a pro rata basis, as described below.

The principal portion of any Excess Special Hazard Losses, Excess Bankruptcy Losses, Excess Fraud Losses

4.04;

(xvi) any material modifications, extensions or waivers to the terms of the Mortgage Loans during the Due Period or that have cumulatively become material over time;

(xvii) any material breaches of Mortgage Loan representations or warranties or covenants in the Agreement.

(xviii) the related Subordinate Principal Distribution Amount;

(xix) for each Loan Group, the number, Stated Principal Balance and actual principal balance of REO Properties;

(xx) the aggregate Accrued Certificate Interest remaining unpaid, if any, for each Class of Certificates, after giving effect to the distribution made on such Distribution Date;

(xxi) the Pass-Through Rate with respect to each Class of Class A-V Certificates;

(xxii) the Notional Amount with respect to each class of Interest Only Certificates;

(xxiii) for each Loan Group, the occurrence of the Credit Support Depletion Date;

(xxiv) the Senior Accelerated Distribution Percentages applicable to such distribution;

(xxv) the Senior Percentages for such Distribution Date; and

(xxvi) for each Loan Group, the aggregate amount of any recoveries on previously foreclosed loans from Sellers

In the case of information furnished pursuant to clauses (v) and (vi) above, the amounts shall be expressed as a dollar amount per Certificate with a \$1,000 denomination.

The Trustee's internet website will initially be located at <http://www.usbank.com/mbs>. To receive this statement via first class mail, telephone the Trustee at 1 (800) 934-6802.

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EXHIBIT FOUR

STANDARD TERMS OF  
POOLING AND SERVICING AGREEMENT

Dated as of October 30, 2006

Residential Funding Mortgage Securities I, Inc.

Mortgage Pass-Through Certificates

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TABLE OF CONTENTS

	PAGE
ARTICLE I	DEFINITIONS.....1
Section 1.01.	Definitions.....1
Section 1.02.	Use of Words and Phrases.....33
ARTICLE II	CONVEYANCE OF MORTGAGE LOANS; ORIGINAL ISSUANCE OF CERTIFICATES.....33

Section 10.03. Designation of REMIC(s).....111

ARTICLE XI MISCELLANEOUS PROVISIONS.....111

Section 11.01. Amendment.....111

Section 11.02. Recordation of Agreement; Counterparts.....113

Section 11.03. Limitation on Rights of Certificateholders.....114

Section 11.04. Governing Law.....115

Section 11.05. Notices.....115

Section 11.06. Required Notices to Rating Agency and Subservicer....115

Section 11.07. Severability of Provisions.....116

Section 11.08. Supplemental Provisions for Resecuritization.....116

Section 11.09. Allocation of Voting Rights.....116

ARTICLE XII COMPLIANCE WITH REGULATION AB.....117

Section 12.01. Intent of Parties; Reasonableness.....117

Section 12.02. Additional Representations and Warranties of the  
Trustee.....117

Section 12.03. Information to be Provided by the Trustee.....118

Section 12.04. Report on Assessment of Compliance and Attestation....118

Section 12.05. Indemnification; Remedies.....119

TABLE OF CONTENTS  
 (continued)

EXHIBITS

Exhibit A: Form of Class A Certificate

Exhibit A-I: Form of Class X Certificate

Exhibit B: Form of Class M Certificate

Exhibit C: Form of Class B Certificate

Exhibit C-I: Form of Class P Certificate

Exhibit C-II: Form of Class SB Certificate

Exhibit D: Form of Class R Certificate

Exhibit E: Form of Seller/Servicer Contract

Exhibit F: Forms of Request for Release

Exhibit G-1: Form of Transfer Affidavit and Agreement

Exhibit G-2: Form of Transferor Certificate

Exhibit H: Form of Investor Representation Letter

Exhibit I: Form of Transferor Representation Letter

Exhibit J: Form of Rule 144A Investment Representation Letter

Exhibit K: Text of Amendment to Pooling and Servicing Agreement  
Pursuant to Section 11.01(e) for a Limited Guaranty

Exhibit L: Form of Limited Guaranty

Exhibit M: Form of Lender Certification for Assignment of Mortgage Loan

Exhibit N: Request for Exchange Form

Exhibit O: Form of Form 10-K Certification

Exhibit P: Form of Back-Up Certification to Form 10-K Certificate

Exhibit Q: Information to be Provided by the Master Servicer to the  
Rating Agencies Relating to Reportable Modified Mortgage Loans

Exhibit R: Servicing Criteria

This is the Standard Terms of Pooling and Servicing Agreement, dated as of October 30, 2006 (the "Standard Terms", and as incorporated by reference into a Series Supplement dated as of the date specified therein, the "Pooling and Servicing Agreement" or "Agreement"), among RESIDENTIAL FUNDING MORTGAGE SECURITIES I, INC., as the company (together with its permitted successors and assigns, the "Company"), RESIDENTIAL FUNDING COMPANY, LLC, as master servicer (together with its permitted successors and assigns, the "Master Servicer"), and the trustee named in the applicable Series Supplement

the lesser of repair or replacement of a mortgaged property (or, with respect to a Cooperative Loan, the related Cooperative Apartment) affected by a loss of mortgaged property (or Cooperative Apartment) on account of direct physical loss, exclusive of (i) any loss of a type covered by a hazard policy or a flood insurance policy required to be maintained in respect of such mortgaged property pursuant to Section 3.12(a), except to the extent of the portion of such loss not covered as a result of any coinsurance provision and (ii) any extraordinary loss.

Standard & Poor's: Standard & Poor's, a division of The McGraw-Hill Companies, Inc., or its successor in interest.

Stated Principal Balance: With respect to any mortgage loan or related REO property, at any given time, (i) the sum of (a) the cut-off date principal balance of the mortgage loan plus (b) any amount by which the stated principal balance of the mortgage loan is increased pursuant to a servicing modification, minus (ii) the sum of (a) the principal portion of the monthly payments due with respect to such mortgage loan or REO property during each due period ending prior to the most recent distribution date which were received or with respect to which an advance was made, and (b) all principal prepayments with respect to such mortgage loan or REO property, and all insurance proceeds, liquidation proceeds and REO proceeds, to the extent applied by the master servicer as recoveries of principal in accordance with Section 3.14 with respect to such mortgage loan or REO property, in each case which were distributed pursuant to Section 4.02 on any previous distribution date, and (c) any realized loss allocated to certificateholders with respect thereto for any previous distribution date.

Successor Master Servicer: As defined in Section 3.22.

Subclass: With respect to the Class A-V certificates, any subclass thereof issued pursuant to Section 5.01(c). Any such subclass will represent the uncertificated Class A-V RMBS Regular Interest or Interests specified by the initial holder of the Class A-V certificates pursuant to Section 5.01(c).

Subordinate Certificate: Any one of the Class M certificates or Class B certificates, executed by the trustee and authenticated by the certificate registrar substantially in the form annexed hereto as Exhibit B and Exhibit C, respectively.

Subordinate Class Percentage: With respect to any distribution date and any class of subordinate certificates, a fraction, expressed as a percentage, the numerator of which is the aggregate certificate principal balance of such class of subordinate certificates immediately prior to such date and the denominator of which is the aggregate stated principal balance of all of the mortgage loans (or related REO properties) (other than the related discount fraction of each discount mortgage loan) immediately prior to such distribution date.

Subordinate Percentage: As of any distribution date and, with respect to any mortgage pool comprised of two or more loan groups, any loan group, 100% minus the related senior percentage as of such distribution date.

Subsequent Recoveries: As of any distribution date, amounts received by the master servicer (net of any related expenses permitted to be reimbursed pursuant to Section 3.10) or surplus amounts held by the master servicer to cover estimated expenses (including, but not limited to, recoveries in respect of the representations and warranties made by the related seller pursuant to the applicable seller's agreement and assigned to the trustee pursuant to Section 2.04) specifically related to a mortgage loan that was the subject of a cash liquidation or an REO disposition prior to the related prepayment period that resulted in a realized loss.

Subserviced Mortgage Loan: Any mortgage loan that, at the time of reference thereto, is subject to a subservicing agreement.

Subservicer: Any person with whom the master servicer has entered into a subservicing agreement and who generally satisfied the requirements set forth in the program guide in respect of the qualification of a subservicer as of the date of its approval as a subservicer by the master servicer.

Subservicer Advance: Any delinquent installment of principal and interest on a mortgage loan which is advanced by the related subservicer (net of its subservicing fee) pursuant to the subservicing agreement.

Subservicing Account: An account established by a subservicer in accordance with Section 3.08.

Subservicing Agreement: The written contract between the master servicer and any subservicer relating to servicing and administration of certain mortgage loans as provided in Section 3.02, generally in the form of the servicer contract referred to or contained in the program guide or in such other form as has been approved by the master servicer and the company. With respect to additional collateral loans subserviced by MLCC, the subservicing agreement shall also include the addendum and assignment agreement and the pledged asset mortgage servicing agreement. With respect to any pledged asset loan subserviced by GMAC Mortgage, LLC, the addendum and assignment agreement, dated as of November 24, 1998, between the master servicer and GMAC Mortgage, LLC, as such agreement may be amended from time to time.

Voting Rights. The portion of the voting rights of all of the Certificates which is allocated to any Certificate, and more particularly designated in Article XI of the Series Supplement.

Section 1.02. Use of Words and Phrases.

"Herein," "hereby," "hereunder," "hereof," "hereinbefore," "hereinafter" and other equivalent words refer to the Pooling and Servicing Agreement as a whole. All references herein to Articles, Sections or Subsections shall mean the corresponding Articles, Sections and Subsections in the Pooling and Servicing Agreement. The definitions set forth herein include both the singular and the plural.

References in the Pooling and Servicing Agreement to "interest" on and "principal" of the Mortgage Loans shall mean, with respect to the Sharia Mortgage Loans, amounts in respect profit payments and acquisition payments, respectively.

ARTICLE II

CONVEYANCE OF MORTGAGE LOANS;  
ORIGINAL ISSUANCE OF CERTIFICATES

Section 2.01. Conveyance of Mortgage Loans.

(a) The Company, concurrently with the execution and delivery hereof, does hereby assign to the Trustee without recourse all the right, title and interest of the Company in and to the Mortgage Loans, including all interest and principal received on or with respect to the Mortgage Loans after the Cut-off Date (other than payments of principal and interest due on the Mortgage Loans in the month of the Cut-off Date). In connection with such transfer and assignment, the Company does hereby deliver to the Trustee the Certificate Policy (as defined in the Series Supplement), if any. The Company, the Master Servicer and the Trustee agree that it is not intended that any mortgage loan be included in the Trust that is (i) a "High-Cost Home Loan" as defined in the New Jersey Home Ownership Act effective November 27, 2003, (ii) a "High-Cost Home Loan" as defined in the New Mexico Home Loan Protection Act effective January 1, 2004, (iii) a "High Cost Home Mortgage Loan" as defined in the Massachusetts Predatory Home Practices Act effective November 7, 2004 or (iv) a "High-Cost Home Loan" as defined in the Indiana House Enrolled Act No. 1229, effective as of January 1, 2005.

(b) In connection with such assignment, except as set forth in Section 2.01(c) and subject to Section 2.01(d) below, the Company does hereby:

(I) with respect to each Mortgage Loan so assigned (other than a Cooperative Loan or a Sharia Mortgage Loan) (1) in the case of all such Mortgage Loans, deliver to and deposit with the Master Servicer (or an Affiliate of the Master Servicer) each of the documents or instruments described in clause (ii) below (and the Master Servicer shall hold (or cause such Affiliate to hold) such documents or instruments in trust for the use and benefit of all present and future Certificateholders), (2) with respect to each MOM Loan, deliver to, and deposit with, the Trustee, or to and with one or more Custodians, as the duly appointed agent or agents of the Trustee for such purpose, the documents or instruments described in clauses (1) and (v) below, (3) with respect to each Mortgage Loan that is not a MOM Loan but is registered on the MERS(R)System, deliver to, and deposit with, the Trustee, or to and with one or more Custodians, as the duly appointed agent or agents of the Trustee for such purpose, the documents or instruments described in clauses (1), (iv) and (v) below and (4) with respect to each Mortgage Loan that is not a MOM Loan and is not registered on the MERS(R)System, deliver to, and deposit with, the Trustee, or to and with one or more Custodians, as the duly appointed agent or agents of the Trustee for such purpose, the documents or instruments described in clauses (1), (iii), (iv) and (v) below:

- (i) The original Mortgage Note, endorsed without recourse to the order of the Trustee and showing an unbroken chain of endorsements from the originator thereof to the Person endorsing it to the Trustee, or with respect to any Destroyed Mortgage Note, an original lost note affidavit from the related Seller or Residential Funding stating that the original Mortgage Note was lost, misplaced or destroyed, together with a copy of the related Mortgage Note.
- (ii) The original Mortgage, noting the presence of the MIN of the Mortgage Loan and language indicating that the Mortgage Loan is a MOM Loan if the Mortgage Loan is a MOM Loan, with evidence of recording indicated thereon or a copy of the Mortgage with evidence of recording indicated thereon.
- (iii) The original Assignment of the Mortgage to the Trustee with evidence of recording indicated thereon or a copy of such assignment with evidence of recording indicated thereon.

(iv) The original recorded assignment or assignments of the Mortgage Loan showing an unbroken chain of title from the originator thereof to the Person assigning it to the Trustee (or to MERS, if the Mortgage Loan is registered on the MERS(R)System and noting the presence of a MIN) with evidence of recordation noted thereon or attached thereto, or a copy of such assignment or assignments of the Mortgage with evidence of recording indicated thereon.

(v) The original of each modification, assumption agreement or preferred loan agreement, if any, relating to such Mortgage Loan or a copy of each modification, assumption agreement or preferred loan agreement.

(II) with respect to each Cooperative Loan so assigned:

(i) The original Mortgage Note, endorsed without recourse to the order of the Trustee and showing an unbroken chain of endorsements from the originator thereof to the Person endorsing it to the Trustee, or with respect to any Destroyed Mortgage Note, an original lost note affidavit from the related Seller or Residential Funding stating that the original Mortgage Note was lost, misplaced or destroyed, together with a copy of the related Mortgage Note.

(ii) A counterpart of the Cooperative Lease and the Assignment of Proprietary Lease to the originator of the Cooperative Loan with intervening assignments showing an unbroken chain of title from such originator to the Trustee.

(iii) The related Cooperative Stock Certificate, representing the related Cooperative Stock pledged with respect to such Cooperative Loan, together with an undated stock power (or other similar instrument) executed in blank.

(iv) The original recognition agreement by the Cooperative of the interests of the mortgagee with respect to the related Cooperative Loan.

(v) The Security Agreement.

(vi) Copies of the original UCC-1 financing statement, and any continuation statements, filed by the originator of such Cooperative Loan as secured party, each with evidence of recording thereof, evidencing the interest of the originator under the Security Agreement and the Assignment of Proprietary Lease.

(vii) Copies of the filed UCC-3 assignments of the security interest referenced in clause (vi) above showing an unbroken chain of title from the originator to the Trustee, each with evidence of recording thereof, evidencing the interest of the originator under the Security Agreement and the Assignment of Proprietary Lease.

(viii) An executed assignment of the interest of the originator in the Security Agreement, Assignment of Proprietary Lease and the recognition agreement referenced in clause (iv) above, showing an unbroken chain of title from the originator to the Trustee.

(ix) The original of each modification, assumption agreement or preferred loan agreement, if any, relating to such Cooperative Loan.

(x) A duly completed UCC-1 financing statement showing the Master Servicer as debtor, the Company as secured party and the Trustee as assignee and a duly completed UCC-1 financing statement showing the Company as debtor and the Trustee as secured party, each in a form sufficient for filing, evidencing the interest of such debtors in the Cooperative Loans.

and (III) with respect to each Sharia Mortgage Loan so assigned:

(xi) The original Obligation to Pay, endorsed without recourse in blank or to the order of the Trustee and showing an unbroken chain of endorsements from the originator thereof to the Person endorsing it to the Trustee, or with respect to any Destroyed Obligation to Pay, an original affidavit from the related Seller or Residential Funding stating that the original Obligation to Pay was lost, misplaced or destroyed, together with a copy of the related Obligation to Pay.

(xii) The original Sharia Mortgage Loan Security Instrument, with evidence of recording indicated thereon or a copy of the Sharia Mortgage Loan Security Instrument with evidence of recording indicated thereon.

(xiii) An original Assignment and Amendment of Security Instrument, assigned to the Trustee with evidence of recording indicated thereon or a copy of such Assignment and Amendment of Security Instrument with evidence of recording indicated thereon.

(xiv) The original recorded assignment or assignments of the Sharia Mortgage Loan Security Instrument showing an unbroken chain of title from the originator thereof to the Person assigning it to the Trustee with evidence of recordation noted thereon or attached thereto, or a copy of such assignment or assignments of the Sharia Mortgage Loan Security Instrument with evidence of recording indicated thereon.



(xv) The original Sharia Mortgage Loan Co-Ownership Agreement with respect to the related Sharia Mortgage Loan. **Part F Pg 17 of 22**

(xvi) The original of each modification or assumption agreement, if any, relating to such Sharia Mortgage Loan or a copy of each modification or assumption agreement.

(c) The Company may, in lieu of delivering the original of the documents set forth in Sections 2.01(b)(I) (iii), (iv) and (v), Section (b)(II)(ii), (iv), (vii), (ix) and (x) and Sections 2.01(b)(III)(ii), (iii), (iv), (v) and (vi) (or copies thereof as permitted by Section 2.01(b)) to the Trustee or the Custodian or Custodians, deliver such documents to the Master Servicer, and the Master Servicer shall hold such documents in trust for the use and benefit of all present and future Certificateholders until such time as is set forth in the next sentence. Within thirty Business Days following the earlier of (i) the receipt of the original of all of the documents or instruments set forth in Sections 2.01(b)(I)(iii), (iv) and (v), Sections (b)(II)(ii), (iv), (vii), (ix) and (x) and Sections 2.01(b)(III)(ii), (iii), (iv), (v) and (vi) (or copies thereof) for any Mortgage Loan and (ii) a written request by the Trustee to deliver those documents with respect to any or all of the Mortgage Loans then being held by the Master Servicer, the Master Servicer shall deliver a complete set of such documents to the Trustee or the Custodian or Custodians that are the duly appointed agent or agents of the Trustee.

(d) Notwithstanding the provisions of Section 2.01(c), in connection with any Mortgage Loan, if the Company cannot deliver the original of the Mortgage, any assignment, modification, assumption agreement or preferred loan agreement (or copy thereof as permitted by Section 2.01(b)) with evidence of recording thereon concurrently with the execution and delivery of this Agreement because of (i) a delay caused by the public recording office where such Mortgage, assignment, modification, assumption agreement or preferred loan agreement as the case may be, has been delivered for recordation, or (ii) a delay in the receipt of certain information necessary to prepare the related assignments, the Company shall deliver or cause to be delivered to the Trustee or the respective Custodian a copy of such Mortgage, assignment, modification, assumption agreement or preferred loan agreement.

The Company (i) shall promptly cause to be recorded in the appropriate public office for real property records the Assignment referred to in clause (I)(iii) of Section 2.01(b), except (a) in states where, in the opinion of counsel acceptable to the Master Servicer, such recording is not required to protect the Trustee's interests in the Mortgage Loan against the claim of any subsequent transferee or any successor to or creditor of the Company or the originator of such Mortgage Loan or (b) if MERS is identified on the Mortgage or on a properly recorded assignment of the Mortgage as the mortgagee of record solely as nominee for the Seller and its successors and assigns, (ii) shall promptly cause to be filed the Form UCC-3 assignment and UCC-1 financing statement referred to in clauses (II)(vii) and (x), respectively, of Section 2.01(b) and (iii) shall promptly cause to be recorded in the appropriate public recording office for real property records the Assignment Agreement and Amendment of Security Instrument referred to in clause (III)(iii) of Section 2.01(b). If any Assignment, Assignment Agreement and Amendment of Security Instrument, Form UCC-3 or Form UCC-1, as applicable, is lost or returned unrecorded to the Company because of any defect therein, the Company shall prepare a substitute Assignment, Assignment Agreement and Amendment of Security Instrument, Form UCC-3 or Form UCC-1, as applicable, or cure such defect, as the case may be, and cause such Assignment or Assignment Agreement and Amendment of Security Instrument to be recorded in accordance with this paragraph. The Company shall promptly deliver or cause to be delivered to the applicable Person described in Section 2.01(b) such Assignment or substitute Assignment or Assignment Agreement and Amendment of Security Instrument or Form UCC-3 or Form UCC-1, as applicable, (or copy thereof) recorded in connection with this paragraph, with evidence of recording indicated thereon at the time specified in Section 2.01(c). In connection with its servicing of Cooperative Loans, the Master Servicer will use its best efforts to file timely continuation statements with regard to each financing statement and assignment relating to Cooperative Loans as to which the related Cooperative Apartment is located outside of the State of New York.

If the Company delivers to the Trustee or Custodian any Mortgage Note, Obligation to Pay, Assignment Agreement and Amendment of Security Instrument or Assignment of Mortgage in blank, the Company shall, or shall cause the Custodian to, complete the endorsement of the Mortgage Note, Obligation to Pay, Assignment Agreement and Amendment of Security Instrument and the Assignment of Mortgage in the name of the Trustee in conjunction with the Interim Certification issued by the Custodian, as contemplated by Section 2.02.

Any of the items set forth in Sections 2.01(b)(II)(vi) and (vii) and Sections 2.01(b)(III)(ii), (iii), and (iv) that may be delivered as a copy rather than the original may be delivered to the Trustee or the Custodian.

In connection with the assignment of any Mortgage Loan registered on the MERS(R)System, the Company further agrees that it will cause, at the Company's own expense, within 30 Business Days after the Closing Date, the MERS(R)System to indicate that such Mortgage Loans have been assigned by the Company to the Trustee in accordance with this Agreement for the benefit of

the Certificateholders by including (or deleting, in the case of Mortgage Loans which are repurchased in accordance with the terms of the Agreement) in the computer files (a) the code in the field which identifies the specific Trustee and (b) the code in the field "Pool Field" which identifies the series of the Certificates issued in connection with such Mortgage Loans. Part F Pg 18 of 22

The Company further agrees that it will not, and will not permit the Master Servicer to, and the Master Servicer agrees that it will not, alter the codes referenced in this paragraph with respect to any Mortgage Loan during the term of this Agreement unless and until such Mortgage Loan is repurchased in accordance with the terms of this Agreement.

(e) Residential Funding hereby assigns to the Trustee its security interest in and to any Additional Collateral or Pledged Assets, its right to receive amounts due or to become due in respect of any Additional Collateral or Pledged Assets pursuant to the related Subservicing Agreement and its rights as beneficiary under the Surety Bond in respect of any Additional Collateral Loans. With respect to any Additional Collateral Loan or Pledged Asset Loan, Residential Funding shall cause to be filed in the appropriate recording office a UCC-3 statement giving notice of the assignment of the related security interest to the Trust Fund and shall thereafter cause the timely filing of all necessary continuation statements with regard to such financing statements.

(f) It is intended that the conveyance by the Company to the Trustee of the Mortgage Loans as provided for in this Section 2.01 be and the Uncertificated REMIC Regular Interests, if any (as provided for in Section 2.06), be construed as a sale by the Company to the Trustee of the Mortgage Loans and any Uncertificated REMIC Regular Interests for the benefit of the Certificateholders. Further, it is not intended that such conveyance be deemed to be a pledge of the Mortgage Loans and any Uncertificated REMIC Regular Interests by the Company to the Trustee to secure a debt or other obligation of the Company. However, if the Mortgage Loans and any Uncertificated REMIC Regular Interests are held to be property of the Company or of Residential Funding, or if for any reason this Agreement is held or deemed to create a security interest in the Mortgage Loans and any Uncertificated REMIC Regular Interests, then it is intended that (a) this Agreement shall be a security agreement within the meaning of Articles 8 and 9 of the New York Uniform Commercial Code and the Uniform Commercial Code of any other applicable jurisdiction; (b) the conveyance provided for in Section 2.01 shall be deemed to be, and hereby is, (1) a grant by the Company to the Trustee of a security interest in all of the Company's right (including the power to convey title thereto), title and interest, whether now owned or hereafter acquired, in and to any and all general intangibles, payment intangibles, accounts, chattel paper, instruments, documents, money, deposit accounts, certificates of deposit, goods, letters of credit, advices of credit and investment property and other property of whatever kind or description now existing or hereafter acquired consisting of, arising from or relating to any of the following: (A) the Mortgage Loans, including (i) with respect to each Cooperative Loan, the related Mortgage Note, Security Agreement, Assignment of Proprietary Lease, Cooperative Stock Certificate and Cooperative Lease, (ii) with respect to each Sharia Mortgage Loan, the related Sharia Mortgage Loan Security Instrument, Sharia Mortgage Loan Co-Ownership Agreement, Obligation to Pay and Assignment Agreement and Amendment of Security Instrument, (iii) with respect to each Mortgage Loan other than a Cooperative Loan or a Sharia Mortgage Loan, the related Mortgage Note and Mortgage, and (iv) any insurance policies and all other documents in the related Mortgage File, (B) all amounts payable pursuant to the Mortgage Loans in accordance with the terms thereof, (C) any Uncertificated REMIC Regular Interests and (D) all proceeds of the conversion, voluntary or involuntary, of the foregoing into cash, instruments, securities or other property, including without limitation all amounts from time to time held or invested in the Certificate Account or the Custodial Account, whether in the form of cash, instruments, securities or other property and (2) an assignment by the Company to the Trustee of any security interest in any and all of Residential Funding's right (including the power to convey title thereto), title and interest, whether now owned or hereafter acquired, in and to the property described in the foregoing clauses (1)(A), (B), (C) and (D) granted by Residential Funding to the Company pursuant to the Assignment Agreement; (c) the possession by the Trustee, the Custodian or any other agent of the Trustee of Mortgage Notes or such other items of property as constitute instruments, money, payment intangibles, negotiable documents, goods, deposit accounts, letters of credit, advices of credit, investment property, certificated securities or chattel paper shall be deemed to be "possession by the secured party," or possession by a purchaser or a person designated by such secured party, for purposes of perfecting the security interest pursuant to the Minnesota Uniform Commercial Code and the Uniform Commercial Code of any other applicable jurisdiction as in effect (including, without limitation, Sections 8-106, 9-313 and 9-106 thereof); and (d) notifications to persons holding such property, and acknowledgments, receipts or confirmations from persons holding such property, shall be deemed notifications to, or acknowledgments, receipts or confirmations from, securities intermediaries, bailees or agents of, or persons holding for (as applicable) the Trustee for the purpose of perfecting such security interest under applicable law.

The Company and, at the Company's direction, Residential Funding and the Trustee shall, to the extent consistent with this Agreement, take such reasonable actions as may be necessary to ensure that, if this Agreement were determined to create a security interest in the Mortgage Loans, any Uncertificated REMIC Regular Interests and the other property described

above, such security interest would be determined to be a perfected security interest of first priority under applicable law and the Company shall maintain such throughout the term of this Agreement. Without limiting the generality of the foregoing, the Company shall prepare and deliver to the Trustee not less than 15 days prior to any filing date and, the Trustee shall forward for filing, or shall cause to be forwarded for filing, at the expense of the Company, all filings necessary to maintain the effectiveness of any original filings necessary under the Uniform Commercial Code as in effect in any jurisdiction to perfect the Trustee's security interest in or lien on the Mortgage Loans and any Uncertificated REMIC Regular Interests, as evidenced by an Officers' Certificate of the Company, including without limitation (x) continuation statements, and (y) such other statements as may be occasioned by (1) any change of name of Residential Funding, the Company or the Trustee (such preparation and filing shall be at the expense of the Trustee, if occasioned by a change in the Trustee's name), (2) any change of location of the place of business or the chief executive office of Residential Funding or the Company, (3) any transfer of any interest of Residential Funding or the Company in any Mortgage Loan or (4) any transfer of any interest of Residential Funding or the Company in any Uncertificated REMIC Regular Interest.

(g) The Master Servicer hereby acknowledges the receipt by it of the Initial Monthly Payment Fund. The Master Servicer shall hold such Initial Monthly Payment Fund in the Custodial Account and shall include the related Initial Monthly Payment Fund in the Available Distribution Amount for the Mortgage Loans or, with respect to any Mortgage Pool comprised of two or more Loan Groups, the Mortgage Loans in each Loan Group, for the initial Distribution Date. Notwithstanding anything herein to the contrary, the Initial Monthly Payment Fund shall not be an asset of any REMIC. To the extent that the Initial Monthly Payment Fund constitutes a reserve fund for federal income tax purposes, (1) it shall be an outside reserve fund and not an asset of any REMIC, (2) it shall be owned by the Seller and (3) amounts transferred by any REMIC to the Initial Monthly Payment Fund shall be treated as transferred to the Seller or any successor, all within the meaning of Section 1.860G-2(h) of the Treasury Regulations.

(h) The Company agrees that the sale of each Pledged Asset Loan pursuant to this Agreement will also constitute the assignment, sale, setting-over, transfer and conveyance to the Trustee, without recourse (but subject to the Company's covenants, representations and warranties specifically provided herein), of all of the Company's obligations and all of the Company's right, title and interest in, to and under, whether now existing or hereafter acquired as owner of the Mortgage Loan with respect to all money, securities, security entitlements, accounts, general intangibles, instruments, documents, certificates of deposit, commodities contracts, and other investment property and other property of whatever kind or description consisting of, arising from or related to (i) the Assigned Contracts, (ii) all rights, powers and remedies of the Company as owner of such Mortgage Loan under or in connection with the Assigned Contracts, whether arising under the terms of such Assigned Contracts, by statute, at law or in equity, or otherwise arising out of any default by the Mortgagor under or in connection with the Assigned Contracts, including all rights to exercise any election or option or to make any decision or determination or to give or receive any notice, consent, approval or waiver thereunder, (iii) all security interests in and lien of the Company as owner of such Mortgage Loan in the Pledged Amounts and all money, securities, security entitlements, accounts, general intangibles, instruments, documents, certificates of deposit, commodities contracts, and other investment property and other property of whatever kind or description and all cash and non-cash proceeds of the sale, exchange, or redemption of, and all stock or conversion rights, rights to subscribe, liquidation dividends or preferences, stock dividends, rights to interest, dividends, earnings, income, rents, issues, profits, interest payments or other distributions of cash or other property that is credited to the Custodial Account, (iv) all documents, books and records concerning the foregoing (including all computer programs, tapes, disks and related items containing any such information) and (v) all insurance proceeds (including proceeds from the Federal Deposit Insurance Corporation or the Securities Investor Protection Corporation or any other insurance company) of any of the foregoing or replacements thereof or substitutions therefor, proceeds of proceeds and the conversion, voluntary or involuntary, of any thereof. The foregoing transfer, sale, assignment and conveyance does not constitute and is not intended to result in the creation, or an assumption by the Trustee, of any obligation of the Company, or any other person in connection with the Pledged Assets or under any agreement or instrument relating thereto, including any obligation to the Mortgagor, other than as owner of the Mortgage Loan.

Section 2.02. Acceptance by Trustee.

The Trustee acknowledges receipt (or, with respect to Mortgage Loans subject to a Custodial Agreement, and based solely upon a receipt or certification executed by the Custodian, receipt by the respective Custodian as the duly appointed agent of the Trustee) of the documents referred to in Section 2.01(b)(I)(i) and Section 2.01(b)(II)(i), (iii), (v), (vi) and (viii) above (except that for purposes of such acknowledgment only, a Mortgage Note may be endorsed in blank) and declares that it, or a Custodian as its agent, holds and will hold such documents and the other documents constituting a part of the Custodial Files delivered to it, or a Custodian as its agent, and the rights of Residential Funding with respect to any Pledged Assets, Additional Collateral and the Surety Bond assigned to the Trustee

pursuant to Section 2.01(b) for the use and benefit of the present and future Certificateholders. The Trustee or Custodian (the "Custodian" and the "Custodial Agreement") agrees, for the benefit of Certificateholders, to review each Custodial File delivered to it pursuant to Section 2.01(b) within 45 days after the Closing Date to ascertain that all required documents (specifically as set forth in Section 2.01(b)), have been executed and received, and that such documents relate to the Mortgage Loans identified on the Mortgage Loan Schedule, as supplemented, that have been conveyed to it, and to deliver to the Trustee a certificate (the "Interim Certification") to the effect that all documents required to be delivered pursuant to Section 2.01(b) above have been executed and received and that such documents relate to the Mortgage Loans identified on the Mortgage Loan Schedule, except for any exceptions listed on Schedule A attached to such Interim Certification. Upon delivery of the Custodial Files by the Company or the Master Servicer, the Trustee shall acknowledge receipt (or, with respect to Mortgage Loans subject to a Custodial Agreement, and based solely upon a receipt or certification executed by the Custodian, receipt by the respective Custodian as the duly appointed agent of the Trustee) of the documents referred to in Section 2.01(c) above.

If the Custodian, as the Trustee's agent, finds any document or documents constituting a part of a Custodial File to be missing or defective, the Trustee shall promptly so notify the Master Servicer and the Company. Pursuant to Section 2.3 of the Custodial Agreement, the Custodian will notify the Master Servicer, the Company and the Trustee of any such omission or defect found by it in respect of any Custodial File held by it in respect of the items reviewed by it pursuant to the Custodial Agreement. If such omission or defect materially and adversely affects the interests of the Certificateholders, the Master Servicer shall promptly notify Residential Funding of such omission or defect and request that Residential Funding correct or cure such omission or defect within 60 days from the date the Master Servicer was notified of such omission or defect and, if Residential Funding does not correct or cure such omission or defect within such period, the Master Servicer shall require Residential Funding to purchase such Mortgage Loan from the Trust Fund at its Purchase Price within 90 days from the date the Master Servicer was notified of such omission or defect; provided that if the omission or defect would cause the Mortgage Loan to be other than a "qualified mortgage" as defined in Section 860G(a)(3) of the Code, any such cure or repurchase must occur within 90 days from the date such breach was discovered. The Purchase Price for any such Mortgage Loan shall be deposited by the Master Servicer in the Custodial Account maintained by it pursuant to Section 3.07 and, upon receipt by the Trustee of written notification of such deposit signed by a Servicing Officer, the Master Servicer, the Trustee or any Custodian, as the case may be, shall release the contents of any related Mortgage File in its possession to the owner of such Mortgage Loan (or such owner's designee) and the Trustee shall execute and deliver such instruments of transfer or assignment prepared by the Master Servicer, in each case without recourse, as shall be necessary to vest in Residential Funding or its designee any Mortgage Loan released pursuant hereto and thereafter such Mortgage Loan shall not be part of the Trust Fund. It is understood and agreed that the obligation of Residential Funding to so cure or purchase any Mortgage Loan as to which a material and adverse defect in or omission of a constituent document exists shall constitute the sole remedy respecting such defect or omission available to Certificateholders or the Trustee on behalf of the Certificateholders.

Section 2.03. Representations, Warranties and Covenants of the Master Servicer and the Company.

(a) The Master Servicer hereby represents and warrants to the Trustee for the benefit of the Certificateholders that:

- (i) The Master Servicer is a limited liability company duly organized, validly existing and in good standing under the laws governing its creation and existence and is or will be in compliance with the laws of each state in which any Mortgaged Property is located to the extent necessary to ensure the enforceability of each Mortgage Loan in accordance with the terms of this Agreement;
- (ii) The execution and delivery of this Agreement by the Master Servicer and its performance and compliance with the terms of this Agreement will not violate the Master Servicer's Certificate of Formation or limited liability company agreement or constitute a material default (or an event which, with notice or lapse of time, or both, would constitute a material default) under, or result in the material breach of, any material contract, agreement or other instrument to which the Master Servicer is a party or which may be applicable to the Master Servicer or any of its assets;
- (iii) This Agreement, assuming due authorization, execution and delivery by the Trustee and the Company, constitutes a valid, legal and binding obligation of the Master Servicer, enforceable against it in accordance with the terms hereof subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws affecting the enforcement of creditors' rights generally and to general principles of equity, regardless of whether such enforcement is considered in a proceeding in equity or at law;
- (iv) The Master Servicer is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal,

- (v) No litigation is pending or, to the best of the Master Servicer's knowledge, threatened against the Master Servicer which would prohibit its entering into this Agreement or performing its obligations under this Agreement;
- (vi) The Master Servicer will comply in all material respects in the performance of this Agreement with all reasonable rules and requirements of each insurer under each Required Insurance Policy;
- (vii) No information, certificate of an officer, statement furnished in writing or report delivered to the Company, any Affiliate of the Company or the Trustee by the Master Servicer will, to the knowledge of the Master Servicer, contain any untrue statement of a material fact or omit a material fact necessary to make the information, certificate, statement or report not misleading;
- (viii) The Master Servicer has examined each existing, and will examine each new, Subservicing Agreement and is or will be familiar with the terms thereof. The terms of each existing Subservicing Agreement and each designated Subservicer are acceptable to the Master Servicer and any new Subservicing Agreements will comply with the provisions of Section 3.02; and
- (ix) The Master Servicer is a member of MERS in good standing, and will comply in all material respects with the rules and procedures of MERS in connection with the servicing of the Mortgage Loans that are registered with MERS.

It is understood and agreed that the representations and warranties set forth in this Section 2.03(a) shall survive delivery of the respective Custodial Files to the Trustee or any Custodian.

Upon discovery by either the Company, the Master Servicer, the Trustee or any Custodian of a breach of any representation or warranty set forth in this Section 2.03(a) which materially and adversely affects the interests of the Certificateholders in any Mortgage Loan, the party discovering such breach shall give prompt written notice to the other parties (any Custodian being so obligated under a Custodial Agreement). Within 90 days of its discovery or its receipt of notice of such breach, the Master Servicer shall either (i) cure such breach in all material respects or (ii) to the extent that such breach is with respect to a Mortgage Loan or a related document, purchase such Mortgage Loan from the Trust Fund at the Purchase Price and in the manner set forth in Section 2.02; provided that if the omission or defect would cause the Mortgage Loan to be other than a "qualified mortgage" as defined in Section 860G(a)(3) of the Code, any such cure or repurchase must occur within 90 days from the date such breach was discovered. The obligation of the Master Servicer to cure such breach or to so purchase such Mortgage Loan shall constitute the sole remedy in respect of a breach of a representation and warranty set forth in this Section 2.03(a) available to the Certificateholders or the Trustee on behalf of the Certificateholders.

(b) Representations and warranties relating to the Mortgage Loans are set forth in Section 2.03(b) of the Series Supplement.

#### Section 2.04. Representations and Warranties of Residential Funding.

The Company, as assignee of Residential Funding under the Assignment Agreement, hereby assigns to the Trustee for the benefit of Certificateholders all of its right, title and interest in respect of the Assignment Agreement (to the extent assigned to the Company pursuant to the Assignment Agreement) applicable to a Mortgage Loan. Insofar as the Assignment Agreement relates to the representations and warranties made by Residential Funding or the related Seller in respect of such Mortgage Loan and any remedies provided thereunder for any breach of such representations and warranties, such right, title and interest may be enforced by the Master Servicer on behalf of the Trustee and the Certificateholders. Upon the discovery by the Company, the Master Servicer, the Trustee or any Custodian of a breach of any of the representations and warranties made in the Assignment Agreement (which, for purposes hereof, will be deemed to include any other cause giving rise to a repurchase obligation under the Assignment Agreement) in respect of any Mortgage Loan which materially and adversely affects the interests of the Certificateholders in such Mortgage Loan, the party discovering such breach shall give prompt written notice to the other parties (any Custodian being so obligated under a Custodial Agreement). The Master Servicer shall promptly notify Residential Funding of such breach and request that Residential Funding either (i) cure such breach in all material respects within 90 days from the date the Master Servicer was notified of such breach or (ii) purchase such Mortgage Loan from the Trust Fund at the Purchase Price and in the manner set forth in Section 2.02; provided that Residential Funding shall have the option to substitute a Qualified Substitute Mortgage Loan or Loans for such Mortgage Loan if such substitution occurs within two years following the Closing Date; provided that if the breach would cause the Mortgage Loan to be other than a "qualified mortgage" as defined in Section 860G(a)(3) of the Code, any such cure, repurchase or

substitution must occur within 90 days from the date the breach was discovered. If the breach of representation and warranty that caused the obligation to repurchase or substitute a Mortgage Loan pursuant to Section 4 of the Assignment Agreement was the representation and warranty set forth in clause (xii) or (xxxviii) of Section 4 thereof, then the Master Servicer shall request that Residential Funding pay to the Trust Fund, concurrently with and in addition to the remedies provided in the preceding sentence, an amount equal to any liability, penalty or expense that was actually incurred and paid out of or on behalf of the Trust Fund, and that directly resulted from such breach, or if incurred and paid by the Trust Fund thereafter, concurrently with such payment. In the event that Residential Funding elects to substitute a Qualified Substitute Mortgage Loan or Loans for a Deleted Mortgage Loan pursuant to this Section 2.04, Residential Funding shall deliver to the Trustee or the Custodian for the benefit of the Certificateholders with respect to such Qualified Substitute Mortgage Loan or Loans, the original Mortgage Note, the Mortgage, an Assignment of the Mortgage in recordable form if required pursuant to Section 2.01, and such other documents and agreements as are required by Section 2.01, with the Mortgage Note endorsed as required by Section 2.01. No substitution will be made in any calendar month after the Determination Date for such month. Monthly Payments due with respect to Qualified Substitute Mortgage Loans in the month of substitution shall not be part of the Trust Fund and will be retained by the Master Servicer and remitted by the Master Servicer to Residential Funding on the next succeeding Distribution Date. For the month of substitution, distributions to the Certificateholders will include the Monthly Payment due on a Deleted Mortgage Loan for such month and thereafter Residential Funding shall be entitled to retain all amounts received in respect of such Deleted Mortgage Loan. The Master Servicer shall amend or cause to be amended the Mortgage Loan Schedule, and, if the Deleted Mortgage Loan was a Discount Mortgage Loan, the Schedule of Discount Fractions, for the benefit of the Certificateholders to reflect the removal of such Deleted Mortgage Loan and the substitution of the Qualified Substitute Mortgage Loan or Loans and the Master Servicer shall deliver the amended Mortgage Loan Schedule, and, if the Deleted Mortgage Loan was a Discount Mortgage Loan, the amended Schedule of Discount Fractions, to the Trustee. Upon such substitution, the Qualified Substitute Mortgage Loan or Loans shall be subject to the terms of this Agreement and the related Subservicing Agreement in all respects, Residential Funding shall be deemed to have made the representations and warranties with respect to the Qualified Substitute Mortgage Loan contained in the related Assignment Agreement, and the Company and the Master Servicer shall be deemed to have made with respect to any Qualified Substitute Mortgage Loan or Loans, as of the date of substitution, the covenants, representations and warranties set forth in this Section 2.04, in Section 2.03 hereof and in Section 4 of the Assignment Agreement, and the Master Servicer shall be obligated to repurchase or substitute for any Qualified Substitute Mortgage Loan as to which a Repurchase Event (as defined in the Assignment Agreement) has occurred pursuant to Section 4 of the Assignment Agreement.

In connection with the substitution of one or more Qualified Substitute Mortgage Loans for one or more Deleted Mortgage Loans, the Master Servicer will determine the amount (if any) by which the aggregate principal balance of all such Qualified Substitute Mortgage Loans as of the date of substitution is less than the aggregate Stated Principal Balance of all such Deleted Mortgage Loans (in each case after application of the principal portion of the Monthly Payments due in the month of substitution that are to be distributed to the Certificateholders in the month of substitution). Residential Funding shall deposit the amount of such shortfall into the Custodial Account on the day of substitution, without any reimbursement therefor. Residential Funding shall give notice in writing to the Trustee of such event, which notice shall be accompanied by an Officers' Certificate as to the calculation of such shortfall and (subject to Section 10.01(f)) by an Opinion of Counsel to the effect that such substitution will not cause (a) any federal tax to be imposed on the Trust Fund, including without limitation, any federal tax imposed on "prohibited transactions" under Section 860F(a)(1) of the Code or on "contributions after the startup date" under Section 860G(d)(1) of the Code or (b) any portion of any REMIC to fail to qualify as such at any time that any Certificate is outstanding.

It is understood and agreed that the obligation of Residential Funding to cure such breach or purchase or to substitute for, such Mortgage Loan as to which such a breach has occurred and is continuing and to make any additional payments required under the Assignment Agreement in connection with a breach of the representation and warranty in clause (xii) or (xxxviii) of Section 4 thereof shall constitute the sole remedy respecting such breach available to the Certificateholders or the Trustee on behalf of Certificateholders. If the Master Servicer is Residential Funding, then the Trustee shall also have the right to give the notification and require the purchase or substitution provided for in the second preceding paragraph in the event of such a breach of a representation or warranty made by Residential Funding in the Assignment Agreement. In connection with the purchase of or substitution for any such Mortgage Loan by Residential Funding, the Trustee shall assign to Residential Funding all of the Trustee's right, title and interest in respect of the Assignment Agreement applicable to such Mortgage Loan.

Section 2.05. Execution and Authentication of Certificates/Issuance of Certificates Evidencing Interests in REMIC I.

As provided in Section 2.05 of the Series Supplement.

# EXHIBIT 7-G

RESIDENTIAL FUNDING MORTGAGE SECURITIES II, INC.,

Company,

RESIDENTIAL FUNDING CORPORATION,

Master Servicer,

and

JPMORGAN CHASE BANK, N.A.,

Trustee

POOLING AND SERVICING AGREEMENT

Dated as of January 1, 2006

Home Equity Loan Pass-Through Certificates

Series 2006-HSA1

TABLE OF CONTENTS

PAGE

ARTICLE I	DEFINITIONS.....	3
Section 1.01	Definitions.....	3
Section 1.02	Determination of LIBOR.....	35
ARTICLE II	CONVEYANCE OF MORTGAGE LOANS; ORIGINAL ISSUANCE OF CERTIFICATES.....	36
Section 2.01	Conveyance of Mortgage Loans.....	36
Section 2.02	Acceptance by Trustee.....	40
Section 2.03	Representations, Warranties and Covenants of the Master Servicer and the Company.....	41
Section 2.05	Execution and Authentication of Certificates; Conveyance of Uncertificated REMIC Regular Interests.....	45
Section 2.06.	Purposes and Powers of the Trust.....	46
ARTICLE III	ADMINISTRATION AND SERVICING OF MORTGAGE LOANS.....	47
Section 3.01	The Master Servicer to Act as Servicer.....	47



Section 11.09 [Reserved].....117

Section 11.10 No Petition.....117

ARTICLE XII COMPLIANCE WITH REGULATION AB.....118

Section 12.01. Intent of Parties; Reasonableness.....118

Section 12.02. Additional Representations and Warranties of the Trustee.....118

Section 12.03. Information to be Provided by the Trustee.....119

Section 12.04. Report on Assessment of Compliance and Attestation.....120

Section 12.05. Indemnification; Remedies.....120

EXHIBITS

EXHIBIT A-1 FORM OF CLASS A CERTIFICATE

EXHIBIT A-2 FORM OF CLASS SB CERTIFICATE

EXHIBIT B FORM OF CLASS R CERTIFICATE

EXHIBIT C FORM OF CUSTODIAL AGREEMENT

EXHIBIT D MORTGAGE LOAN SCHEDULE

EXHIBIT E FORM OF REQUEST FOR RELEASE

EXHIBIT F [RESERVED]

EXHIBIT G-1 FORM OF TRANSFER AFFIDAVIT AND AGREEMENT

EXHIBIT G-2 FORM OF TRANSFEROR CERTIFICATE

EXHIBIT H FORM OF INVESTOR REPRESENTATION LETTER

EXHIBIT I FORM OF TRANSFEROR REPRESENTATION LETTER

EXHIBIT J [RESERVED]

EXHIBIT K [RESERVED]

EXHIBIT L FORM OF LENDER CERTIFICATION FOR ASSIGNMENT OF MORTGAGE LOAN

EXHIBIT M FORM OF RULE 144A INVESTMENT REPRESENTATION

EXHIBIT N [RESERVED]

EXHIBIT O SERVICING CRITERIA

EXHIBIT P-1 FORM OF FORM 10-K CERTIFICATION

EXHIBIT P-2 FORM OF BACK-UP CERTIFICATE TO FORM 10-K CERTIFICATION

EXHIBIT Q [RESERVED]

EXHIBIT R ASSIGNMENT AGREEMENT

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This is a Pooling and Servicing Agreement, effective as of January 1, 2006, among RESIDENTIAL FUNDING MORTGAGE SECURITIES II, INC., as the company (together with its permitted successors and assigns, the "Company"), RESIDENTIAL FUNDING CORPORATION, as master servicer (together with its permitted successors and assigns, the "Master Servicer"), and JPMORGAN CHASE BANK, N.A., a national banking association, as Trustee (together with its permitted successors and assigns, the "Trustee").

PRELIMINARY STATEMENT

The Company intends to sell home equity loan pass-through certificates (collectively, the "Certificates"), to be issued hereunder in multiple classes, which in the aggregate will evidence the entire beneficial ownership interest in the Mortgage Loans (as defined herein).

pursuant to Section 2.02 received in the month of such Distribution Date (Other than such Liquidation Proceeds, REO Proceeds, Insurance Proceeds and purchase proceeds that the Master Servicer has deemed to have been received in the preceding month in accordance with Section 3.07(b)) and (ii) payments which represent early receipt of scheduled payments of principal and interest due on a date or dates subsequent to the related Due Date.

**Appraised Value:** With respect to any Mortgaged Property, the lesser of (i) the appraised value of such Mortgaged Property based upon the appraisal made at the time of the origination of the related Mortgage Loan, and (ii) the sales price of the Mortgaged Property at such time of origination, except in the case of a Mortgaged Property securing a refinanced or modified Mortgage Loan as to which it is either the appraised value based upon the appraisal made at the time of origination of the loan which was refinanced or modified or the appraised value determined in an appraisal at the time of refinancing or modification, as the case may be.

**Assignment:** An assignment of the Mortgage, notice of transfer or equivalent instrument, in recordable form, sufficient under the laws of the jurisdiction wherein the related Mortgaged Property is located to reflect of record the sale of the Mortgage Loan to the Trustee for the benefit of Certificateholders, which assignment, notice of transfer or equivalent instrument may be in the form of one or more blanket assignments covering Mortgages secured by Mortgaged Properties located in the same county, if permitted by law and accompanied by an Opinion of Counsel to that effect.

**Assignment Agreement:** The Assignment and Assumption Agreement, dated the Closing Date, between Residential Funding and the Company relating to the transfer and assignment of the Mortgage Loans, attached hereto as Exhibit R.

**Available Distribution Amount:** As to any Distribution Date, an amount equal to (a) the sum of (without duplication) (i) payments of principal and interest on the Mortgage Loans actually received by the Master Servicer or Subservicer during the related Collection Period, (ii) Principal Prepayments, Insurance Proceeds, Liquidation Proceeds, REO Proceeds and the proceeds of the purchase of any Mortgage Loan pursuant to Sections 2.02, 2.03 and 4.07 received during the related Collection Period and any amount deposited in the Custodial Account pursuant to Section 2.03(b) in connection with the substitution of a Mortgage Loan, (iii) amounts deposited in the Custodial Account in connection with the substitution of Qualified Substitute Mortgage Loans, (iv) any amount deposited in the Certificate Account pursuant to the second paragraph of Section 3.11(a), (v) any amount deposited in the Certificate Account pursuant to Section 4.07 or 9.01 and (vi) any amounts payable under the Policy, reduced by (b) the sum as of the close of business on the last day of the related Collection Period of (x) the Amount Held for Future Distribution and (y) amounts permitted to be withdrawn by the Master Servicer from the Custodial Account in respect of the Mortgage Loans pursuant to clauses (ii)-(ix), inclusive, of Section 3.10(a).

**Bankruptcy Code:** The Bankruptcy Code of 1978, as amended.

**Book-Entry Certificate:** Any Certificate registered in the name of the Depository or its nominee.

**Business Day:** Any day other than (i) a Saturday or a Sunday or (ii) a day on which banking institutions in the State of New York, the State of California, State of Texas, State of Pennsylvania, State of Minnesota or the State of Illinois (and such other state or states in which the Custodial Account or the Certificate Account are at the time located) are required or authorized by law or executive order to be closed.

**Calendar Quarter:** A Calendar Quarter shall consist of one of the following time periods in any given year: January 1 through March 31, April 1 through June 30, July 1 through September 30, and October 1 through December 31.

**Cash Liquidation:** With respect to any defaulted Mortgage Loan other than a Mortgage Loan as to which an REO Acquisition occurred, a determination by the Master Servicer that it has received all Insurance Proceeds, Liquidation Proceeds and other payments or cash recoveries which the Master Servicer reasonably and in good faith expects to be finally recoverable with respect to such Mortgage Loan.

**Certificate:** Any Class A Certificate, Class SB Certificate or Class R Certificate.

**Certificate Account:** The separate account or accounts created and maintained pursuant to Section 4.01, which shall be entitled "JPMorgan Chase

least two such quotations are provided, the rate will be the arithmetic mean of the quotations rounded up to the next multiple of 1/16%. If on such date fewer than two quotations are provided as requested, the rate will be the arithmetic mean of the rates quoted by one or more major banks in New York City, selected by the Trustee after consultation with the Master Servicer, as of 11:00 a.m., New York City time, on such date for loans in U.S. Dollars to leading European banks for a period of one month in amounts approximately equal to, with respect to the Class A-1 Certificates, the Certificate Principal Balance of the Class A-1 Certificates then outstanding. If no such quotations can be obtained, the rate will be LIBOR for the prior Distribution Date, provided however, if, under the priorities described above, LIBOR for a Distribution Date would be based on LIBOR for the previous Distribution Date for the third consecutive Distribution Date, the Trustee shall select an alternative comparable index (over which the Trustee has no control), used for determining one-month Eurodollar lending rates that is calculated and published (or otherwise made available) by an independent party. "LIBOR Business Day" means any day other than (i) a Saturday or a Sunday or (ii) a day on which banking institutions in the city of London, England are required or authorized by law to be closed.

The establishment of LIBOR by the Trustee on any LIBOR Rate Adjustment Date and the Trustee's subsequent calculation of the Pass-Through Rates applicable to the Class A-1 Certificates for the relevant Interest Accrual Period, in the absence of manifest error, will be final and binding.

Promptly following each LIBOR Rate Adjustment Date the Trustee shall supply the Master Servicer with the results of its determination of LIBOR on such date. Furthermore, the Trustee will supply to any Certificateholder so requesting by calling the Bondholder Inquiry Line at (800) 275-2048 the Pass-Through Rates on the Class A-1 Certificates for the current and the immediately preceding Interest Accrual Period.

## ARTICLE II

### CONVEYANCE OF MORTGAGE LOANS; ORIGINAL ISSUANCE OF CERTIFICATES

#### Section 2.01 Conveyance of Mortgage Loans.

(a) The Company, concurrently with the execution and delivery hereof, does hereby assign to the Trustee without recourse all the right, title and interest of the Company in and to the Mortgage Loans, including all interest and principal received on or with respect to the Mortgage Loans on or after the Cut-off Date.

(b) In connection with such assignment and contemporaneously with the delivery of this Agreement, and except as set forth in Section 2.01(c) below, the Company does hereby deliver to, and deposit with, the Trustee, or to and with one or more Custodians, as the duly appointed agent or agents of the Trustee for such purpose, the following documents or instruments (or copies thereof as permitted by this Section) with respect to each Mortgage Loan so assigned:

(i) The original Mortgage Note, endorsed without recourse to the order of the Trustee and showing an unbroken chain of endorsements from the originator thereof to the Person endorsing it to the Trustee, or with respect to any Destroyed Mortgage Note, an original lost note affidavit from the related Seller or Residential Funding stating that the original Mortgage Note was lost, misplaced or destroyed, together with a copy of the related Mortgage Note;

(ii) The original Mortgage, noting the presence of the MIN of the Mortgage Loan and language indicating that the Mortgage Loan is a MOM Loan if the Mortgage Loan is a MOM Loan, with evidence of recording indicated thereon or a copy of the Mortgage with evidence of recording indicated thereon;

(iii) Unless the Mortgage Loan is registered on the MERS(R) System, an original Assignment of the Mortgage to the Trustee with evidence of recording indicated thereon or a copy of such assignment with evidence of recording indicated thereon;

(iv) The original recorded assignment or assignments of the Mortgage showing an unbroken chain of title from the originator to the Person assigning it to the Trustee (or to MERS, if the Mortgage Loan is registered on the MERS(R) System and noting the presence of a MIN) with evidence of recordation noted thereon or attached thereto, or a copy of

(v) The original of each modification, assumption agreement or preferred loan agreement, if any, relating to such Mortgage Loan or a copy of each modification, assumption agreement or preferred loan agreement.

(c) The Company may, in lieu of delivering the original of the documents set forth in Section 2.01(b)(ii), (iii), (iv) and (v) (or copies thereof as permitted by Section 2.01(b)) to the Trustee or the Custodian or Custodians, deliver such documents to the Master Servicer, and the Master Servicer shall hold such documents in trust for the use and benefit of all present and future Certificateholders until such time as is set forth in the next sentence. Within thirty Business Days following the earlier of (i) the receipt of the original of each of the documents or instruments set forth in Section 2.01(b)(ii), (iii), (iv) and (v) (or copies thereof as permitted by such Section) for any Mortgage Loan and (ii) a written request by the Trustee to deliver those documents with respect to any or all of the Mortgage Loans then being held by the Master Servicer, the Master Servicer shall deliver a complete set of such documents to the Trustee or the Custodian or Custodians that are the duly appointed agent or agents of the Trustee.

(d) Notwithstanding the provisions of Section 2.01(c), in the event that in connection with any Mortgage Loan the Company cannot deliver the original of the Mortgage, any assignment, modification, assumption agreement or preferred loan agreement (or copy thereof as permitted by Section 2.01(b)) with evidence of recording thereon concurrently with the execution and delivery of this Agreement because of (i) a delay caused by the public recording office where such Mortgage, assignment, modification, assumption agreement or preferred loan agreement as the case may be, has been delivered for recordation, or (ii) a delay in the receipt of certain information necessary to prepare the related assignments, the Company shall deliver or cause to be delivered to the Trustee or the respective Custodian a copy of such Mortgage, assignment, modification, assumption agreement or preferred loan agreement.

The Company shall promptly cause to be recorded in the appropriate public office for real property records the Assignment referred to in clause (iii) of Section 2.01(b), except (a) in states where, in the Opinion of Counsel acceptable to the Credit Enhancer, the Trustee and the Master Servicer, such recording is not required to protect the Trustee's interests in the Mortgage Loan against the claim of any subsequent transferee or any successor to or creditor of the Company or the originator of such Mortgage Loan or (b) if MERS is identified on the Mortgage or on a properly recorded assignment of the Mortgage as the mortgagee of record solely as nominee for the Seller and its successors and assigns. If any Assignment is lost or returned unrecorded to the Company because of any defect therein, the Company shall prepare a substitute Assignment or cure such defect, as the case may be, and cause such Assignment to be recorded in accordance with this paragraph. The Company shall promptly deliver or cause to be delivered to the Trustee or the respective Custodian such Mortgage or Assignment (or copy thereof as permitted by Section 2.01(b)) with evidence of recording indicated thereon at the time specified in Section 2.01(c).

If the Company delivers to the Trustee or Custodian any Mortgage Note or Assignment of Mortgage in blank, the Company shall, or shall cause the Custodian to, complete the endorsement of the Mortgage Note and the Assignment of Mortgage in the name of the Trustee in conjunction with the Interim Certification issued by the Custodian, as contemplated by Section 2.02.

Any of the items set forth in Sections 2.01(b)(ii), (iii), (iv) and (v) and that may be delivered as a copy rather than the original may be delivered to the Trustee or the Custodian.

In connection with the assignment of any Mortgage Loan registered on the MERS(R) System, the Company further agrees that it will cause, at the Company's own expense, within 30 Business Days after the Closing Date, the MERS(R) System to indicate that such Mortgage Loans have been assigned by the Company to the Trustee in accordance with this Agreement for the benefit of the Certificateholders by including (or deleting, in the case of Mortgage Loans which are repurchased in accordance with this Agreement) in such computer files (a) the code in the field which identifies the specific Trustee and (b) the code in the field "Pool Field" which identifies the series of the Certificates issued in connection with such Mortgage Loans. The Company further agrees that it will not, and will not permit the Master Servicer to, and the Master Servicer agrees that it will not, alter the codes referenced in this paragraph with respect to

(e) It is intended that the conveyances by the Company to the Trustee of the Mortgage Loans as provided for in this Section 2.01 and the Uncertificated REMIC I Regular Interests be construed as a sale by the Company to the Trustee of the Mortgage Loans and the Uncertificated REMIC I Regular Interests for the benefit of the Certificateholders. Further, it is not intended that any such conveyance be deemed to be a pledge of the Mortgage Loans and the Uncertificated REMIC I Regular Interests by the Company to the Trustee to secure a debt or other obligation of the Company. Nonetheless, (a) this Agreement is intended to be and hereby is a security agreement within the meaning of Articles 8 and 9 of the New York Uniform Commercial Code and the Uniform Commercial Code of any other applicable jurisdiction; (b) the conveyances provided for in this Section 2.01 shall be deemed to be (1) a grant by the Company to the Trustee of a security interest in all of the Company's right (including the power to convey title thereto), title and interest, whether now owned or hereafter acquired, in and to (A) the Mortgage Loans, including the related Mortgage Note, the Mortgage, any insurance policies and all other documents in the related Mortgage File, (B) all amounts payable pursuant to the Mortgage Loans in accordance with the terms thereof, (C) the Uncertificated REMIC I Regular Interests any and all general intangibles, payment intangibles, accounts, chattel paper, instruments, documents, money, deposit accounts, certificates of deposit, goods, letters of credit, advices of credit and investment property and other property of whatever kind or description now existing or hereafter acquired consisting of, arising from or relating to any of the foregoing, and (D) all proceeds of the conversion, voluntary or involuntary, of the foregoing into cash, instruments, securities or other property, including without limitation all amounts from time to time held or invested in the Certificate Account or the Custodial Account, whether in the form of cash, instruments, securities or other property and (2) an assignment by the Company to the Trustee of any security interest in any and all of Residential Funding's right (including the power to convey title thereto), title and interest, whether now owned or hereafter acquired, in and to the property described in the foregoing clauses (1)(A), (B), (C) and (D) granted by Residential Funding to the Company pursuant to the Assignment Agreement; (c) the possession by the Trustee, the Custodian or any other agent of the Trustee of Mortgage Notes or such other items of property as constitute instruments, money, payment intangibles, negotiable documents, goods, deposit accounts, letters of credit, advices of credit, investment property, certificated securities or chattel paper shall be deemed to be "possession by the secured party," or possession by a purchaser or a person designated by such secured party, for purposes of perfecting the security interest pursuant to the Minnesota Uniform Commercial Code and the Uniform Commercial Code of any other applicable jurisdiction as in effect (including, without limitation, Sections 8-106, 9-313 and 9-106 thereof); and (d) notifications to persons holding such property, and acknowledgments, receipts or confirmations from persons holding such property, shall be deemed notifications to, or acknowledgments, receipts or confirmations from, securities intermediaries, bailees or agents of, or persons holding for, (as applicable) the Trustee for the purpose of perfecting such security interest under applicable law.

The Company and, at the Company's direction, Residential Funding and the Trustee shall, to the extent consistent with this Agreement, take such reasonable actions as may be necessary to ensure that, if this Agreement were deemed to create a security interest in the Mortgage Loans and the Uncertificated REMIC I Regular Interests and the other property described above, such security interest would be deemed to be a perfected security interest of first priority under applicable law and will be maintained as such throughout the term of this Agreement. Without limiting the generality of the foregoing, the Company shall prepare and deliver to the Trustee not less than 15 days prior to any filing date and the Trustee shall forward for filing, or shall cause to be forwarded for filing, at the expense of the Company, all filings necessary to maintain the effectiveness of any original filings necessary under the Uniform Commercial Code as in effect in any jurisdiction to perfect the Trustee's security interest in or lien on the Mortgage Loans and the Uncertificated REMIC I Regular Interests, as evidenced by an Officer's Certificate of the Company, with a copy delivered to the Credit Enhancer, including without limitation (x) continuation statements, and (y) such other statements as may be occasioned by (1) any change of name of Residential Funding, the Company or the Trustee (such preparation and filing shall be at the expense of the Trustee, if occasioned by a change in the Trustee's name), (2) any change of location of the place of business or the chief executive office of Residential Funding or the Company, (3) any transfer of any interest of Residential Funding or the Company in any Mortgage Loan or (4) any transfer of any interest of Residential Funding or the Company in any Uncertificated REMIC I Regular Interests.

(a) The Master Servicer hereby represents and warrants to the Trustee for the benefit of the Certificateholders and the Credit Enhancer that:

(i) The Master Servicer is a corporation duly organized, validly existing and in good standing under the laws governing its creation and existence and is or will be in compliance with the laws of each state in which any Mortgaged Property is located to the extent necessary to ensure the enforceability of each Mortgage Loan in accordance with the terms of this Agreement;

(ii) The execution and delivery of this Agreement by the Master Servicer and its performance and compliance with the terms of this Agreement will not violate the Master Servicer's Certificate of Incorporation or Bylaws or constitute a material default (or an event which, with notice or lapse of time, or both, would constitute a material default) under, or result in the material breach of, any material contract, agreement or other instrument to which the Master Servicer is a party or which may be applicable to the Master Servicer or any of its assets;

(iii) This Agreement, assuming due authorization, execution and delivery by the Trustee and the Company, constitutes a valid, legal and binding obligation of the Master Servicer, enforceable against it in accordance with the terms hereof subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws affecting the enforcement of creditors' rights generally and to general principles of equity, regardless of whether such enforcement is considered in a proceeding in equity or at law;

(iv) The Master Servicer is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or governmental agency, which default might have consequences that would materially and adversely affect the condition (financial or other) or operations of the Master Servicer or its properties or might have consequences that would materially adversely affect its performance hereunder;

(v) No litigation is pending or, to the best of the Master Servicer's knowledge, threatened against the Master Servicer which would prohibit its entering into this Agreement or performing its obligations under this Agreement;

(vi) The Master Servicer will comply in all material respects in the performance of this Agreement with all reasonable rules and requirements of each insurer under each Required Insurance Policy;

(vii) No information, certificate of an officer, statement furnished in writing or report delivered to the Company, any Affiliate of the Company or the Trustee by the Master Servicer will, to the knowledge of the Master Servicer, contain any untrue statement of a material fact or omit a material fact necessary to make the information, certificate, statement or report not misleading;

(viii) The Master Servicer has examined each existing, and will examine each new, Subservicing Agreement and is or will be familiar with the terms thereof. The terms of each existing Subservicing Agreement and each designated Subservicer are acceptable to the Master Servicer and any new Subservicing Agreements will comply with the provisions of Section 3.02;

(ix) The Master Servicer is a member of MERS in good standing, and will comply in all material respects with the rules and procedures of MERS in connection with the servicing of the Mortgage Loans that are registered with MERS; and

(x) The Servicing Guide of the Master Servicer requires that the Subservicer for each Mortgage Loan accurately and fully reports its borrower credit files to each of the Credit Repositories in a timely manner.

It is understood and agreed that the representations and warranties set forth in this Section 2.03(a) shall survive delivery of the respective Mortgage Files to the Trustee or any Custodian.

Upon discovery by either the Company, the Master Servicer, the Credit Enhancer, the Trustee or any Custodian of a breach of any representation or warranty set forth in this Section 2.03(a) which materially and adversely affects the interests of the Certificateholders or the Credit Enhancer in any Mortgage Loan, the party discovering such breach shall give prompt written notice to such other parties (any Custodian being so obligated under a Custodial Agreement). Within 90 days of its discovery or its receipt of notice of such breach, the Master Servicer shall either (i) cure such breach in all material respects or (ii) to the extent that such breach is with respect to a Mortgage Loan or a related document, purchase such Mortgage Loan from the Trust Fund at the Purchase Price and in the manner set forth in Section 2.02; provided that if the omission or defect would cause the Mortgage Loan to be other than a "qualified mortgage" as defined in Section 860G(a)(3) of the Code, any such cure or repurchase must occur within 90 days from the date such breach was discovered. The obligation of the Master Servicer to cure such breach or to so purchase such Mortgage Loan shall constitute the sole remedy in respect of a breach of a representation and warranty set forth in this Section 2.03(a) available to the Certificateholders or the Trustee on behalf of the Certificateholders (except for the Credit Enhancer's rights under Section 3.03 of the Insurance Agreement).

(b) The Company hereby represents and warrants to the Trustee for the benefit of the Certificateholders and the Credit Enhancer that as of the Closing Date (or, if otherwise specified below, as of the date so specified): (i) immediately prior to the conveyance of the Mortgage Loans to the Trustee, the Company had good title to, and was the sole owner of, each Mortgage Loan free and clear of any pledge, lien, encumbrance or security interest (other than rights to servicing and related compensation) and such conveyance validly transfers ownership of the Mortgage Loans to the Trustee free and clear of any pledge, lien, encumbrance or security interest; and (ii) each Mortgage Loan constitutes a qualified mortgage under Section 860G(a)(3)(A) of the Code and Treasury Regulations Section 1.860G-2(a)(1).

It is understood and agreed that the representations and warranties set forth in this Section 2.03(b) shall survive delivery of the respective Mortgage Files to the Trustee or any Custodian.

Upon discovery by any of the Company, the Master Servicer, the Credit Enhancer, the Trustee or any Custodian of a breach of any of the representations and warranties set forth in this Section 2.03(b) which materially and adversely affects the interests of the Certificateholders or the Credit Enhancer in any Mortgage Loan, the party discovering such breach shall give prompt written notice to the other parties and the Credit Enhancer (any Custodian being so obligated under a Custodial Agreement); provided, however, that in the event of a breach of the representation and warranty set forth in Section 2.03(b)(ii), the party discovering such breach shall give such notice within five days of discovery. Within 90 days of its discovery or its receipt of notice of breach, the Company shall either (i) cure such breach in all material respects or (ii) purchase such Mortgage Loan from the Trust Fund at the Purchase Price and in the manner set forth in Section 2.02; provided that the Company shall have the option to substitute a Qualified Substitute Mortgage Loan or Loans for such Mortgage Loan if such substitution occurs within two years following the Closing Date; provided that if the omission or defect would cause the Mortgage Loan to be other than a "qualified mortgage" as defined in Section 860G(a)(3) of the Code, any such cure, repurchase or substitution must occur within 90 days from the date such breach was discovered. Any such substitution shall be effected by the Company under the same terms and conditions as provided in Section 2.04 for substitutions by Residential Funding. It is understood and agreed that the obligation of the Company to cure such breach or to so purchase or substitute for any Mortgage Loan as to which such a breach has occurred and is continuing shall constitute the sole remedy respecting such breach available to the Certificateholders (other than the Credit Enhancer) or the Trustee on behalf of the Certificateholders (other than the Credit Enhancer).

#### Section 2.04. Representations and Warranties of Residential Funding.

The Company, as assignee of Residential Funding under the Assignment Agreement, hereby assigns to the Trustee for the benefit of the Certificateholders and the Credit Enhancer all of its right, title and interest in respect of the Assignment Agreement applicable to a Mortgage Loan as and to the extent set forth in the Assignment Agreement. Insofar as the Assignment Agreement relates to the representations and warranties made by Residential Funding in respect of such Mortgage Loan and any remedies provided thereunder for any breach of such representations and warranties, such right, title and interest may be enforced by the Master Servicer on behalf of the Trustee, the

Credit Enhancer and the Certificateholders. Upon the discovery by the Company, the Master Servicer, the Credit Enhancer, the Trustee or any Custodian of a breach of any of the representations and warranties made in the Assignment Agreement in respect of any Mortgage Loan or of any Repurchase Event which materially and adversely affects the interests of the Certificateholders or the Credit Enhancer in such Mortgage Loan, the party discovering such breach shall give prompt written notice to the other parties and the Credit Enhancer (any Custodian being so obligated under a Custodial Agreement). The Master Servicer shall promptly notify Residential Funding of such breach or Repurchase Event and request that Residential Funding either (i) cure such breach or Repurchase Event in all material respects within 90 days from the date the Master Servicer was notified of such breach or Repurchase Event or (ii) purchase such Mortgage Loan from the Trust Fund at the Purchase Price and in the manner set forth in Section 2.02; provided that Residential Funding shall have the option to substitute a Qualified Substitute Mortgage Loan or Loans for such Mortgage Loan if such substitution occurs within two years following the Closing Date; provided that if the breach would cause the Mortgage Loan to be other than a "qualified mortgage" as defined in Section 860G(a)(3) of the Code, any such cure or substitution must occur within 90 days from the date the breach was discovered. If the breach of representation and warranty that gave rise to the obligation to repurchase or substitute a Mortgage Loan pursuant to Section 4 of the Assignment Agreement was the representation and warranty set forth in clause (h) of Section 4 thereof, then the Master Servicer shall request that Residential Funding pay to the Trust Fund, concurrently with and in addition to the remedies provided in the preceding sentence, an amount equal to any liability, penalty or expense that was actually incurred and paid out of or on behalf of the Trust Fund, and that directly resulted from such breach, or if incurred and paid by the Trust Fund thereafter, concurrently with such payment. In the event that Residential Funding elects to substitute a Qualified Substitute Mortgage Loan or Loans for a Deleted Mortgage Loan pursuant to this Section 2.04, Residential Funding shall deliver to the Trustee for the benefit of the Certificateholders with respect to such Qualified Substitute Mortgage Loan or Loans, the original Mortgage Note, the Mortgage, an Assignment of the Mortgage in recordable form, and such other documents and agreements as are required by Section 2.01, with the Mortgage Note endorsed as required by Section 2.01. No substitution will be made in any calendar month after the Determination Date for such month. Monthly Payments received with respect to Qualified Substitute Mortgage Loans in the month of substitution shall not be part of the Trust Fund and will be retained by the Master Servicer and remitted by the Master Servicer to Residential Funding on the next succeeding Distribution Date. For the month of substitution, distributions to Certificateholders will include the Monthly Payment received on a Deleted Mortgage Loan for such month and thereafter Residential Funding shall be entitled to retain all amounts received in respect of such Deleted Mortgage Loan. The Master Servicer shall amend or cause to be amended the Mortgage Loan Schedule for the benefit of the Certificateholders to reflect the removal of such Deleted Mortgage Loan and the substitution of the Qualified Substitute Mortgage Loan or Loans and the Master Servicer shall deliver the amended Mortgage Loan Schedule to the Trustee. Upon such substitution, the Qualified Substitute Mortgage Loan or Loans shall be subject to the terms of this Agreement and the related Subservicing Agreement in all respects, Residential Funding shall be deemed to have made the representations and warranties with respect to the Qualified Substitute Mortgage Loan (other than those of a statistical nature) contained in the Assignment Agreement as of the date of substitution, and the covenants, representations and warranties set forth in Section 2.03(b).

In connection with the substitution of one or more Qualified Substitute Mortgage Loans for one or more Deleted Mortgage Loans, the Master Servicer will determine the amount (if any) by which the aggregate principal balance of all such Qualified Substitute Mortgage Loans as of the date of substitution is less than the aggregate principal balance of all such Deleted Mortgage Loans (in each case after application of the principal portion of the Monthly Payments received in the month of substitution that are to be distributed to Certificateholders in the month of substitution). Residential Funding shall deposit the amount of such shortfall into the Custodial Account on the day of substitution, without any reimbursement therefor. Residential Funding shall give notice in writing to the Trustee of such event, which notice shall be accompanied by an Officers' Certificate as to the calculation of such shortfall and (subject to Section 10.01(f)) by an Opinion of Counsel to the effect that such substitution will not cause (a) any federal tax to be imposed on the Trust Fund, including without limitation, any federal tax imposed on "prohibited transactions" under Section 860F(a)(1) of the Code or on "contributions after the startup date" under Section 860G(d)(1) of the Code or (b) any portion of REMIC I or REMIC II to fail to qualify as a REMIC at any time that any Certificate is outstanding.

It is understood and agreed that the obligation of Residential Funding



to cure such breach or purchase or to substitute for such Mortgage Loan as to which such a breach has occurred and is continuing and to make any additional payments required under the Assignment Agreement in connection with a breach of the representation and warranty in clause (h) of Section 4 thereof shall constitute the sole remedy respecting such breach available to the Certificateholders (other than the Credit Enhancer) or the Trustee on behalf of the Certificateholders (other than the Credit Enhancer). If the Master Servicer is Residential Funding, then the Trustee shall also have the right and, upon written direction of the Credit Enhancer, the obligation, to give the notification and require the purchase or substitution provided for in the second preceding paragraph in the event of such a breach of a representation or warranty made by Residential Funding in the Assignment Agreement. In connection with the purchase of or substitution for any such Mortgage Loan by Residential Funding, the Trustee shall assign to Residential Funding all of the Trustee's right, title and interest in respect of the Assignment Agreement applicable to such Mortgage Loan.

Section 2.05 Execution and Authentication of Certificates; Conveyance of Uncertificated REMIC Regular Interests.

(a) The Trustee acknowledges the assignment to it of the Mortgage Loans and the delivery of the Mortgage Files to it, or any Custodian on its behalf, subject to any exceptions noted, together with the assignment to it of all other assets included in the Trust Fund, receipt of which is hereby acknowledged. Concurrently with such delivery and in exchange therefor, the Trustee, pursuant to the written request of the Company executed by an officer of the Company has executed and caused to be authenticated and delivered to or upon the order of the Company the Certificates in authorized denominations which evidence ownership of the entire Trust Fund.

(b) The Company, concurrently with the execution and delivery hereof, does hereby transfer, assign, set over and otherwise convey in trust to the Trustee without recourse all the right, title and interest of the Company in and to the REMIC I Regular Interests for the benefit of the holders of the Regular Certificates and the Class R-II Certificates. The Trustee acknowledges receipt of the REMIC I Regular Interests (each of which are uncertificated) and declares that it holds and will hold the same in trust for the exclusive use and benefit of the holders of the Regular Certificates and the Class R-II Certificates. The interests evidenced by the Class R-II Certificates, together with the Regular Certificates, constitute the entire beneficial ownership interest in REMIC II.

Section 2.06. Purposes and Powers of the Trust.

The purpose of the trust, as created hereunder, is to engage in the following activities:

- (a) to sell the Certificates to the Company in exchange for the Mortgage Loans;
- (b) to enter into and perform its obligations under this Agreement;
- (c) to engage in those activities that are necessary, suitable or convenient to accomplish the foregoing or are incidental thereto or connected therewith; and
- (d) subject to compliance with this Agreement, to engage in such other activities as may be required in connection with conservation of the Trust Fund and the making of distributions to the Certificateholders.

The trust is hereby authorized to engage in the foregoing activities. Notwithstanding the provisions of Section 11.01, the trust shall not engage in any activity other than in connection with the foregoing or other than as required or authorized by the terms of this Agreement while any Certificate is outstanding, and this Section 2.06 may not be amended, without the consent of the Certificateholders evidencing a majority of the aggregate Voting Rights of the Certificates.

Section 2.07. Agreement Regarding Ability to Disclose.

The Company, the Master Servicer and the Trustee hereby agree that, notwithstanding any other express or implied agreement to the contrary, any and all Persons, and any of their respective employees, representatives, and other agents may disclose, immediately upon commencement of discussions, to any and all Persons, without limitation of any kind, the tax treatment and tax structure of the transaction and all materials of any kind (including opinions or other tax analyses) that are provided to any of them relating to such tax treatment and tax structure. For purposes of this paragraph, the terms "tax,"

The Master Servicer shall afford the Company and the Trustee, upon reasonable notice, during normal business hours access to all records maintained by the Master Servicer in respect of its rights and obligations hereunder and access to officers of the Master Servicer responsible for such obligations. Upon request, the Master Servicer shall furnish the Company with its most recent financial statements and such other information as the Master Servicer possesses regarding its business, affairs, property and condition, financial or otherwise. The Master Servicer shall also cooperate with all reasonable requests for information including, but not limited to, notices, tapes and copies of files, regarding itself, the Mortgage Loans or the Certificates from any Person or Persons identified by the Company or Residential Funding. The Credit Enhancer hereby is so identified. The Company may, but is not obligated to, enforce the obligations of the Master Servicer hereunder and may, but is not obligated to, perform, or cause a designee to perform, any defaulted obligation of the Master Servicer hereunder or exercise the rights of the Master Servicer hereunder; provided that the Master Servicer shall not be relieved of any of its obligations hereunder by virtue of such performance by the Company or its designee. Neither the Company nor the Trustee shall have the responsibility or liability for any action or failure to act by the Master Servicer and the Company is not obligated to supervise the performance of the Master Servicer under this Agreement or otherwise.

#### ARTICLE IV

##### PAYMENTS TO CERTIFICATEHOLDERS

###### Section 4.01 Certificate Account.

(a) The Master Servicer acting as agent of the Trustee shall establish and maintain a Certificate Account in which the Master Servicer shall cause to be deposited on behalf of the Trustee on or before 2:00 P.M. New York time on each Certificate Account Deposit Date by wire transfer of immediately available funds an amount equal to the sum of (i) any amount required to be deposited in the Certificate Account pursuant to Section 3.11(a), (ii) any amount required to be deposited in the Certificate Account pursuant to Section 4.07, (iii) any amount required to be paid pursuant to Section 9.01, (iv) all other amounts constituting the Available Distribution Amount for the immediately succeeding Distribution Date and (v) without duplication, an amount equal to the Premium for the Policy payable for such Distribution Date, and (vi) any payments or collections in the nature of prepayment charges received on the Mortgage Loans by the Master Servicer in respect of the related Collection Period. In addition, as and to the extent required pursuant to Section 4.10(b), the Trustee shall withdraw from the Insurance Account any Insured Payment then on deposit in the Insurance Account and deposit such amount into the Certificate Account.

(b) On each Distribution Date, after making any distributions in respect of the Class A Interest Distribution Amount and the Principal Collection Distribution Amount, the Trustee shall withdraw from the Certificate Account and pay to the Credit Enhancer, by wire transfer of immediately available funds to the Credit Enhancer, the Premium for the Policy for such Distribution Date.

(c) Upon written request from the Master Servicer, the Trustee shall invest or cause the institution maintaining the Certificate Account to invest the funds in the Certificate Account in Permitted Investments designated in the name of the Trustee for the benefit of the Certificateholders and the Credit Enhancer, which shall mature not later than the Business Day next preceding the Distribution Date next following the date of such investment (except that (i) if such Permitted Investment is an obligation of the institution that maintains such account or fund for which such institution serves as custodian, then such Permitted Investment may mature on such Distribution Date and (ii) any other investment may mature on such Distribution Date if the Trustee shall advance funds on such Distribution Date to the Certificate Account in the amount payable on such investment on such Distribution Date, pending receipt thereof to the extent necessary to make distributions on the Certificates) and shall not be sold or disposed of prior to maturity. All income and gain realized from any such investment shall be for the benefit of the Master Servicer and shall be subject to its withdrawal or order from time to time. The amount of any losses incurred in respect of any such investments shall be deposited in the Certificate Account by the Master Servicer out of its own funds immediately as realized without any right of reimbursement.

###### Section 4.02 Distributions.

(a) On each Distribution Date, the Trustee (or the Paying Agent on behalf of the Trustee) shall allocate and distribute the Available Distribution

(b) (1) On each Distribution Date, the following amounts, in the following order of priority, shall be distributed by REMIC I to REMIC II on account of the REMIC I Regular Interests:

(i) to the Holders of REMIC I Regular Interest LT1, REMIC I Regular Interest LT2, REMIC I Regular Interest LT3 and REMIC I Regular Interest LT4, pro rata, in an amount equal to (A) their Uncertificated Accrued Interest for such Distribution Date, plus (B) any amounts in respect thereof remaining unpaid from previous Distribution Dates; and

(ii) on each Distribution Date, to the Holders of REMIC I Regular Interests, in an amount equal to the remainder of the Available Distribution Amount after the distributions made pursuant to clause (i) above, allocated as follows (except as provided below):

(A) to the Holders of the REMIC I Regular Interest LT2, REMIC I Regular Interest LT3 and REMIC I Regular Interest LT4, their respective Principal Distribution Amounts;

(B) to the Holders of the REMIC I Regular Interest LT1 any remainder until the Uncertificated Principal Balance thereof is reduced to zero;

(C) any remainder to the Holders of the REMIC I Regular Interest LT2, REMIC I Regular Interest LT3 and REMIC I Regular Interest LT4 pro rata according to their respective Uncertificated Principal Balances as reduced by the distributions deemed made pursuant to (i) above, until their respective Uncertificated Principal Balances are reduced to zero; and

(D) any remaining amounts to the Holders of the Class R-I Certificates.

(2) Notwithstanding the distributions described in this Section 4.02(b), distribution of funds from the Certificate Account shall be made only in accordance with Section 4.02(c).

(c) On each Distribution Date, the Master Servicer on behalf of the Trustee or the Paying Agent appointed by the Trustee, shall distribute to each Certificateholder of record on the next preceding Record Date (other than as provided in Section 9.01 respecting the final distribution) either in immediately available funds (by wire transfer or otherwise) to the account of such Certificateholder at a bank or other entity having appropriate facilities therefor, if such Certificateholder has so notified the Master Servicer or the Paying Agent, as the case may be, or, if such Certificateholder has not so notified the Master Servicer or the Paying Agent by the Record Date, by check mailed to such Certificateholder at the address of such Holder appearing in the Certificate Register such Certificateholder's share (which share with respect to each Class of Certificates, shall be based on the aggregate of the Percentage Interests represented by Certificates of the applicable Class held by such Holder of the following amounts), in the following order of priority, in each case to the extent of the Available Distribution Amount:

(1) to the Class A Certificateholders, Accrued Certificate Interest payable on such Certificates with respect to such Distribution Date, plus any Accrued Certificate Interest remaining unpaid from any prior Distribution Date (the "Class A Interest Distribution Amount"), with such amount allocated among the Class A Certificateholders on a pro rata basis in proportion to Accrued Certificate Interest owed pursuant to this clause (1) to each such Class;

(2) from the amount, if any, of the Available Distribution Amount remaining after the foregoing distributions, the Class A Principal Distribution Amount, which shall be distributed: first, to the Class A-5 Certificates, in an amount equal to the Class A-5 Lockout Distribution Amount for that Distribution Date, until the Certificate Principal Balance of the Class A-5 Certificates has been reduced to zero; second, to the Class A-1 Certificateholders, until the Certificate Principal Balance of the Class A-1 Certificates has been reduced to zero; third, to Class A-2 Certificateholders, until the Certificate Principal Balance

of the Class A-3 Certificateholders, until the Certificate Principal Balance of the Class A-3 Certificates has been reduced to zero; fourth, to the Class A-4 Certificateholders, until the Certificate Principal Balance of the Class A-4 Certificates has been reduced to zero; and fifth, to the Class A-5 Certificateholders, until the Certificate Principal Balance of the Class A-5 Certificates has been reduced to zero;

Part G Pg 14 of 15

(3) to the Class A Certificateholders and the Credit Enhancer from the amount, if any, of the Available Distribution Amount remaining after the foregoing distributions, the amounts set forth in Section 4.02(g) to the extent not distributed pursuant to the preceding paragraphs of this subsection 4.02(c);

(4) to the Class SB Certificates, from the amount, if any, of the Available Distribution Amount remaining after the foregoing distributions, Accrued Certificate Interest thereon and the amount of any Overcollateralization Reduction Amount for such Distribution Date, amounts payable to the Class SB Certificateholders pursuant to this clause (5) being deemed paid: first, in respect of the REMIC II Regular Interest SB-IO in respect of Accrued Certificate Interest thereon for the current Distribution Date; second, in respect of the REMIC II Regular Interest SB-PO in reduction of the principal balance thereof until such principal balance is reduced to zero; and third, in respect of the REMIC II Regular Interest SB-IO in respect of unpaid Accrued Certificate Interest thereon for prior Distribution Dates and in addition to the foregoing to the Class SB Certificateholders, the amount of any payments or collections in the nature of prepayment charges received on the Mortgage Loans by the Master Servicer in respect of the related Collection Period; and

(6) to the Class R-II Certificateholders, the balance, if any, of the Available Distribution Amount.

(d) In addition to the foregoing distributions, with respect to any Mortgage Loan that was previously the subject of a Cash Liquidation or an REO Disposition that resulted in a Realized Loss, in the event that within three years of the date on which such Realized Loss was determined to have occurred the Master Servicer receives amounts, which the Master Servicer reasonably believes to represent subsequent recoveries (net of any related liquidation expenses), or determines that it holds surplus amounts previously reserved to cover estimated expenses, specifically related to such Mortgage Loan, the Master Servicer shall distribute such amounts to the applicable Certificateholders of the Class or Classes to which such Realized Loss was allocated (with the amounts to be distributed allocated among such Classes in the same proportions as such Realized Loss was allocated), and within each such Class to the Certificateholders of record as of the Record Date immediately preceding the date of such distribution (or if such Class of Certificates is no longer outstanding, to the Certificateholders of record at the time that such Realized Loss was allocated); provided that no such distribution to any Class of Certificates of subsequent recoveries related to a Mortgage Loan shall exceed, either individually or in the aggregate and together with any other amounts paid in reimbursements therefor, the amount of the related Realized Loss that was allocated to such Class of Certificates.

(e) Each distribution with respect to a Book-Entry Certificate shall be paid to the Depository, as Holder thereof, and the Depository shall be responsible for crediting the amount of such distribution to the accounts of its Depository Participants in accordance with its normal procedures. Each Depository Participant shall be responsible for disbursing such distribution to the Certificate Owners that it represents and to each indirect participating brokerage firm (a "brokerage firm" or "indirect participating firm") for which it acts as agent. Each brokerage firm shall be responsible for disbursing funds to the Certificate Owners that it represents. None of the Trustee, the Certificate Registrar, the Company, the Credit Enhancer or the Master Servicer shall have any responsibility therefor except as otherwise provided by this Agreement or applicable law.

(f) Except as otherwise provided in Section 9.01, if the Master Servicer anticipates that a final distribution with respect to any Class of Certificates will be made on the next Distribution Date, the Master Servicer shall, no later than the Determination Date in the month of such final distribution, notify the Trustee, and the Trustee shall, no later than two (2) Business Days after such Determination Date, mail on such date to each Holder of such Class of Certificates a notice to the effect that: (i) the Trustee anticipates that the final distribution with respect to such Class of Certificates will be made on such Distribution Date but only upon presentation and surrender of such

Certificates at the office of the Trustee or as otherwise specified therein, and (ii) no interest shall accrue on such Certificates from the end of the prior calendar month. In the event that Certificateholders required to surrender their Certificates pursuant to Section 9.01(c) do not surrender their Certificates for final cancellation, the Trustee shall cause funds distributable with respect to such Certificates to be withdrawn from the Certificate Account and credited to a separate escrow account for the benefit of such Certificateholders as provided in Section 9.01(d).

(g) Excess Interest will be allocated on any Distribution Date first, to pay the holders of the Class A Certificates the Realized Loss Distribution Amount for such Distribution Date, as part of the Principal Collection Distribution Amount, second, to the Credit Enhancer, the amount of the Premium for the Policy and any previously unpaid premiums for the Policy, with interest thereon as provided in the Insurance Agreement, third to the Credit Enhancer, to reimburse it for prior draws made on the Policy with interest thereon as provided in the Insurance Agreement, fourth, to pay any Overcollateralization Increase Amount, as part of the Principal Collection Distribution Amount, fifth, to the Credit Enhancer, any other amounts owed to the Credit Enhancer pursuant to the Insurance Agreement, sixth, to pay to the holders of the Class A Certificates pro rata based on Accrued Certificate Interest, the amount of any Prepayment Interest Shortfalls allocable thereto with respect to the Mortgage Loans on that Distribution Date, seventh, to pay to the holders of the Class A Certificates pro rata based on Accrued Certificate Interest, the amount of any unpaid Prepayment Interest Shortfalls allocated thereto on prior Distribution Dates, together with interest thereon at the related Pass-Through Rate, eighth, to the holders of the Class A Certificates, their respective amounts of Net WAC Cap Shortfalls for such Distribution Date, if any, and respective amounts of Net WAC Cap Shortfalls for any previous Distribution Date and not previously paid, if any, plus interest on any previously unpaid amount from the date of the shortfall at the applicable Pass-Through Rate (as adjusted from time to time), on a pro rata basis in accordance with their respective amounts of Net WAC Cap Shortfalls remaining unpaid, ninth, to the holders of the Class A Certificates, any Relief Act Shortfalls with respect to the Mortgage Loans incurred during the related Collection Period, on a pro rata basis in accordance with the amount of accrued interest payable on that Class for such Distribution Date, and tenth, to pay to the holders of the Class SB Certificates any balance remaining, in accordance with the terms of Section 4.02(c)(4).

Section 4.03 Statements to Certificateholders.

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(a) Concurrently with each distribution charged to the Certificate Account and with respect to each Distribution Date the Master Servicer shall forward to the Trustee and the Trustee shall forward by mail or otherwise make available electronically on its website at [www.jpmorgan.com/sfr](http://www.jpmorgan.com/sfr) to each Holder, the Credit Enhancer and the Company a statement setting forth the following information as to each Class of Certificates to the extent applicable:

(i) the applicable Record Date, Determination Date and Distribution Date, and the date on which the applicable Interest Accrual Period commenced;

(ii) the aggregate amount of payments received with respect to the Mortgage Loans, including prepayment amounts;

(iii) the Servicing Fee and Subservicing Fee payable to the Master Servicer and the Subservicer;

(iv) the amount of any other fees or expenses paid, and the identity of the party receiving such fees or expenses;

(v) (a) the amount of such distribution to the Certificateholders of such Class applied to reduce the Certificate Principal Balance thereof, and (b) the aggregate amount included therein representing Principal Prepayments;

(vi) the amount of such distribution to Holders of such Class of Certificates allocable to interest ;

(vii) if the distribution to the Holders of such Class of Certificates is less than the full amount that would be distributable to such Holders if there were sufficient funds available therefor, the amount of the shortfall;

(viii) the aggregate Certificate Principal Balance of each Class

# EXHIBIT 8

**EXHIBIT 8**

<b>Deal Name</b>	<b>Definition of “Subsequent Recoveries” (Emphasis Added)</b>
<b>GMACM 2006-AR2</b>	Subsequent Recoveries: As of any Distribution Date, amounts received by the Servicer (net of any related expenses permitted to be reimbursed pursuant to Section 3.10) or surplus amounts held by the Servicer to cover estimated expenses <b><u>(including, but not limited to, recoveries in respect of the representations and warranties made by the related Seller pursuant to the applicable Seller's Agreement and assigned to the Trustee pursuant to Section 2.04)</u></b> specifically related to a Mortgage Loan that was the subject of a Cash Liquidation or an REO Disposition prior to the related Prepayment Period that resulted in a Realized Loss.
<b>RAAC 2006- SP3</b>	Subsequent Recoveries: As of any Distribution Date, amounts received by the Master Servicer (net of any related expenses permitted to be reimbursed pursuant to Section 3.10) or surplus amounts held by the Master Servicer to cover estimated expenses <b><u>(including, but not limited to, recoveries in respect of the representations and warranties made by the related Seller pursuant to the applicable Seller's Agreement and assigned to the Trustee pursuant to Section 2.04)</u></b> specifically related to a Mortgage Loan that was the subject of a Cash Liquidation or an REO Disposition prior to the related Prepayment Period and that resulted in a Realized Loss.
<b>RALI 2006- QA8</b>	Subsequent Recoveries: As of any Distribution Date, amounts received by the Master Servicer (net of any related expenses permitted to be reimbursed pursuant to Section 3.10) or surplus amounts held by the Master Servicer to cover estimated expenses <b><u>(including, but not limited to, recoveries in respect of the representations and warranties made by the related Seller pursuant to the applicable Seller's Agreement and assigned to the Trustee pursuant to Section 2.04)</u></b> specifically related to a Mortgage Loan that was the subject of a Cash Liquidation or an REO Disposition prior to the related Prepayment Period that resulted in a Realized Loss.
<b>RAMP 2006- RS3</b>	Subsequent Recoveries: As of any Distribution Date, amounts received by the Master Servicer (net of any related expenses permitted to be reimbursed pursuant to Section 3.10) or surplus amounts held by the Master Servicer to cover estimated expenses <b><u>(including, but not limited to, recoveries in respect of the representations and warranties made by the related Seller pursuant to the applicable Seller's Agreement and assigned to the Trustee pursuant to Section 2.04)</u></b> specifically related to a Mortgage Loan that was the subject of a Cash Liquidation or an REO Disposition prior to the related Prepayment Period and that resulted in a Realized Loss.
<b>RASC 2006- EMX7</b>	Subsequent Recoveries: As of any Distribution Date, amounts received by the Master Servicer (net of any related expenses permitted to be reimbursed pursuant to Section 3.10) or surplus amounts held by the Master Servicer to cover estimated expenses <b><u>(including, but not limited to, recoveries in respect of the representations and warranties made by the related Seller pursuant to the applicable Seller's Agreement and assigned to the Trustee pursuant to Section 2.04)</u></b> specifically related to a Mortgage Loan that was the subject of

	a Cash Liquidation or an REO Disposition prior to the related Prepayment Period and that resulted in a Realized Loss.
<b>RFMSI 2006-S10</b>	Subsequent Recoveries: As of any Distribution Date, amounts received by the Master Servicer (net of any related expenses permitted to be reimbursed pursuant to Section 3.10) or surplus amounts held by the Master Servicer to cover estimated expenses ( <b><u>including, but not limited to, recoveries in respect of the representations and warranties made by the related Seller pursuant to the applicable Seller's Agreement and assigned to the Trustee pursuant to Section 2.04</u></b> ) specifically related to a Mortgage Loan that was the subject of a Cash Liquidation or an REO Disposition prior to the related Prepayment Period that resulted in a Realized Loss.



# EXHIBIT 9

**EXHIBIT 9**

<b>Deal Name</b>	<b>Definition of “Available Distribution Amount” (Emphasis Added)</b>
<b>GMACM 2006-AR2</b>	<p>Available Distribution Amount: With respect to any Distribution Date and each Loan Group, an amount equal to (a) the sum of (i) the amount relating to the Mortgage Loans on deposit in the Custodial Account as of the close of business on the immediately preceding Determination Date, <b><u>including any Subsequent Recoveries</u></b>, and amounts deposited in the Custodial Account in connection with the substitution of Qualified Substitute Mortgage Loans, (ii) the amount of any Advance made on the immediately preceding Payment Account Deposit Date, (iii) any amount deposited in the Payment Account on the related Payment Account Deposit Date pursuant to the second paragraph of Section 3.12(a), (iv) any amount deposited in the Payment Account pursuant to Section 4.07, and (v) any amount that the Servicer is not permitted to withdraw from the Custodial Account pursuant to Section 3.16(e), reduced by (b) the sum as of the close of business on the immediately preceding Determination Date of (w) aggregate Foreclosure Profits, (x) the Amount Held for Future Distribution and (y) amounts permitted to be withdrawn by the Servicer from the Custodial Account in respect of the Mortgage Loans pursuant to clauses (ii)-(x), inclusive, of Section 3.10(a). Such amount shall be determined separately for each Loan Group. Additionally, if on any Distribution Date Compensating Interest provided pursuant to Section 3.16(e) is less than Prepayment Interest Shortfalls incurred on the Mortgage Loans in connection with Principal Prepayments in Full received during the related Prepayment Period and Curtailments made in the prior calendar month, such Compensating Interest shall be allocated on such Distribution Date to the Available Distribution Amount for each Loan Group on a pro rata basis in accordance with the respective amounts of such Prepayment Interest Shortfalls incurred on the Mortgage Loans in such Loan Group in respect of such Distribution Date.</p>
<b>RAAC 2006- SP3</b>	<p>Available Distribution Amount: With respect to any Distribution Date, an amount equal to (a) the sum of (i) the amount relating to the Mortgage Loans on deposit in the Custodial Account as of the close of business on the immediately preceding Determination Date, <b><u>including any Subsequent Recoveries</u></b>, and amounts deposited in the Custodial Account in connection with the substitution of Qualified Substitute Mortgage Loans, (ii) the amount of any Advance made on the immediately preceding Certificate Account Deposit Date with respect to the Mortgage Loans, (iii) any amount deposited in the Certificate Account on the related Certificate Account Deposit Date pursuant to Section 3.12(a) in respect of the Mortgage Loans, (iv) any amount that the Master Servicer is not permitted to withdraw from the Custodial Account pursuant to Section 3.16(e) in respect of the Mortgage Loans and (v) any amount deposited in the Certificate Account pursuant to Section 4.07 or 4.08 and any amounts deposited in the Custodial Account pursuant to Section 9.01, reduced by (b) the sum as of the close of business on the immediately preceding Determination Date of: (w) any payments or collections consisting of prepayment charges on the Mortgage Loans that were received during the related Prepayment Period, (x) the Amount</p>

	<p>Held for Future Distribution and (y) amounts permitted to be withdrawn by the Master Servicer from the Custodial Account pursuant to clauses (ii)-(x), inclusive, of Section 3.10(a) and (z) any Net Swap Payments owed to the Swap Counterparty and Swap Termination Payments owed to the Swap Counterparty not due to a Swap Counterparty Trigger Event for such Distribution Date.</p>
<p><b>RALI 2006-QA8</b></p>	<p>Available Distribution Amount: As to any Distribution Date, an amount equal to (a) the sum of (i) the amount relating to the Mortgage Loans on deposit in the Custodial Account as of the close of business on the immediately preceding Determination Date, <b><u>including any Subsequent Recoveries</u></b>, and amounts deposited in the Custodial Account in connection with the substitution of Qualified Substitute Mortgage Loans, (ii) the amount of any Advance made on the immediately preceding Certificate Account Deposit Date, (iii) any amount deposited in the Certificate Account on the related Certificate Account Deposit Date pursuant to the second paragraph of Section 3.12(a), (iv) any amount deposited in the Certificate Account pursuant to Section 4.07 or Section 9.01, (v) any amount that the Master Servicer is not permitted to withdraw from the Custodial Account or the Certificate Account pursuant to Section 3.16(e), (vi) any amount received by the Trustee pursuant to the Surety Bond in respect of such Distribution Date and (vii) the proceeds of any Pledged Assets received by the Master Servicer, reduced by (b) the sum as of the close of business on the immediately preceding Determination Date of (v) any payments or collections consisting of Prepayment Charges on the Mortgage Loans that were received during the related Prepayment Period; (w) aggregate Foreclosure Profits, (x) the Amount Held for Future Distribution, (y) amounts permitted to be withdrawn by the Master Servicer from the Custodial Account in respect of the Mortgage Loans pursuant to clauses (ii)-(x), inclusive, of Section 3.10(a), and (z) any Net Swap Payments required to be made to the Swap Counterparty and Swap Termination Payments not due to a Swap Counterparty Trigger Event for such Distribution Date.</p>

<b>RAMP 2006- RS3</b>	Available Distribution Amount: With respect to any Distribution Date, an amount equal to (a) the sum of (i) the amount relating to the Mortgage Loans on deposit in the Custodial Account as of the close of business on the immediately preceding Determination Date, <b><u>including any Subsequent Recoveries</u></b> , and amounts deposited in the Custodial Account in connection with the substitution of Qualified Substitute Mortgage Loans, (ii) the amount of any Advance made on the immediately preceding Certificate Account Deposit Date with respect to the Mortgage Loans, (iii) any amount deposited in the Certificate Account on the related Certificate Account Deposit Date pursuant to Section 3.12(a) in respect of the Mortgage Loans, (iv) any amount that the Master Servicer is not permitted to withdraw from the Custodial Account pursuant to Section 3.16(e) in respect of the Mortgage Loans, (v) any amount deposited in the Certificate Account pursuant to Section 4.07 and any amounts deposited in the Custodial Account pursuant to Section 9.01 and (vi) any amount described in clauses (i) and (ii) of Section 4.09(c), reduced by (b) the sum as of the close of business on the immediately preceding Determination Date of: (w) any payments or collections consisting of prepayment charges on the Mortgage Loans that were received during the related Prepayment Period, (x) the Amount Held for Future Distribution, (y) amounts permitted to be withdrawn by the Master Servicer from the Custodial Account pursuant to clauses (ii)-(xi), inclusive, of Section 3.10(a) and (z) any Net Swap Payments owed to the Swap Counterparty and Swap Termination Payments owed to the Swap Counterparty not due to Swap Counterparty Trigger Event for such Distribution Date.
<b>RASC 2006- EMX7</b>	Available Distribution Amount: With respect to any Distribution Date, an amount equal to (a) the sum of (i) the amount relating to the Mortgage Loans on deposit in the Custodial Account as of the close of business on the immediately preceding Determination Date, <b><u>including any Subsequent Recoveries</u></b> , and amounts deposited in the Custodial Account in connection with the substitution of Qualified Substitute Mortgage Loans, (ii) the amount of any Advance made on the immediately preceding Certificate Account Deposit Date with respect to the Mortgage Loans, (iii) any amount deposited in the Certificate Account on the related Certificate Account Deposit Date pursuant to the second paragraph of Section 3.12(a) in respect of the Mortgage Loans, (iv) any amount that the Master Servicer is not permitted to withdraw from the Custodial Account pursuant to Section 3.16(e) in respect of the Mortgage Loans, and (v) any amount deposited in the Certificate Account pursuant to Section 4.07 or 9.01 in respect of the Mortgage Loans, reduced by (b) the sum as of the close of business on the immediately preceding Determination Date of (x) the Amount Held for Future Distribution with respect to the Mortgage Loans, and (y) amounts permitted to be withdrawn by the Master Servicer from the Custodial Account in respect of the Mortgage Loans pursuant to clauses (ii)-(x), inclusive, of Section 3.10(a).

<b>RFMSI 2006-S10</b>	Available Distribution Amount: As to any Distribution Date, an amount determined separately with respect to the Group I Loans and Group II Loans, and in each case shall be equal to (a) the sum of (i) the amount relating to the Mortgage Loans in the related Loan Group on deposit in the Custodial Account as of the close of business on the immediately preceding Determination Date, <b><u>including any Subsequent Recoveries</u></b> from the Mortgage Loans in the that Loan Group, and amounts deposited in the Custodial Account in connection with the substitution of Qualified Substitute Mortgage Loans, (ii) the amount of any Advance for the related Loan Group made on the immediately preceding Certificate Account Deposit Date, (iii) any amount deposited in the Certificate Account on the related Certificate Account Deposit Date pursuant to the second paragraph of Section 3.12(a), (iv) any amount deposited in the Certificate Account pursuant to Section 4.07 and any amounts deposited in the Custodial Account pursuant to Section 9.01 and (v) any amount that the Master Servicer is not permitted to withdraw from the Custodial Account or the Certificate Account pursuant to Section 3.16(e), reduced by (b) the sum as of the close of business on the immediately preceding Determination Date of (x) the Amount Held for Future Distribution, and (y) amounts permitted to be withdrawn by the Master Servicer from the Custodial Account in respect of the Mortgage Loans in the related Loan Group pursuant to clauses (ii)-(x), inclusive, of Section 3.10(a).
<b>RFMSII 2006-HSA1</b>	Available Distribution Amount: As to any Distribution Date, an amount equal to (a) the sum of (without duplication) (i) payments of principal and interest on the Mortgage Loans actually received by the Master Servicer or Subservicer during the related Collection Period, (ii) Principal Prepayments, Insurance Proceeds, Liquidation Proceeds, REO Proceeds and <b><u>the proceeds of the purchase of any Mortgage Loan pursuant to Sections 2.02, 2.03 and 4.07</u></b> received during the related Collection Period and any amount deposited in the Custodial Account pursuant to Section 2.03(b) in connection with the substitution of a Mortgage Loan, (iii) amounts deposited in the Custodial Account in connection with the substitution of Qualified Substitute Mortgage Loans, (iv) any amount deposited in the Certificate Account pursuant to the second paragraph of Section 3.11(a), (v) any amount deposited in the Certificate Account pursuant to Section 4.07 or 9.01 and (vi) any amounts payable under the Policy, reduced by (b) the sum as of the close of business on the last day of the related Collection Period of (x) the Amount Held for Future Distribution and (y) amounts permitted to be withdrawn by the Master Servicer from the Custodial Account in respect of the Mortgage Loans pursuant to clauses (ii)-(ix), inclusive, of Section 3.10(a).