



INSURANCE POLICY

DECLARATIONS

Policy Number: [REDACTED]

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

EFFECTIVE DATE: April 1, 2014

EXPIRY DATE: Termination Date (as defined herein).

in each case, at 12:01 A.M. Standard Time at the Address of the Insured.

Item 1. Insured: Federal Home Loan Mortgage Corporation, also known as Freddie Mac, a government-sponsored enterprise chartered by the U.S. Congress

Mailing Address: 1551 Park Run Drive
McLean, Virginia 22102
Attention: Kevin Palmer
Vice President, Strategic Credit Costing & Structuring

Item 2. Insurer: [REDACTED]

Item 3. Reference Transaction: A certain pool (Reference Pool) of residential mortgage loans (Reference Obligations) with an initial unpaid principal balance as of September 15, 2013 (Cut-off Date) of \$35,327,316,632 (Cut-off Date Balance). The Reference Obligations were acquired by Freddie Mac between January 1, 2013 and March 31, 2013. The Reference Obligations meet the Eligibility Criteria, all as more specifically described below, and in the STACR 2 Agreement.

Item 4. Insurance Type: Aggregate excess of loss credit insurance.

Item 5. Policy Limit of Liability: Regardless of the number of Credit Events, at any point in the Policy Period, the Insurer's maximum liability for all Covered Amounts hereunder shall not exceed \$25,000,000.00 minus any Covered Amounts previously paid up to that point; provided, however, that the Insurer's maximum liability for the payment of Covered Amounts at any such time shall not exceed: (a) for the Class M-1H Reference Tranche, the lesser of (i) the product of the Insured Percentage and the Class Notional Amount of the Class M-1H Reference Tranche at such time, or (ii) \$9,345,204.04 minus any Covered Amounts

previously paid to that point, and (b) for the Class M-2H Reference Tranche, the lesser of (i) the product of the Insured Percentage and the Class Notional Amount of the Class M-2H Reference Tranche at such time, or (ii) \$15,654,795.96 minus any Covered Amounts previously paid to that point. For the avoidance of doubt, the amounts of the Insurer's maximum liability, and of each of the sub-limits set forth in (a) and (b) above will decrease based on the application of allocated Scheduled Principal, Unscheduled Principal, and Covered Amounts paid with respect to each of the Class M-1H Reference Tranche and Class M-2H Reference Tranche, as applicable.

Item 6: Insured Percentage:

7.9104288%

Item 7: Payment Currency:

United States of America Dollars

Item 8: Premium:

Within twenty (20) Business Days of the Premium Payment Date of each month beginning in April 2014, the Insured shall pay the Insurer a Premium in an amount that shall be the sum of A plus B, where A and B shall be calculated as follows:

(A) For the Class M-1H Reference Tranche, the Premium to be calculated on a Premium Payment Date shall be the product of (a) the Insured Percentage, (b) the quotient of a per annum premium rate of one and 36/100ths percent (1.36%) and 360, (c) the Class Notional Amount of the Class M-1H Reference Tranche as of the immediately prior Premium Payment Date, and (d) the actual number of days from and including such prior Premium Payment Date to and including the day immediately preceding the current Premium Payment Date.

(B) For the Class M-2H Reference Tranche, the Premium to be calculated on a Premium Payment Date shall be the product of (a) the Insured Percentage, (b) the quotient of a per annum premium rate of four and 12/100ths percent (4.12%) and 360, (c) the Class Notional Amount of the Class M-2H Reference Tranche as of the immediately prior Premium Payment Date, and (d) the actual number of days from and including such prior Premium Payment Date to and including the day immediately preceding the current Premium Payment Date.

For purposes of calculating the first Premium payment due, the prior Premium Payment Date shall be March 25, 2014.

Item 9: Taxes:

Pursuant to Section 303(e) of the Federal Home Loan Mortgage Corporation Act, 12 U.S.C. § 1452(e), the Insured is exempt from liability for the payment of state and local taxes, except certain real property taxes. Furthermore, as an instrumentality of the United States, the Insured is exempt from liability for federal excise taxes under the U.S. Internal Revenue Code. Accordingly, (a) the Insurer shall not pay on Insured's behalf or invoice the Insured for any federal excise or state or local taxes on Premiums, and (b) the Insured shall not be liable for the payment of any such taxes.

Item 10: Policy All-Inclusive:

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

(signature page follows)

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

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Date:

INSURANCE POLICY

Various provisions in this Policy restrict coverage. Read the entire Policy carefully to determine rights, duties and what is and is not covered.

In consideration of the Insured paying the Premium stated in the Declarations to the Insurer and in reliance upon the statements in the Declarations made a part hereof and subject to all of the terms of this Policy, the Insurer hereby agrees, subject to the Policy Limit of Liability stated in the Declarations, to pay the Covered Amounts to the Insured to the extent and in the manner set forth herein.

I. INSURING AGREEMENT; SECURITY

- A. In accordance with the provisions of this Policy, and in the event that, as of any Premium Payment Date during the Policy Period, the then-applicable Class Notional Amount associated with an Insured Tranche has been reduced since the prior Premium Payment Date by a Calculated Tranche Write-down Amount (in each instance, a "Loss") the Insurer will pay to the Insured an amount equal to the product of (i) such Loss, and (ii) the Insured Percentage (the "Covered Amount"). In no event shall the Insurer's maximum liability under this Policy exceed the Policy Limit of Liability.
- B. To secure its performance hereunder, within thirty (30) days after the Effective Date, the Insurer shall deposit Assets in the Trust Account and maintain such Assets in an amount as determined under and pursuant to the Trust Agreement and subject to the following provisions:
1. The Trust Agreement shall be in the form mutually agreed between the parties as of the Effective Date, and shall be subject only to changes that may be requested by the trustee. The parties agree to act reasonably and in good faith with respect to such requests in order to ensure that the Insurer is able to satisfy its obligations hereunder to deposit Assets in the Trust Account.
 2. The Insurer agrees to maintain the Assets such that the Outstanding Collateral Amount shall be equal to or greater than the Security Amount as of the end of each calendar quarter.
 3. Within thirty (30) days after the end of each calendar quarter, the Insurer shall deliver to the Insured a statement showing the updated Security Amount as of such quarter-end, which shall be calculated based on information regarding the Class of Reference Tranches received in accordance with Article V(A). If the statement shows that the Security Amount exceeds the Outstanding Collateral Amount, the Insurer shall, within fifteen (15) days after delivery of the statement, deposit additional Assets in the Trust Account by the amount of such difference. If, however, the statement shows that the Security Amount is less than the Outstanding Collateral Amount, the Insured shall, within fifteen (15) days after receipt of the statement, allow the release to the Insurer of Assets from the Trust Account with an aggregate fair market value no greater than such excess, and in furtherance of the foregoing the Insured shall undertake all actions that shall reasonably be necessary to allow such release of Assets including but not limited to delivery of any notices that might be required by the trustee. For the avoidance of doubt, the Insurer's obligations hereunder are subject to the Insurer's obtaining information regarding the Class of Reference Tranches and the Outstanding Collateral Amount as provided in Article V(A).
 4. The Insured shall have the right to withdraw Assets from the Trust Account to reimburse the Insured for any amount under this Policy which becomes due from the Insurer under the terms of this Policy and which is not otherwise paid by the Insurer

within five (5) Business Days after the payment becomes due under the terms of this Policy; provided, however, that for the first Claim filed under this Policy, the Insured shall only withdraw Assets from the Trust Account to reimburse the Insured if such first Claim is not paid within ten (10) Business Days after the payment becomes due under the terms of this Policy. In the event the amount drawn by the Insured from the Trust Account is in excess of the actual amount finally determined to be due to the Insured, which determination must be made by a court of competent jurisdiction in the event of a dispute unless the parties mutually agree otherwise, the Insured shall promptly return to the Trust Account the excess amount so drawn and any such excess withdrawn amount shall accrue interest at the rate specified in Article V(D).

5. Notwithstanding anything contained herein to the contrary, and subject to the proviso below, if at any time the Outstanding Collateral Amount is equal to or less than an amount established pursuant to the Trust Agreement, the Insured shall allow the release to the Insurer of all remaining Assets in the Trust Account, and in furtherance of the foregoing the Insured shall undertake all actions that shall reasonably be necessary to allow such release of Assets including but not limited to delivery of any notices that might be required by the trustee; provided, however, that the Insurer shall not be entitled to the release of any Assets under this Article I(B)(5) (and the Insured shall have no obligation hereunder) if the Insured has withdrawn Assets as permitted under Article I(B)(4), but only to the extent such Assets have been withdrawn pursuant to Article I(B)(4). The Trust Account and the Trust Agreement shall be terminated immediately upon release of remaining Assets to the Insurer as permitted under this Article I(B)(5).

II. WARRANTIES AND CERTAIN AGREEMENTS OF THE INSURED

In accepting this Policy, the Insured hereby agrees, represents and warrants the following to the Insurer as of the date hereof:

- A. Information in the statements and information provided to the Insurer in the Insurance Application are true and correct in all Material respects as of the Effective Date.
 - B. The Insured has not withheld any information from the Insurer that would reasonably affect the decision of an insurer of risks similar to the risk under this Policy, and as of the Effective Date of this Policy, the Insured has no Knowledge of any circumstance which could give rise to or increase the likelihood of Covered Amount at any time during the Policy Period.
 - C. Exhibits A through C inclusive are true and complete copies of the STACR 2 Documentation.
 - D. The Insured is duly organized, validly existing and in good standing under the laws of the United States.
 - E. The Insured has taken all corporate action required to authorize the execution, delivery and performance of the Policy.
- [REDACTED]**
- G. The Policy, when executed and delivered will constitute a legal, valid and binding obligation of the Insured, enforceable except to the extent that enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect affecting creditors' rights generally and subject to the application of equitable principles and the availability of equitable remedies.

- H. The execution and delivery by the Insured of this Policy, and the performance by the Insured under the Policy, do not and will not require the Insured to possess, obtain, make, provide or deliver any consent, waiver, approval, license, permit, order, designation or authorization of, notice to, or registration, filing, qualification or declaration with, any Governmental Entity or other Person (including under any STACR 2 Documentation), other than (i) any of which have been unconditionally obtained or effected (as appropriate) and are in full force and effect or (ii) any of which the failure to possess, obtain, make, provide or deliver do not or will not, individually or together with any one or more such other failures, result in the Insurer incurring any liability, or have a material adverse effect on (a) the ability of the Insured to perform and comply with its respective obligations under this Policy, or (b) the consummation of the transactions contemplated under the Policy.
- I. At all times during the Policy Period, it shall retain no less than 5% of the credit loss exposure to the Insured Tranches.
- J. In the event that, as of any Premium Payment Date during the Policy Period, an Insured Tranche has been increased since the prior Premium Payment Date by a Calculated Tranche Write-up Amount, then the Insured shall refund to the Insurer an amount equal to the product of (i) such Calculated Tranche Write-up Amount, and (ii) the Insured Percentage (in each instance, a "Claim Refund"), pursuant to and in accordance with the terms of, and conditions set forth in this Policy, but only up to the sum of all Covered Amounts previously paid by Insurer hereunder. Such Claim Refund shall be paid within ten (10) Business Days of such Premium Payment Date by immediately available funds transmitted by means of the U.S. Fedwire funds service to the Insurer from the Insured in accordance with wiring instructions provided by the Insurer to the Insured. In no event shall the sum of all Claim Refunds exceed the payment of all Covered Amounts paid by the Insurer under this Policy.
- K. With regard to any Covered Amount owed to the Insured by the Insurer, in the event that the Insured is paid directly by any reinsurer of the Insurer, or if the Insured were to draw down upon any trust under which the Insured is a beneficiary or co-beneficiary with regard to this Policy, then, only and solely to extent of any such Covered Amount so received by the Insured, the Insurer is relieved of all corresponding responsibilities and liability to the Insured under this Policy for the payment of such Covered Amount.

III. WARRANTIES AND CERTAIN AGREEMENTS OF THE INSURER

The Insurer hereby agrees, represents and warrants the following to the Insured as of the date hereof:

- A. The Insurer is an insurance company duly organized, validly existing and in good standing under the laws of [REDACTED] and has all requisite company power and authority to own and lease its properties and to carry on its business as conducted by it.

[REDACTED]

- C. The Insurer has taken all corporate action required to authorize the execution, delivery and performance of the Policy, and the performance of its obligations thereunder.
- D. The Insurer has the corporate power and authority to execute and deliver, and perform its obligations under the Policy.
- E. The Policy, when executed and delivered will constitute a legal, valid and binding obligation

of the Insurer, enforceable except to the extent that enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect affecting creditors' rights generally and subject to the application of equitable principles and the availability of equitable remedies.

- F. The execution and delivery by the Insurer of this Policy, and the performance by the Insurer under the Policy, do not and will not require the Insurer to possess, obtain, make, provide or deliver any consent, waiver, approval, license, permit, order, designation or authorization of, notice to, or registration, filing, qualification or declaration with, any Governmental Entity or other Person, other than (i) any of which have been unconditionally obtained or effected (as appropriate) and are in full force and effect or (ii) any of which the failure to possess, obtain, make, provide or deliver do not or will not, individually or together with any one or more such other failures, result in the Insured incurring any liability, or have a material adverse effect on (a) the ability of the Insurer to perform and comply with its respective obligations under this Policy, or (b) the consummation of the transactions contemplated under the Policy.
- G. The Insurer is, and will use its best efforts to remain, in compliance at all times and in all material respects with all Applicable Law, including, to the extent applicable, [REDACTED] and with the conditions attached to its license or with any directions to the Insurer issued by the [REDACTED]. The Insurer has not made any reductions of capital or paid any dividends or distributions in the past two years that have not complied with the laws of the Insurer's domicile.
- H. The Insurer is currently in compliance with the requirement applicable to the Insurer to provide statutory financial statements and audited financial statements in respect of its insurance business [REDACTED] and is currently in compliance in all material respects [REDACTED]. The Insurer shall provide to the Insured copies of any such financial statements and any declarations required to be filed with [REDACTED] within five (5) Business Days of any request by the Insured therefor.
- I. The Insurer is, and will use its best efforts to remain, operating in accordance with the solvency, liquidity and capital requirements [REDACTED] insurers including the minimum solvency margin and the applicable enhanced and eligible capital requirements. Insurer is, and after issuance of the Policy will be, solvent, including by all applicable standards of solvency [REDACTED]. Insurer has at all times ensured, and will use its best efforts to ensure, that the general business and long term business of Insurer is kept separate in accordance with the applicable provisions [REDACTED] including the maintenance of the long-term business fund.
- J. There are no pending or, to Insurer's Knowledge, threatened actions, suits, investigations or proceedings ("Proceedings") by or against the Insurer which are material to its business, at law or in equity or otherwise before any court, tribunal, agency, official, arbitrator or other Governmental Entity and the Insurer has not been the subject of any such Proceedings in the last two years, other than to the extent that such Proceedings that are considered part of the normal operations of an insurance or a reinsurance company.
- K. The Insurer has such Knowledge and experience in financial, business and insurance matters that it is capable of evaluating the merits and risks of this transaction. The Insurer has conducted its own independent review and analysis of the underwriting risk and acknowledges and agrees that the Insured has provided the Insurer with sufficient information for this purpose. In entering into this Policy, the Insurer has relied solely upon its own investigation and analysis, and the Insurer acknowledges and agrees that except for representations or warranties of the Insured expressly contained herein (a) the Insured makes no, and has made no, representation or warranty, either express or implied, with

respect to the Policy or as to the accuracy or completeness of any of the information (including projections, estimates or any other forward looking forecasts) provided or otherwise made available to the Insurer, and (b) to the fullest extent permitted by Applicable Law, the Insured shall have no liability whatsoever to Insurer on any basis based upon such information provided or made available, or statements made or omissions therefrom in the underwriting process.

- L. In any reinsurance treaty executed between the Insurer and a reinsurer with respect to the risks assumed under this Policy by the Insurer, to the extent required by the Insured on or prior to the Effective Date, the Insurer shall obtain written representations and warranties substantially similar to those set forth in this Article III(A)-(J) from the reinsurer to which the Insurer cedes any portion of the risk.

IV. LIMITATIONS OF LIABILITY

The Insurer's total liability for all Covered Amounts under this Policy shall not exceed the Policy Limit of Liability as specified in the Declarations. Each payment made by the Insurer in discharge of its obligations under this Policy shall reduce by the same amount the Policy Limit of Liability.

V. CLAIMS AND REPORTING

- A. The Insurer shall have the right to receive copies of all reports to be provided by the Global Agent under Section 6(c) the Global Agency Agreement, and may do so by accessing the Global Agent's internet site at "www.usbank.com/abs" or any other website that may be established by the Global Agent. In the event that the Global Agent ceases to make such reports publicly available, including by means of any such website, the Insured shall designate the Insurer as a designee within the meaning of the Global Agency Agreement for the purpose of receiving such reports.
- B. The Insured shall submit to the Insurer a Proof of Loss within thirty (30) calendar days of the publication of the Payment Date Statement. In connection therewith, the Insured shall provide a copy of the Payment Date Statement and such other information required by the Proof of Loss form attached as Exhibit D. The Insured's failure to provide the Payment Date Statement or Proof of Loss within the foregoing period shall not relieve the Insurer of its obligations under this Policy. Within ten (10) Business Days of the date of such filing, the Insurer shall verify that the Class Notional Amount, the Calculated Tranche Write-down Amount and the Loss set forth therein are in accordance with the Payment Date Statement and the Insured Percentage calculation set forth in the Proof of Loss.
- C. The determination by the Global Agent of the Class Notional Amount, the Calculated Tranche Write-down Amount or the Calculated Tranche Write-up Amount shall, absent manifest error, be binding on the Insurer and the Insured. The Insurer shall accept the Proof of Loss unless it has formed a reasonable good faith belief that the Insured has made material misrepresentations or committed other wrongful and dishonest acts or omissions directly relating to a calculation by the Insured set forth in a Proof of Loss. In such case, the Insurer shall send a notice of the rejection of the Claim within ten (10) Business Days following receipt of such Proof of Loss from the Insured. In the absence of such notice within that period, the Proof of Loss shall be deemed accepted. Any rejection of a Proof of Loss shall be subject to dispute resolution as set forth in Article VII(A) below. Nothing contained herein shall be deemed to be a waiver of or prejudice in any way any claim that the Insurer may have subsequent to acceptance of a Proof of Loss or payment of any amount under this Policy; provided, however, that any such claim shall be pursued by the Insurer within the period set by the applicable statute of limitations.
- D. Within ten (10) Business Days following acceptance of a Proof of Loss by the Insurer, (i) the Insurer shall provide written notice thereof to the Insured, clearly stating that such

Proof of Loss has been accepted in full by the Insurer, and (ii) payment of such Loss shall thereupon be made by immediately available funds transmitted by means of the U.S. Fedwire funds service to the Insured by the Insurer in accordance with wiring instructions provided by the Insured to the Insurer. Any such payments not so transmitted shall be subject to a late payment fee calculated based on the amount due but not wired. For the avoidance of doubt, the amount of such late payment fee shall be calculated as follows: (amount due and owing under the unpaid Proof of Loss) multiplied by (prime rate + 1.000%) divided by 365, multiplied by the number of calendar days for which the payment is due but unpaid. The prime rate shall be determined by reference to the highest quoted prime rate published in the "Money Rates" section or other comparable section of The Wall Street Journal on the first Business Day of the month in which the payment is due.

- E. The Insurer and the Insured shall have the right to offset any balance or amounts due from one party to the other under the terms of this Policy. The party asserting the right of offset may, with the concurrence of the other party, exercise such right any time whether the balances due are on account of Premiums or Covered Amounts.

VI. REFERENCE POOL AND REFERENCE TRANCHES

A. Reference Pool

1. The Reference Pool consists of the Reference Obligations, which are Mortgage Loans acquired by the Insured between January 1, 2013 and March 31, 2013 (and more particularly identified at http://www.freddiemac.com/creditsecurities/security_data.html as of the Effective Date) and which meet the Eligibility Criteria.
2. The "Eligibility Criteria" to be satisfied with respect to each Reference Obligation in the Reference Pool are as follows:
 - a. is a fully amortizing, fixed rate, one- to four-unit, first lien Mortgage Loan, which has an original term of 30 years;
 - b. was originated on or after October 1, 2012;
 - c. was securitized into a participation certificate by July 31, 2013 and remained in such participation certificate as of October 2, 2013;
 - d. has not been prepaid in full as of October 2, 2013;
 - e. has not been repurchased by the applicable seller or servicer as of October 2, 2013;
 - f. has no Underwriting Defects as of September 30, 2013;
 - g. as of August 31, 2013, has never been reported to be 30 days or more delinquent since purchase by the Insured;
 - h. was originated with documentation as described under "*General Mortgage Loan Purchase and Servicing — Underwriting Standards— Documentation*" in the STACR 2 Offering Circular;
 - i. is not covered by mortgage or pool insurance;
 - j. does not have an original loan-to-value ratio that (i) is less than or equal to 60%, or (ii) exceeds 80%;

- k. is not subject to recourse or other credit enhancement;
 - l. was not originated under the Insured's Relief Refinance program (including the Home Affordable Refinance Program which is the Federal Housing Finance Agency's name for Relief Refinance Mortgage Loans with a loan-to-value ratio greater than 80%);
 - m. was not originated under Home Possible® or other affordable mortgage programs of the Insured;
 - n. was not associated with a mortgage revenue bond purchased by the Insured;
 - o. has an unpaid principal balance as of the Cut-off Date that is greater than or equal to \$5,000; and
 - p. was not originated under a government program (e.g., FHA, VA or Guaranteed Rural Housing Loans).
3. The characteristics of the Reference Pool will change from time to time to reflect subsequent payments, prepayments and Credit Events with respect to the Reference Obligations. In addition, the characteristics of the Reference Pool may change because Reference Obligations will be removed (any such removal, a "Reference Pool Removal") from the Reference Pool because:
- a. the Reference Obligation becomes a Credit Event Reference Obligation;
 - b. the Reference Obligation is paid in full;
 - c. of the identification and final determination, through the Insured's quality control process, of an Underwriting Defect relating to the Reference Obligation;
 - d. of the discovery of a violation of the Eligibility Criteria for such Reference Obligation; or
 - e. the Reference Obligation is seized pursuant to any special eminent domain proceeding brought by any federal, state or local government instrumentality with the intent to provide relief to financially-distressed borrowers with negative equity in the underlying mortgage loan. For the avoidance of doubt, if a property were seized through any eminent domain proceedings brought by any state, federal, or local government entity, such seizure will not be treated as a Credit Event. Instead, the unpaid principal balance of the loan at the time of seizure will be treated as Unscheduled Principal and the loan will be removed pursuant to Reference Pool Removal.

Reference Obligations will not be removed from the Reference Pool if they undergo a temporary or permanent modification and they do not meet any other criteria above to be removed. In the event that a Reference Obligation that was previously removed from the Reference Pool is discovered to have been removed in error, such Reference Obligation will be reinstated into the Reference Pool.

B. Reference Tranches

1. For purposes of this Policy, the Insured has established a hypothetical structure of six (6) Classes of Reference Tranches (the Class A-H Reference Tranche, Class M-1 Reference Tranche, Class M-1H Reference Tranche, Class M-2 Reference Tranche,

Class M-2H Reference Tranche and Class B-H Reference Tranche) (each, a "Reference Tranche") deemed to be backed by the Reference Pool. Pursuant to the hypothetical structure, the Class A-H Reference Tranche is senior to all the other Classes of Reference Tranches and therefore does not provide any credit enhancement to the other Classes of Reference Tranches. The Class M-1 Reference Tranche and Class M-1H Reference Tranche are *pro rata* with each other and are subordinate to the Class A-H Reference Tranche and are senior to the Class M-2 Reference Tranche, Class M-2H Reference Tranche and Class B-H Reference Tranche. The Class M-2 Reference Tranche and Class M-2H Reference Tranche are *pro rata* with each other and are subordinate to the Class A-H Reference Tranche, Class M-1 Reference Tranche and Class M-1H Reference Tranche and are senior to the Class B-H Reference Tranche. The Class B-H Reference Tranche is subordinate to all the other Classes of Reference Tranches and therefore does not benefit from any credit enhancement. Each Class of Reference Tranche has a Class Notional Amount as of the Cut-off Date (*i.e.*, the "Initial Class Notional Amount") as indicated in its respective definition herein.

2. The "Class Notional Amount" of each Class of Reference Tranche as of any Premium Payment Date is a notional amount equal to:
 - a. the Initial Class Notional Amount of such Class of Reference Tranche, *minus*
 - b. the aggregate amount of Senior Reduction Amounts and/or Subordinate Reduction Amounts allocated to such Class of Reference Tranche on such Premium Payment Date and all prior Premium Payment Dates, *minus*
 - c. the aggregate amount of Calculated Tranche Write-down Amounts allocated to reduce the Class Notional Amount of such Class of Reference Tranche on such Premium Payment Date and on all prior Premium Payment Dates, *plus*
 - d. the aggregate amount of Calculated Tranche Write-up Amounts allocated to increase the Class Notional Amount of such Class of Reference Tranche on such Premium Payment Date and on all prior Premium Payment Dates.
 - e. For the avoidance of doubt, no Calculated Tranche Write-up Amount or Calculated Tranche Write-down Amount will be applied twice on the same Premium Payment Date.
3. Allocation of Calculated Tranche Write-down Amounts to the Reference Tranches

On each Premium Payment Date on or prior to the Termination Date, the amount, if any, of the Calculated Tranche Write-down Amount, if any, for that Premium Payment Date, will be allocated to reduce the Class Notional Amount of each Class of Reference Tranche in the following order of priority, in each case until its Class Notional Amount is reduced to zero:

- a. *first*, to the Class B-H Reference Tranche,
- b. *second*, to the Class M-2 Reference Tranche and Class M-2H Reference Tranche, *pro rata* based on their Class Notional Amounts immediately prior to such Premium Payment Date,
- c. *third*, to the Class M-1 Reference Tranche and Class M-1H Reference Tranche, *pro rata*, based on their Class Notional Amounts immediately prior to such Premium Payment Date, and

d. *fourth*, to the Class A-H Class of Reference Tranche.

4. Allocation of Calculated Tranche Write-up Amounts to the Reference Tranches

On each Premium Payment Date on or prior to the Termination Date, the Calculated Tranche Write-up Amount, if any, for such Premium Payment Date will be allocated to increase the Class Notional Amount of each Class of Reference Tranche in the following order of priority until the cumulative Calculated Tranche Write-up Amount allocated to each such Class of Reference Tranche is equal to the cumulative Calculated Tranche Write-down Amount previously allocated to such Class of Reference Tranche on or prior to such Premium Payment Date:

- a. *first*, to the Class A-H Reference Tranche,
- b. *second*, to the Class M-1 Reference Tranche and Class M-1H Reference Tranche, *pro rata* based on their Class Notional Amounts immediately prior to such Premium Payment Date,
- c. *third*, to the Class M-2 Reference Tranche and Class M-2H Reference Tranche, *pro rata*, based on their Class Notional Amounts immediately prior to such Premium Payment Date, and
- d. *fourth*, to the Class B-H Reference Tranche.

5. Allocation of Senior Reduction Amount and Subordinate Reduction Amount to the Reference Tranches

a. On each Premium Payment Date prior to the Maturity Date and Early Termination Election, after allocation of the Calculated Tranche Write-down Amount or Calculated Tranche Write-up Amount, if any, for such Premium Payment Date as described above, the Senior Reduction Amount will be allocated to reduce the Class Notional Amount of each Class of Reference Tranche in the following order of priority, in each case until its Class Notional Amount is reduced to zero:

- i. *first*, to the Class A-H Reference Tranche,
- ii. *second*, to the Class M-1 Reference Tranche and Class M-1H Reference Tranche, *pro rata*, based on their Class Notional Amounts immediately prior to such Premium Payment Date,
- iii. *third*, to the Class M-2 Reference Tranche and Class M-2H Reference Tranche, *pro rata*, based on their Class Notional Amounts immediately prior to such Premium Payment Date, and
- iv. *fourth*, to the Class B-H Reference Tranche.

b. On each Premium Payment Date prior to the Maturity Date and the date on which the Insured elects to cancel this Policy pursuant to Article VII(C)(2), after allocation of the Senior Reduction Amount and the Calculated Tranche Write-down Amount or Calculated Tranche Write-up Amount, if any, for such Premium Payment Date as described above, the Subordinate Reduction Amount will be allocated to reduce the Class Notional Amount of each Class of Mezzanine Reference Tranche and the Class B-H Reference Tranche in the following order of priority, in each case until its Class Notional Amount is reduced to zero:

- i. *first*, to the Class M-1 Reference Tranche and Class M-1H Reference Tranche, *pro rata*, based on their Class Notional Amounts immediately prior to such Premium Payment Date,
- ii. *second*, to the Class M-2 Reference Tranche and Class M-2H Reference Tranche, *pro rata*, based on their Class Notional Amounts immediately prior to such Premium Payment Date, and
- iii. *third*, to the Class B-H Reference Tranche.

Any Subordinate Reduction Amount remaining after the allocation above will be allocated to reduce the Class Notional Amount of the Class A-H Reference Tranche.

6. For any Premium Payment Date purposes of making calculations with respect to the hypothetical structure and Reference Tranches, the reporting periods (each, a "Reporting Period") will be:
 - a. in the case of all principal collections, other than full prepayments, on the Reference Obligations, and in the case of determining Credit Events resulting from the related Mortgage Note being sold to a third party during the foreclosure process, a deed in lieu of foreclosure being executed or a REO acquisition, the period from and including the 16th day of the second calendar month preceding the month in which such Premium Payment Date occurs to and including the 15th day of the calendar month immediately preceding the month in which such Premium Payment Date occurs;
 - b. in the case of full principal prepayments on the Reference Obligations, and in the case of determining an Unconfirmed Underwriting Defect or an Underwriting Defect or determining a Credit Event resulting from a short sale being settled, the period from but excluding the 2nd Business Day of the calendar month immediately preceding the month in which such Premium Payment Date occurs to and including the 2nd Business Day of the calendar month in which such Premium Payment Date occurs; and
 - c. in the case of determining delinquency status with respect to each Reference Obligation, the last day of the second calendar month preceding such Premium Payment Date.

VII. GENERAL CONDITIONS

- A. Dispute Resolution; Venue. Any dispute arising out of or in connection with this Policy shall be settled in a proceeding brought in the United States District Court for the Eastern District of Virginia. Each of the Insurer and the Insured irrevocably submits to the personal and in rem jurisdiction and venue of that Court for the Eastern District of Virginia for the purposes thereof and expressly waives any claim of lack of personal jurisdiction and improper venue and any claim that any such court is an inconvenient forum. The Insured and the Insurer hereby irrevocably consent to the service of process in such court in any such suit, action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to the address provided to the parties in accordance with the Declarations page of this Policy, such service to become effective ten (10) days after such mailing. It is further agreed that service of process in any suit instituted against the Insurer or the Insured will be made upon the other party and that in any such suit the parties will abide by the final decision of such Virginia court, including any appellate court in the event of an appeal. Any award of money damages in such proceeding shall be consistent with the Policy Limit of Liability.

B. Assignment. This Policy may not be assigned or transferred by either party without prior written consent of the other party.

C. Cancellation.

1. The Insured may cancel this Policy upon (a) an official rating action by Standard & Poor's or other similar rating agency to downgrade the financial strength rating of the Insurer below A- (a "Credit Rating Downgrade"); (b) the insolvency of the Insurer; (c) a transfer by the Insurer of substantially all of its business, by reinsurance or otherwise, other than to a Person that is an affiliate of the Insurer as of the Effective Date; provided however, that any such affiliate is a duly licensed insurance company with an official rating by Standard & Poor's or other similar rating agency of A or greater; (d) a breach by the Insurer of any representations and warranties provided to the Insured in this Policy; or (e) the receipt by the Insurer of a cease and desist order or any similar order from a regulatory authority or other Governmental Entity that it cease and desist writing all or part of its business. The Insured shall give written notice to the Insurer stating the grounds for such action and when the cancellation shall be effective, provided that in the event of a Credit Rating Downgrade the Insured must provide prior written notice to the Insurer of its intention to cancel within at least 30 days of such Credit Rating Downgrade.
2. The Insured may also cancel this Policy in its entirety at any time in its sole discretion on any Premium Payment Date on or after the Premium Payment Date on which the aggregate unpaid balance of the Reference Obligations is less than or equal to 10% of the Cut-off Date Balance of the Reference Obligations. Termination shall be effective as of the Premium Payment Date when the Insured delivers to the Insurer written notice of such termination election.
3. In addition, this Policy shall cancel automatically as of the Premium Payment Date on which the initial Class Balance (without giving effect to any allocations of Calculated Tranche Write-down Amounts or Calculated Tranche Write-up Amounts on such Premium Payment Date and all prior Premium Payment Dates) and accrued and unpaid interest due on the Class M-1 and Class M-2 Notes have been paid in full. In the event that the initial Class Balance (without giving effect to any allocations of Calculated Tranche Write-down Amounts or Calculated Tranche Write-up Amounts on such Premium Payment Date and all prior Premium Payment Dates) and accrued and unpaid interest due on the Class M-1 and Class M-2 Notes have been paid in full only with respect to either the Class M-1 Notes or Class M-2 Notes, then the coverage under the Policy shall only be canceled with respect to either the Class M-1H Reference Tranche or the Class M-2H Reference Tranche, as applicable, but the coverage shall remain in place for the other Insured Tranche.
4. No cancellation of this Policy is permitted by the Insurer, except in the event of non-payment of Premium, without prejudice to the Insurer's right to retain the greater of the Premium earned to the date of such termination or right to offset any amounts due from the Insured to the Insurer against amounts due from the Insurer to the Insured.
5. This Policy may be cancelled by the Insurer in accordance with Article VII(C)(4) by sending written notice to the Insured stating when, not less than thirty (30) days thereafter, the cancellation shall be effective. Confirmation by the relevant courier of delivery of such notice shall be sufficient proof of notice and the effective date of cancellation stated in the notice shall become the Expiry Date, unless payment of the Premium is received by the Insurer prior to this specified date of cancellation, in which case the Policy shall continue in full force and effect.

6. Cancellation in accordance with this Article VII(C) shall not prejudice any rights of the Insured or the Insurer existing prior to the effective date of such cancellation.
- D. Insolvency of Insured. In the event of an insolvency of the Insured, and the appointment of a conservator, liquidator, receiver, administrator, trustee in bankruptcy or other Person to administer the estate of the Insured as a consequence of an insolvency, or appointment of a statutory successor to the Insured, the coverage afforded by this Policy shall be payable by the Insurer directly to the such conservator, liquidator, receiver, administrator, trustee in bankruptcy or other Person appointed to administer the estate of the Insured as a consequence of insolvency, or such statutory successor, on the basis of the liability of the Insurer as provided in this Policy and without diminution because of the insolvency. No insolvency of the Insured and no act of any conservator, liquidator, receiver, administrator, trustee in bankruptcy or other Person administering the estate of the Insured as a consequence of an insolvency, or of any statutory successor, shall cause any liability of the Insurer hereunder to become due earlier or for a higher amount than would have been the case if such insolvency had not occurred or if such act had not been committed.
- E. Changes. After issuance of the Policy, the Insured and the Insurer agree not to change any terms of this Policy or the Exhibits thereto, unless agreed to by the Insured and the Insurer and attached to the Policy by written endorsement thereto.
- F. Acceleration. The Insurer's liability to pay a Covered Amount to the Insured shall be based only on the original Premium Payment Dates as set forth in the STACR 2 Agreement. Any acceleration of the Premium Payment Dates shall not give rise to a corresponding acceleration of the Insurer's obligation to pay Covered Amounts hereunder.
- G. Headings. All headings in this Policy are for convenience only and shall not be used in interpreting the language of the Policy.
- H. Notice and Communications. All notices to the Insurer under any provision of this Policy shall be sent by electronic mail to the e-mail address below, with a copy of each such notice sent in writing and given by prepaid express courier, certified mail or fax, to:



All notices to the Insured under any provision of this Policy shall be in writing and given by prepaid express courier, certified mail or fax, to the place and the fax number indicated in the Declarations, with a copy of each such notice sent in writing and by the same means to:

Freddie Mac
8200 Jones Branch Drive
McLean, VA 22102-3110



