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RECEIVED

February 14, 2011
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SUPERIOR COURT
CLERK'S OFFICE

Via Hand Delivery

The Honorable Walter R. Barisonek (Special Master)
Superior Court of New Jersey
Union County Courthouse
2 Broad Street
Courthouse 101
Elizabeth, New Jersey 07207

Re: In re Residential Mortgage Foreclosure
Foreclosure Pleading and Document Irregularities
Administrative Order 01-2010
Docket No. F-238-11

Dear Special Master Barisonek:

Pursuant to Administrative Order 01-2010, I have enclosed on behalf of The Bank of New York Mellon and The Bank of New York Mellon Trust Company, N.A. an original and one copy of the following documents:

1. Certification of Diane Antonecchia;
2. Certification of Robert DeChristofaro;
3. Certification of Kathleen McDonnell;
4. Certification of Glenn Mitchell;
5. Certification of Diane Pickett;
6. Certification of Barbara G. Robinson;

The Honorable Walter R. Barisonek (Special Master)
February 14, 2011
Page 2

7. Memorandum of The Bank of New York Mellon and The Bank of New York Mellon Trust Company, N.A. explaining role in foreclosure process; and
8. Certification of Facsimile Signature Pursuant to Rule 1:4-4(c)

By copy of this letter, I am forwarding a copy of each of these documents by regular mail to the Superior Court Clerk's office.

Very truly yours,

JAMES H. BORTE

JHF/cr

Enclosures

cc: Jennifer Perez, Clerk of the Superior Court (w/enclosures)

SAIBER LLC
18 Columbia Turnpike, Suite 200
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Attorneys for The Bank of New York Mellon and
The Bank of New York Mellon Trust Company, N A.

Of Counsel
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IN THE MATTER OF RESIDENTIAL
MORTGAGE FORECLOSURE PLEADING
AND DOCUMENT IRREGULARITIES

Docket No. F-238-11

Re: Administrative Order 01-2010

CERTIFICATION OF
DIANE ANTONECCHIA

DIANE ANTONECCHIA hereby certifies as follows

1 I submit this certification in connection with the response of The Bank of New York Mellon and its affiliate The Bank of New York Mellon Trust Company, N A to the Supplemental Administrative Order 01-2010 Directing Submission of Information from Residential Mortgage Foreclosure Plaintiffs Concerning Their Document Execution Practices, dated January 31, 2011 (the "Order").

2. I am a Vice President in the Mortgage Servicing unit of The Bank of New York Mellon My responsibilities include processing information relating to certain mortgage loans owned by The Bank of New York Mellon or an affiliate These mortgage loans are either owned

as part of an investment portfolio or were originated as a benefit to our employees or by our private wealth management group for high net worth clients.

3 The following entities are responsible for servicing the loans, including in parentheses the number of loans for properties located in New Jersey as of December 2010 and the second number in parenthesis representing the number of such New Jersey loans presently in foreclosure:

- Bank of America/Countrywide (26) (4)
- Chase (5)
- Dovenmuehle Mortgage, Inc (108) (1)
- Emigrant (3)
- Everhome Mortgage (2029) (12)
- Wells Fargo (1)

4 The entities listed above service the loans in accord with servicing agreements and are responsible for conducting foreclosure proceedings. Neither The Bank of New York Mellon nor an affiliate conducts foreclosure proceedings with respect to these loans.

5 I certify that the foregoing statements made by me are true. I am aware that if any of the foregoing statements made by me are willfully false, I am subject to punishment.

Dated: February 10, 2011



Diane Antonecchia

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IN THE MATTER OF RESIDENTIAL
MORTGAGE FORECLOSURE PLEADING
AND DOCUMENT IRREGULARITIES

Docket No. F-238-11

Re: Administrative Order 01-2010

CERTIFICATION OF
ROBERT J. DECHRISTOFARO

ROBERT J. DECHRISTOFARO hereby certifies as follows:

1. I submit this certification in connection with the response of The Bank of New York Mellon and its affiliates to the Supplemental Administrative Order 01-2010 Directing Submission of Information from Residential Mortgage Foreclosure Plaintiffs Concerning Their Document Execution Practices, dated January 31, 2011 (the "Order").
2. I am a Vice President in the Asset Recovery unit of BNY Mellon, N.A. (an affiliate of The Bank of New York Mellon). My responsibilities include supervising foreclosure activities for mortgage loans that are serviced by BNY Mellon, N.A.
3. BNY Mellon, N.A. has servicing responsibilities (including responsibility for any foreclosure proceedings) for 4,780 mortgage loans that it originated. Some of these mortgage

loans are still owned by BNY Mellon, N A or an affiliate. Other mortgage loans have been sold to Lehman Brothers, Inc (1 loan), Norwest Bank Minnesota, NA (6 loans) (since merged into Wells Fargo, Wells Fargo Bank Minnesota, N.A. (24 loans), Citizen's Bank (1 loan), LaSalle Bank, NA (1 loan) and Deutsche Bank National Trust Company (5 loans) (but BNY Mellon, N.A continues to perform a servicing function for all of these).

4 Of these 4,780 mortgage loans, 183 are secured by property located in New Jersey Of these 183 loans, one was the subject of a foreclosure proceeding during 2010.

5. BNY Mellon, N.A. also has servicing responsibilities (including responsibility for any foreclosure proceedings) for 5,274 home equity loans

6 Of these 5,274 home equity loans, approximately 89 are secured by property located in New Jersey. In 2010, BNY Mellon, N A. did not initiate foreclosure proceedings for any of these 89 in New Jersey.

7. My responsibilities also include verifying complaints and signing affidavits filed in connection with foreclosure proceedings Our policy and practice is to review any court filing with both internal and local foreclosure counsel before signing. In addition, I personally inspect backup materials supporting statements made in a complaint or affidavit as well as any documents attached to a complaint or affidavit.

8 I certify that the foregoing statements made by me are true. I am aware that if any of the foregoing statements made by me are willfully false, I am subject to punishment.

Dated. February 10, 2011


Robert J. DeChristofaro
as Vice President, BNY Mellon, N.A.

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IN THE MATTER OF RESIDENTIAL
MORTGAGE FORECLOSURE PLEADING
AND DOCUMENT IRREGULARITIES

Docket No. F-238-11

Re: Administrative Order 01-2010

CERTIFICATION OF
KATHLEEN M. MCDONNELL

KATHLEEN M. MCDONNELL hereby certifies as follows:

1. I submit this certification in connection with the response of The Bank of New York Mellon and its affiliate The Bank of New York Mellon Trust Company, N.A. to the Supplemental Administrative Order 01-2010 Directing Submission of Information from Residential Mortgage Foreclosure Plaintiffs Concerning Their Document Execution Practices, dated January 31, 2011 (the "Order").
2. I am a Managing Director in the Global Corporate Trust unit of The Bank of New York Mellon. My responsibilities are solely within a specific unit devoted to master servicing (which does not encompass processing foreclosure cases). I have knowledge of the facts set forth herein

2. 3.

3. There is a portfolio of mortgage backed securities ("MBS") securitizations in which we act as master servicer. In each transaction there is a trustee who is the owner, in trust, of the mortgage loans, such as US Bank, Wells Fargo or Deutsche Bank, and a primary servicer, such as Bank of America's BOA Home Loan Servicing, LP, Citibank, Wells Fargo, JP Morgan Chase, or affiliates thereof.

4. The trustees such as those described above are the owners, in trust, of the mortgage loans, and typically would be reflected in the caption of the foreclosure case as plaintiff. The primary servicer would be the party responsible for determining whether to modify or enforce a delinquent loan, and, if enforcing, to manage the foreclosure process.

5. In the MBS transactions in which we are master servicer, the relationship between a master servicer and a primary servicer is not the same as the relationship between a primary servicer and a subservicer. The key difference is that in the latter circumstance the primary servicer has the full servicing responsibility and has subcontracted some of such responsibilities while nonetheless remaining ultimate responsibility. A primary servicer chooses, engages and pays the subservicer and would have the contractual right to terminate. In the transactions in which we are master servicer, the primary servicers were chosen by other transaction parties, often the seller of the loans into the securitization which may come with primary servicing contracts already associated. The primary servicers pay themselves from the cash flows generated by the mortgage loans, and master servicers do not have responsibility for the conduct of the primary servicers.

6. In our role of as master servicer we do not conduct foreclosure cases or sign affidavits or other court papers in connection with foreclosure papers.

7. Because in our capacity as master servicer we are neither a plaintiff in foreclosure cases nor the servicer responsible for conducting foreclosure cases we did not construe the Order as requesting specific information with respect to our master servicing business.

8. I certify that the foregoing statements made by me are true. I am aware that if any of the foregoing statements made by me are willfully false, I am subject to punishment.

Dated: February 11, 2011


Kathleen M. McDonnell

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IN THE MATTER OF RESIDENTIAL
MORTGAGE FORECLOSURE PLEADING
AND DOCUMENT IRREGULARITIES

Docket No. F-238-11

Re: Administrative Order 01-2010

CERTIFICATION OF
GLENN E. MITCHELL

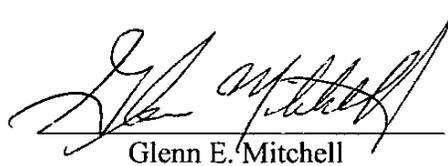
GLENN E. MITCHELL hereby certifies as follows:

1. I submit this certification in connection with the response of The Bank of New York Mellon and its affiliate The Bank of New York Mellon Trust Company, N.A. to the Supplemental Administrative Order 01-2010 Directing Submission of Information from Residential Mortgage Foreclosure Plaintiffs Concerning Their Document Execution Practices, dated January 31, 2011.

2. I am a Vice President in the Global Corporate Trust unit of The Bank of New York Mellon. My responsibilities include aspects of our residential mortgage backed securities ("MBS") business where The Bank of New York Mellon is trustee for residential mortgage backed securities ("MBS") securitizations. I have knowledge of the facts set forth herein.

8. I certify that the foregoing statements made by me are true. I am aware that if any of the foregoing statements made by me are willfully false, I am subject to punishment.

Dated: February 11, 2011



Glenn E. Mitchell

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and The Bank of New York Trust Company, N.A.

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IN THE MATTER OF RESIDENTIAL
MORTGAGE FORECLOSURE PLEADING
AND DOCUMENT IRREGULARITIES

Docket No. F-238-11

Re: Administrative Order 01-2010

CERTIFICATION OF
DIANE PICKETT

DIANE PICKETT hereby certifies as follows:

1. I submit this certification in connection with the response of The Bank of New York Mellon and its affiliate The Bank of New York Mellon Trust Company, N.A. to the Supplemental Administrative Order 01-2010 Directing Submission of Information from Residential Mortgage Foreclosure Plaintiffs Concerning Their Document Execution Practices, dated January 31, 2011 (the "Order").
2. I am a Vice President in the Global Corporate Trust unit of The Bank of New York Mellon. My responsibilities include broad relationship management for much of our residential mortgage backed securities ("MBS") business where The Bank of New York Mellon

or its affiliate The Bank of New York Mellon Trust Company, N.A. is trustee for MBS securitizations.

3. In our MBS securitizations there is a party known as a servicer whose responsibilities encompass, among other things, deciding whether to modify or take enforcement action with respect to a delinquent mortgage loan in the securitization, and to conduct foreclosure cases if the servicer decides to foreclose. The MBS trustee plays no role in determining whether or how to foreclose, and, except as set forth in the accompanying certifications of Glenn Mitchell and Barbara Robinson, no role in the foreclosure process itself. However, because the loans are owned in trust by the trustee, for the benefit of the MBS investors, foreclosure cases are customarily brought with the trustee named as the plaintiff, in its trust capacity, e.g., The Bank of New York Mellon as trustee for the XYZ securitization trust, plaintiff, against John Doe, defendant.

4. We as trustee do not determine the servicer to be engaged for a particular securitization. Generally the servicer is the same entity (or an affiliate of the entity) that sponsored the securitization transaction, or the same entity (or an affiliate of the entity) that sold the loans into the securitization.

5. We as trustee do not have the responsibility for supervising or managing the servicer. Nor do we pay the servicer, who generally speaking is contractually entitled to pay itself directly out of the cash flow generated by the mortgage loans it services.

6. In order to furnish the information requested by item 2 of the Order, I worked with the BNY Mellon Analytics group. That group handles electronic data processing in connection with MBS securitizations (data, for example, received from servicers regarding loan performance), which is then reported to investors. I also consulted with my colleague Glenn Mitchell. Based on our review we divided our MBS trustee business into two categories: one in which we as trustee handle analytics and the other where we do not handle analytics.

7. In cases where we handle analytics we have electronic databases which have enabled us to identify the information requested by item 2 of the Order. Attached as exhibit A is a schedule showing the servicers who service residential mortgage loans in transactions where either The Bank of New York Mellon or The Bank of New York Mellon Trust Company, N.A. is MBS trustee and for each servicer the number of loans serviced in New Jersey as of December 31, 2010. (At any given time the information changes as, for example, loans are paid off or refinanced.)

8. In cases where we do not provide analytics we do not have information concerning the locations of the properties secured by the loans. The servicers for such transactions are listed on Exhibit B hereto. Typically in those transactions another transaction party, such as a securities administrator, is responsible for loan level information, and information concerning the number of loans in New Jersey can best be obtained from the servicer or alternatively the securities administrator. If the Court requests we will make a written request of such servicers to supply the number of loans within our trusts which are secured by property in New Jersey, although we note that we may not have any way to force the servicers to comply.

9. In the cases of both Exhibit A and Exhibit B the data furnished is based on our ability to search and analyze our files within the amount of time allotted by the Order for our response.

10. I certify that the foregoing statements made by me are true. I am aware that if any of the foregoing statements made by me are willfully false, I am subject to punishment.

Dated: February 14, 2011



Diane Pickett

A

Exhibit A

	Mortgage Servicer	Loan Count
1	American General Finance	19
2	American Home Mortgage Servicing Inc.	194
3	Aurora Loan Services LLC	296
4	Bank of America Home Loans	30,104
5	Calmco Servicing L.P.	6
6	Celink	22
7	Cenlar FSB	2
8	Centex Homes	561
9	Chase Home Finance, LLC	1,035
10	CitiMortgage	117
11	Financial Freedom	3
12	First Horizon Home Loans	1,753
13	First Tennessee Mortgage Services, Inc.	5
14	GE Mortgage Services	30
15	Generation Mortgage	1
16	GMAC Mortgage	321
17	JP Morgan - Chase Home Finance	4,405
18	Litton Loan Servicing LP	553
19	M & T Mortgage Corp	53
20	Nationstar Mortgage	544
21	OCWEN Financial Services, Inc.	279
22	Olympus Servicing, LP	63
23	One West Bank, FSB	61
24	PHH Mortgage Corporation	270
25	PNC Bank	198
26	Popular Mortgage	1,029
27	RBMG Resource Bankshares Mtg	26
28	Regions Financial Corp.	36
29	Rushmore Loan Management Srv LLC	12
30	SAXON MORTGAGE, INC.	725
31	SB Nutter	7
32	Select Portfolio Servicing, Inc.	279
33	Specialized Loan Servicing LLC	1,061
34	Sun Trust Mortgage	9
35	UBS Special Servicing Group	3
36	Vericrest Financial, Inc	2
37	Wells Fargo Home Mortgage	554

Total 44,638

B



Mortgage Servicer

- 1 ABN Amro Mortgage Group, Inc.
- 2 American Home Mortgage Servicing Inc
- 3 Athol Savings
- 4 Aurora Loan Services LLC
- 5 Bank of America Home Loans
- 6 Branch Banking and Trust Company
- 7 Celink
- 8 Cenlar FSB
- 9 Centex Homes
- 10 Chase Home Finance, LLC
- 11 CitiMortgage
- 12 Commercial Federal Mortgage Co.
- 13 Everhome Mortgage Company
- 14 Fifth Third Mortgage Company
- 15 First Community Bank
- 16 First Horizon Home Loans
- 17 First Tennessee Mortgage Services, Inc.
- 18 Generation Mortgage
- 19 GMAC Mortgage LLC
- 20 Golden First Bank
- 21 Green Tree Servicing, LLC
- 22 JP Morgan
- 23 Litton Loan Servicing LP
- 24 M&T Mortgage
- 25 National City Mortgage
- 26 Nationstar Mortgage
- 27 OCWEN Financial Services, Inc.
- 28 One West Bank, FSB
- 29 PHH Mortgage Corporation
- 30 Rushmore Loan Management Services LLC
- 31 Saxon Mortgage Services, Inc.
- 32 Security National Master Holding Company, LLC
- 33 Select Portfolio Servicing, Inc.
- 34 Sovereign Bank
- 35 Specialized Loan Servicing LLC
- 36 Sun Trust Mortgage
- 37 Susquehanna Bancshares, Inc
- 38 TD Bank N.A
- 39 Third Federal Savings & Loan

Exhibit B

- 40 Vanderbilt Mortgage and Finance, Inc
- 41 Vericrest Financial, Inc
- 42 Wells Fargo Home Mortgage

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IN THE MATTER OF RESIDENTIAL
MORTGAGE FORECLOSURE PLEADING
AND DOCUMENT IRREGULARITIES

Docket No F-238-11

Re: Administrative Order 01-2010

CERTIFICATION OF
BARBARA G. ROBINSON

BARBARA G. ROBINSON hereby certifies as follows

1. I submit this certification in connection with the response of The Bank of New York Mellon and its affiliate The Bank of New York Mellon Trust Company, N.A. to the Supplemental Administrative Order 01-2010 Directing Submission of Information from Residential Mortgage Foreclosure Plaintiffs Concerning Their Document Execution Practices, dated January 31, 2011
2. I am a Vice President in the Document Custody Department of The Bank of New York Mellon Trust Company, N.A. I am knowledgeable about the Document Custody Department's policies and practices concerning the manner in which it handles mortgage files. The Document Custody Department is responsible for receiving, maintaining, and, in appropriate

circumstances, releasing, mortgage loan files in some of the securitization transactions in which either of the referenced BNY Mellon entities are trustee.

3 The Document Custody Department's first role in handling mortgage files is to receive and log in the documents constituting the mortgage file, typically, securitizations specify that a mortgage file consists of the mortgage, the note, the title policy, the assignment and any intervening assignments.

4 If a document is missing from a mortgage file, it is noted in a report which is submitted to the depositor and/or other parties as specified in the transaction documents

5. The mortgage files are then stored in one of our vaults

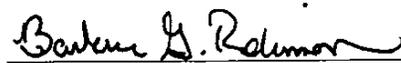
6. Under the transaction documents, servicers may request that we release the mortgage files to them in connection with foreclosure proceedings. Servicers may submit requests for mortgage files using either a paper form or through our website. Whether paper or electronic, the request must contain all information required by the transaction documents and state the reason for the request.

7. Our normal practice is to verify that all required information has been provided in the request and that the person submitting the request has proper authorization, following which we retrieve the mortgage file from our vault. Then our normal practice is to log out each document in our electronic database, noting when it was sent, to whom, and the reason for the release. The mortgage file normally is then shipped to the servicer or its foreclosure counsel as requested. The Document Custody Department is not typically called upon to submit affidavits in support of foreclosure proceedings and it has no responsibility with respect to the conduct of foreclosure cases

8. If a mortgage file is returned by the servicer, we follow the same process outlined above for the initial receipt of a mortgage file.

9. I certify that the foregoing statements made by me are true I am aware that if any of the foregoing statements made by me are willfully false, I am subject to punishment.

Dated: February 11, 2011


Barbara G. Robinson

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IN THE MATTER OF RESIDENTIAL
MORTGAGE FORECLOSURE
PLEADING AND DOCUMENT
IRREGULARITIES

Docket No. F-238-11

Re: Administrative Order 01-2010

Civil Action

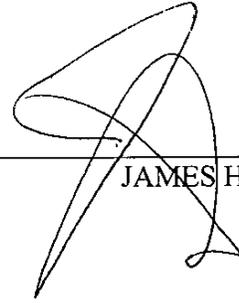
CERTIFICATION OF FACSIMILE
SIGNATURE PURSUANT TO
RULE 1:4-4(c)

JAMES H. FORTE, hereby certifies as follows:

1. I am an attorney at law of the State of New Jersey and a member of the firm of Saiber LLC, attorneys for The Bank of New York and The Bank of New York Mellon Trust Company, N.A. in this matter

2. I certify that Mr. DeChristofaro has acknowledged the genuineness of his signature on the pdf version of his Certification and Ms. Pickett has acknowledged the genuineness of her signature on the pdf version of her Certification. I further certify that I have requested the original signature pages and will file them if requested by the Court or a party.

3. I certify that the foregoing statements made by me are true. I am aware that if any of the foregoing statements made by me are willfully false, I am subject to punishment.

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke, positioned above a horizontal line.

JAMES H FORTE

Dated: February 14, 2011

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IN THE MATTER OF RESIDENTIAL
MORTGAGE FORECLOSURE PLEADING
AND DOCUMENT IRREGULARITIES

Docket No. F-238-11

Re: Administrative Order 01-2010

MEMORANDUM OF THE BANK OF
NEW YORK MELLON AND THE BANK
OF NEW YORK MELLON TRUST
COMPANY, N.A.

The Bank of New York Mellon and its affiliate The Bank of New York Mellon Trust Company, N.A. (together, "BNY Mellon") submit this memorandum and the accompanying certifications of Diane Pickett, Kathleen M. McDonnell, Barbara G. Robinson, Glenn Mitchell, Diane Antonecchia, and Robert J. DeChristofaro in response to the Supplemental Order 01-2010 Directing Submission of Information by Residential Mortgage Foreclosure Plaintiffs Concerning Their Document Execution Practices (the "Order").¹

¹ The Order refers to Bank of New York Mellon and The Bank of New York. The latter entity is now known as The Bank of New York Mellon (which is the full and correct name of the former entity). The Bank of New York Mellon Trust Company, N.A., although not addressed by the Order, performs the same trustee function as The Bank of New York Mellon. The responsibilities, policies, and practices described herein apply to both entities, defined together as BNY Mellon. Additionally, certain information is being provided in the certification of Robert J. DeChristofaro with respect to another affiliate, BNY Mellon, N.A. which owns and services a small number of mortgage loans.

The Order is directed at “foreclosure plaintiffs filing 200 or more residential mortgage actions in 2010” Order at 1 BNY Mellon believes that it was identified as a foreclosure plaintiff filing 200 or more residential mortgage foreclosure actions because it serves as the trustee for residential mortgage backed securities (“MBS”) transactions (in such capacity, the “Trustee”). As Trustee, it is the nominal owner of the mortgage loans comprising the principal assets in the trusts, the beneficial owners of which are the investors in the public MBS. Although the Trustee is often identified as a foreclosure plaintiff, its role in these transactions is carefully circumscribed and does not include responsibility for foreclosure proceedings. The accompanying certifications of Diane Pickett, Glenn E. Mitchell and Barbara G. Robinson provide the information requested by the Order with respect to BNY Mellon’s MBS business. Ms. Pickett’s certification identifies the servicers and numbers of loans in New Jersey. Mr. Mitchell’s describes BNY Mellon’s practices on the rare occasions it is called upon to furnish an affidavit or testimony. Ms. Robinson’s describes practices with respect to handling of loan documents where BNY Mellon serves as custodian.

Apart from MBS transactions, BNY Mellon or an affiliate is the beneficial owner of a small number of loans. While other companies are responsible for servicing many of these loans, an affiliate of BNY Mellon does perform servicing functions for certain portfolios of these loans, as well as for certain other loans that it originated and subsequently sold. In the accompanying certifications of Diane Antonecchia and Robert J. DeChristofaro, we provide information requested by the Order with respect to these loans. In such capacities the aggregate number of loans in New Jersey is very limited.

Additionally, although we believe not intended to be called for by the Order, in the accompanying certification of Kathleen McDonnell we have supplied certain information

regarding BNY Mellon's master servicing business, in which it is neither a plaintiff in foreclosure cases nor conducting foreclosures.

Finally, while BNY Mellon is supplying the information requested by the Order to the best of its ability, we note that any further action contemplated by the Order raises serious jurisdictional, constitutional and process concerns. These are discussed in the submissions of servicers in response to the December 20, 2010 Order to Show Cause issued by Judge Mary Jacobson, Docket No. F-059553-10. In particular, actions contemplated by the Order may unconstitutionally intrude on the powers of other branches of government, may conflict with the exclusive regulatory jurisdiction of federal agencies (as The Bank of New York Mellon Trust Company, N.A. is chartered under the National Bank Act), and may violate the Takings, Due Process, Equal Protection and Contract Clauses of the U.S. and New Jersey Constitutions. BNY Mellon reserves its rights as to these issues.

MBS TRANSACTION STRUCTURE AND ROLES OF TRUSTEE AND SERVICER

Insofar as the Order identified trustees such as BNY Mellon as foreclosure plaintiffs we believe the Court may have misapprehended the relative roles of trustees and servicers in MBS transactions. We begin with deal structure.

A typical MBS transaction is assembled as follows.

1. A loan originator will originate mortgage loans. It then takes a portfolio of such loans and transfers or sells them to a "depositor" which is often (but not always) an affiliate of the original lender.
2. The depositor conveys the mortgage loans to a trustee, such as BNY Mellon, which holds them in trust. The depositor in turn receives certificates evidencing various categories of ownership interests in the loans, which it then sells through an underwriter to investors.

3. The securitization is typically governed by a contract known as a pooling and servicing agreement (“PSA”). The parties to the PSA include the depositor, the trustee, a servicer (and sometimes others, such as the originators of the loans). The servicer is charged with responsibility for, among other things, collecting debt service payments on the mortgage loans, taking any needed enforcement action, and remitting payments on a monthly basis to the trustee. The trustee does not select the servicer. Rather, the servicer is normally chosen by the depositor or seller of the loans.

The role of the trustee in these transactions is quite limited. A general explanation of this role is provided in a memorandum issued by the American Bankers Association, Corporate Trust Committee, on November 9, 2010 (“ABA Memo”), a copy of which is attached hereto as Exhibit A. Specifically in the context of MBS, “[a]lthough the trustee is the legal owner of record of the mortgage loans, the trustee does not own the loans for its own account or have an economic interest in the loans.” ABA Memo at 10. With respect to foreclosure proceedings,

[t]he trust instruments creating MBS securities and relevant law do not give the trustee any powers or duties with respect to foreclosure, maintenance, sale or disposition of properties that are collateral for the MBS securities. Those powers and duties are conferred exclusively on loan servicers, who generally are appointed by the depositor or seller of the loans to the MBS trust. . . . While foreclosure and any legal action with respect to trust properties must be brought in the trustee's name as the legal owner of the loans, foreclosure activity and the post-maintenance, sale and disposition of the trust properties are managed entirely by the loan servicers.

Id.

The PSAs governing the MBS transactions for which BNY Mellon serves as Trustee are consistent with the above. Below we summarize the key provisions of a representative PSA from the Countrywide program (the largest program for which BNY Mellon serves as Trustee). While there are some differences between PSAs in different programs, provisions limiting the Trustee’s duties and assigning to servicers responsibility for foreclosures are standard

A copy of the PSA for the CWHEQ 2007-S3 Home Equity Loan Asset Backed Certificates transaction is attached as Exhibit B. Article III of the PSA details the responsibilities of the servicer (which in this case is Countrywide Home Loans Servicing L.P., now known as BAC Home Loan Servicing, L.P.; although the PSA refers to it as “Master Servicer”, functionally it is the primary servicer). Section 3.01 states that it is the servicer’s responsibility to service and administer the mortgage loans Ex. B § 3.01, at p 83. In taking such actions, the servicer must use the “customary and usual standards of practice of prudent mortgage loan lenders in the respective states in which the Mortgaged Properties are located” *Id.* In particular, the servicer:

shall have full power and authority, acting alone and/or through subservicers as provided in Section 3.02 hereof, subject to the terms hereof . . . (iv) subject to Section 3.12(b), to effectuate foreclosure or other conversion of the ownership of the Mortgaged Property securing any Mortgage Loan

Id. Specifically with respect to foreclosures, the referenced section 3.12(b) of the PSA provides:

The Master Servicer shall use reasonable efforts to foreclose upon or otherwise comparably convert the ownership of properties securing such of the Mortgage Loans as come into and continue in default and as to which no satisfactory arrangements can be made for collection of delinquent payments. In connection with such foreclosure or other conversion, the Master Servicer shall follow such practices and procedures as it shall deem necessary or advisable and as shall be normal and usual in its general mortgage servicing activities and the requirements of the insurer under any Required Insurance Policy

Ex. B § 3.12(b), at p. 98.

In addition, the PSA reiterates that the Trustee has no responsibility for the servicer’s actions in connection with foreclosure proceedings or other activities: “None of the Trustee, the Sellers, the Certificateholders, the NIM Insurer, the Certificate Insurer or the Depositor shall have any responsibility or liability for any action or failure to act by the Master Servicer, and none of them is obligated to supervise the performance of the Master Servicer hereunder or otherwise.” Ex. B § 3.03, at p. 86.

The duties of the Trustee are limited to those specified in the PSA, which generally consist of ministerial responsibilities. The PSA is clear that the Trustee must perform only those duties specified in the PSA.

prior to the occurrence of an Event of Default, and after the curing of all such Event of Default that may have occurred, the duties and obligations of the Trustee shall be determined solely by the express provisions of this Agreement, the Trustee shall not be liable, individually or as Trustee, except for the performance of such duties and obligations as are specifically set forth in this Agreement, [and] no implied covenants or obligations shall be read into this Agreement against the Trustee . . .

Ex. B § 8.01, at p. 139. (Note that Events of Default are defined very narrowly and do not include defaults by mortgage borrowers. Ex. B § 7.01, at pp. 134-35.)

Thus, as stated in the PSA, BNY Mellon as trustee has no power, ability, or responsibility to control or manage the foreclosure and related activities of servicers. Based on this very document, a court recently held that “Section 8.01 of the PSA which sets forth the duties of the Trustee does not impose any obligation on BNY [Mellon] to supervise or otherwise control the actions of Countrywide. . . . Nor does the PSA contain any language which gives BNY [Mellon] the right to control Countrywide with respect to the Loans. . . . [T]he PSA disclaims any agency relationship between BNY [Mellon] and Countrywide. . . .” *Old Republic Insurance Co v Countrywide Bank, FSB, et al*, No. 08 CH 47501 (County Ct. Chancery Div., Cook County, Ill., March 29, 2010), at p. 19 (a copy is attached as Exhibit C).

The *Old Republic* opinion is fully consistent with well-settled case law recognizing the limited nature of a corporate trustee’s obligations. Unlike trustees in other contexts, a trustee under an indenture or PSA² does not have fiduciary duties prior to an event of default.³ A

² Although much of the case law addresses trustee duties under indentures, the same legal principles apply to pooling and servicing agreements. See *Sterling Federal Bank, F.S.B. v. DLJ Mortg Capital, Inc.*, No. 09 C 6904, 2010 WL 3324705 (N.D.Ill.); *Sterling Federal Bank, F.S.B. v. Credit Suisse First Boston Corp.*, No. 07-C-2922, 2008 WL 4924926 (N.D.Ill.).

trustee's only duties are those expressly stated in the agreement. As explained in the seminal New York case on the subject, "[t]he corporate trustee has very little in common with the ordinary trustee The trustee under a corporate indenture . . . has his [or her] rights and duties defined, not by the fiduciary relationship, but exclusively by the terms of the agreement. His [or her] status is more that of a stakeholder than one of a trustee." *Hazzard v Chase Nat'l Bank of City of N Y*, 159 Misc 57, 83-84 (Sup. Ct., N.Y. County 1936), *aff'd* 257 A.D. 950 (1st Dep't 1939), *aff'd* 282 N.Y. 652 (1940). Thus, as the Second Circuit has explained, "so long as the trustee fulfills its obligations under the express terms of the indenture, it owes the debenture holders no additional, implicit pre-default duties or obligations." *Elliott Assocs v J Henry Schroder Bank & Trust Co*, 838 F.2d 66, 71 (2d Cir. 1988). *Accord*, *Racepoint Partners, LLC v JPMorgan Chase Bank, N.A.*, 14 N.Y.3d 419, 425 (2010); *AG Capital Funding Partners, L P v State Street Bank & Trust Co*, 11 N.Y.3d 146, 157-58 (2008).

The structure of MBS transactions, the governing transaction documents, and the relevant case law all recognize the Trustee's narrowly defined role. That role does not include the duty or power to supervise the servicers' conduct of foreclosure proceedings. Indeed, the servicers acknowledged their sole responsibility for foreclosures in their responses to the December 20, 2010 Order to Show Cause issued by Judge Mary Jacobson, Docket No. F-059553-10. *E.g.*, Appearance of Wells Fargo Bank, N.A. and Response to the Court's Order to Show Cause at 4 ("[T]he servicer for the securitized loans . . . engages in all of the activity undertaken in the foreclosure lawsuit."); Memorandum of Respondents JPMorgan Chase Bank, N.A. and Chase Home Finance LLC in Response to Order to Show Cause at 5 n.3 ("[S]ervicing functions include

³ Events of default are narrowly defined in the PSA and do not include defaults by individual homeowners.

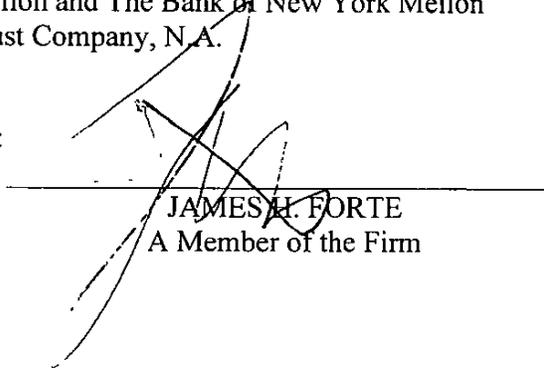
. . . engaging local foreclosure counsel if necessary, and directing the foreclosure actions as the client of the foreclosure firm (regardless of whether the foreclosure is brought in the name of the servicers or in the name of the holder or owner of the loan) . . .”).

CONCLUSION

BNY Mellon appreciates the New Jersey courts’ concern about the integrity of the judicial process, and foreclosure proceedings in particular. As is evident from the above discussion and accompanying certifications, however, BNY Mellon was only involved in very few foreclosure proceedings in New Jersey in 2010. In the vast majority of cases, BNY Mellon is only a nominal plaintiff by virtue of its serving as Trustee for numerous MBS transactions. BNY Mellon has provided information requested by the Order with respect to those loans it beneficially owns or services, as well as the information available to it as Trustee for loans contained in the MBS securitization trusts. BNY Mellon stands ready to provide further appropriate assistance to the Court with respect to its inquiries and reviews.

SAIBER LLC
Attorneys for The Bank of New York
Mellon and The Bank of New York Mellon
Trust Company, N.A.

By:



A handwritten signature in black ink, appearing to read 'James H. Forte', is written over a horizontal line. The signature is somewhat stylized and overlaps the text below it.

JAMES H. FORTE
A Member of the Firm

Dated: February 14, 2011

A



November 9, 2010

The Trustee's Role in Asset-Backed Securities
—By the American Bankers Association, Corporate Trust Committee

Executive Summary

In this position paper, the Corporate Trust Committee is responding to current assertions that the obligations of trustees in asset-backed securities¹ ("ABS") are greater than the duties contractually undertaken by those trustees.

These assertions, which have been made by participants in the ABS market by investors, investment advisors, rating agencies and others², fail to recognize the legal limitations on the duties of ABS trustees and have been made in response to both disappointing ABS investment performance and market issues arising from the current economic crisis. Although ABS investment performance has been disappointing, particularly with respect to certain residential mortgage-backed securities, and there were numerous market issues which gave rise to the current crisis, it is the position of the Committee that the contractual role of the trustee was *not* a contributing factor to either the investment performance or the market issues which may have caused or affected it.³ Moreover, in many instances, ambiguities or errors in the transaction documents governing impaired asset-backed securities have been construed in ways that were not contemplated or bargained for by the original transaction parties and that seek to alter the role and potential liability of trustees to a degree not warranted either by the contractual language or applicable statutory and common law

As a basic principle, the Committee acknowledges the need for more clarity in transaction documents generally going forward. However, the Committee's position is that any issues that were neither contemplated by nor addressed in the documents governing current ABS transactions must be resolved in accordance with the legal contracts governing those transactions and generally accepted rules of contractual interpretation. Reliance on clear hindsight, even with the goal of protecting particular constituencies or investors generally, to impose duties retroactively on trustees that are clearly outside the range of duties undertaken in their contracts effectively abrogates those contracts and violates basic tenets of U S. contract law.

¹ For purposes of this position paper, the term "ABS" will include residential and commercial mortgage-backed securities, collateralized debt and loan obligations and the securities issued by structured investment vehicles, by asset-backed commercial paper conduits and in other structured finance transactions backed by financial assets, whether involving fixed or revolving funding, static or dynamic collateral or funded or synthetic exposures,

² See, e.g., Moody's Investors Service, Inc., Structured Finance Special Report, "Moody's Re-examines Trustees' Roles in ABS and RMBS," February 4, 2003, and "White Paper on Reforming the Asset- Backed Securities Market," Association of Mortgage Investors, March 2010

³ See Fitch Ratings Ltd. Asset-Backed Securities Non-Rating Action Commentary, "Seller/Service Risk Trumps Trustee's Role in US ABS Transactions," February 24, 2003 ("Recently, ABS trustees have come under fire from some in the market who have suggested that performance issues for certain ABS transactions reflect failures by the trustees. Fitch Ratings believes this misses the mark. While the trustee can play an important role in an ABS deal, Fitch believes that unrealistic reliance on trustees increases the risk to investors by potentially masking other more important considerations when evaluating structured finance investments. Specifically, Fitch believes it is important to consider the critical role played by the seller/service in ABS transactions, which is heavily dependent on the stability of their business model and their financial viability. In addition, cash flow stresses should include appropriate servicing fee scenarios, and post-closing transaction performance and servicer financial health should be followed closely. Focusing of these key areas, in Fitch's view, is a more effective way for ABS investors to mitigate risk than any dramatic change in the trustee's role might provide.")

The first necessity for every debt security is certainty in its terms. For corporate and municipal debt securities this means clear drafting of the issuer's promise to pay. For asset-backed securities, this means clear drafting of the provisions which establish the trustee's security interest in the financial assets backing those securities and the provisions for converting payments due on the assets into payments to the related security holders. The duties performed by a trustee in connection with an issue of asset-backed securities (e.g., receiving data and collections from servicers, maintaining trust accounts, making calculations, remitting funds and distributing information) are integral to the terms of the asset-backed securities. Consequently, those duties should be explicitly set forth in the applicable transaction documents so as to establish clear expectations and avoid any misunderstanding of duties by investors or other interested parties. As transaction documents evolve to reflect enhanced roles for certain parties, (including trustees), as necessary to address emerging market issues, clear delineation of those roles and the attendant duties will be needed so that the terms of the new asset-backed securities will be unambiguous and not subject to misinterpretation.

This paper begins with an introduction of its authors, considers the historical development of the role of the indenture trustee and describes typical asset-backed securities transactions, including the parties who generally have the greatest knowledge of and control over the assets. It discusses in detail the limited role of the trustee in asset-backed securities transactions and how that role derives from the transaction documents. It further addresses mortgage loan servicing considerations within the context of the continuing issues in the mortgage market and misunderstandings by market participants of the limited role of ABS trustees

I. Introduction

The Corporate Trust Committee (the "Committee"), a committee of the American Bankers Association, focuses on the role of banks in providing corporate trust products and services to corporate, institutional and governmental clients. Its purposes include member education, providing a forum for their concerns and representing their interests. The Committee currently is composed of representatives of thirteen major banking institutions that provide corporate trust services, including acting as trustees for asset-backed securities. Together, these institutions provide trustee services for over 98 percent of all asset-backed securities.⁴ The Committee believes that the views expressed herein reflect the views of virtually all trustees for asset-backed securities.

Purpose of This Paper. This paper is an update to a White Paper on the role of the trustee in asset-backed securities transactions which was issued by the Committee in 2003. The goal of the Committee is to update and set in proper perspective the trustee's role in relation to ABS transactions, particularly within the context of the significant market changes which have occurred over the last few years, and to address certain market perceptions concerning the trustee's role which diverge from the traditional understanding of the trustee's contractual, statutory and common law duties. This paper also explores in greater detail the role of the ABS trustee as "owner" or "assignee" of individual mortgage loans or other financial assets held by the trusts.

II. Development of the Role of the Indenture Trustee

Brief History. The use of corporate trustees in the United States arose with railroad bonds in the nineteenth century. Extremely simple documents of a few pages developed over decades of use and litigation into long documents with extensive provisions that attempted to eliminate uncertainty as to

⁴ Securities Industry and Financial Market Association data shows that approximately \$2.4 trillion of ABS, including automobile, credit card, home equity, manufactured housing, student loans, equipment leases and CDO/CLO, was outstanding at the end of the first quarter 2010 and approximately \$9.1 trillion of mortgage-backed securities, including agency (GNMA, FNMA, FHLMC, etc.), and other residential and commercial mortgage-backed securities, was outstanding at that time.

terms. Trustees accepted only ministerial duties for the convenience of the issuer, such as authenticating and paying bonds. At the time nearly all bonds were bearer bonds, so few records were needed. The terms of the bonds were largely contained in the bonds themselves. The terms "indenture" or "deed of trust" were applied to the documents pursuant to which bonds were issued because they generally followed a trust format: the issuer granted interests in property to the trustee to secure the issuer's obligation to repay the bonds. This style was adopted even where the debt was unsecured. The issuer's general obligation to repay the bonds was granted in trust to the trustee for the benefit of the bondholders.⁵

Trust Indenture Act of 1939. The first widespread test of corporate indentures came about with the Great Depression. Hearings in the 1930's by then SEC Commissioner William O. Douglas, among others, uncovered instances where a trustee's action or inaction resulted in harm to bondholders.⁶ In the reforming spirit of the times, it was felt that public investors needed more protections than the market place had provided them.⁷ As a consequence, the Trust Indenture Act of 1939 (the "Trust Indenture Act") was adopted.⁸ It imposes on trustees subject to the Trust Indenture Act, regardless of any contractual protections, the requirement that, after a default with respect to the indenture securities, the trustee must protect the interests of the holders with the same degree of care that a "prudent man" would use with respect to his own interests.⁹ Trustees could not be relieved from liability for their own negligence or willful misconduct.¹⁰ Nevertheless, trustees would not be liable "except for the performance of such duties as are specifically set out in such indenture"¹¹ and could "conclusively rely . . . upon certificates or opinions conforming to the requirements of the indenture."¹²

The Trust Indenture Act is applicable to non-governmental debt publicly sold in the United States, but not other debt, such as privately placed securities.¹³ Its provisions, which were required until 1990 to be quoted verbatim in the indentures to which it was applicable, form a core of boilerplate language that infuses indentures even where the Trust Indenture Act is inapplicable. Some state statutes, such as New York's *Streit Act* and various state *Blue Sky laws*, have inspired the addition of similar boilerplate language in indentures to which the Trust Indenture Act is not applicable. The prudent man standard of care established in section 315c of the Trust Indenture Act is the industry standard for trustees post default for corporate, municipal and structured finance debt issues. This standard has been in place for over 60 years and has served to guide the conduct of trustees in post default circumstances. That standard elevates the trustee's responsibilities to a more proactive role post default to use the same degree of care and skill in exercising its rights as a prudent person would, under the particular circumstances, in order to enforce obligations and pursue remedies on behalf of the bondholders as provided for in the trust documents. In certain private placements, the trustee may be more limited in its activities due to the required direction of private investors who wish to exert a higher degree of control and as reflected in the specific trust documents. Such limitation of the prudent man standard is not the prevailing model for the majority of structured finance transactions.

Model Debenture Indenture. In 1971, the American Bar Foundation published the *Commentaries on Indentures* (the "Commentaries"). It resulted from a long-term American Bar Association committee project representing issuers, underwriters, trustees and governmental interests. The *Commentaries* contained a model indenture derived from a long evolution in standardized indenture documentation that

⁵ Smith, Chase and Morson, "The Trust Indenture Act of 1939 Needs No Conflict of Interest Revision," 35 *The Business Lawyer* 161, 163-63 (1979). See generally American Bar Foundation, *Commentaries on Indentures* 4-10 (1971).

⁶ Hearings Before Subcommittee of the Committee on Interstate and Foreign Commerce, House of Reps., 75th Cong., 3rd Sess., on HR 10292, April 25, 1938, at 30 *et seq.* (remarks of Commissioner Douglas concerning, among other things, hearings in which he had previously participated).

⁷ See TIA (defined in note 6 *supra*), Section 302.

⁸ Act of August 3, 1939, 53 Stat. 1149, 15 USC Sections 77aaa-77bbbb, as amended (the "TIA").

⁹ TIA, Section 315(c).

¹⁰ TIA, Section 315(d).

¹¹ TIA, Section 315(a)(1).

¹² TIA, Section 315(a)(2).

¹³ TIA, Section 304(b).

had become the prevailing influence on indenture drafting long before its publication. Among many other provisions, the model indenture contained in the Commentaries included standard provisions on the rights, duties, obligations and immunities of the trustee. These provisions were carefully crafted to provide the trustee with the protections customary in the financial marketplace without violating the Trust Indenture Act. They limited the duties of the trustee to those expressly stated (until default when the statutory prudent man standard became applicable), exonerated the trustee for all but its negligence or bad faith, provided for reliance by the trustee on various Issuer and expert certifications and provided other protections. These standard provisions appear in hundreds of thousands of indentures and similar instruments, including the documents relating to asset-backed securities transactions

The Reform Act. The Trust Indenture Reform Act of 1990 (the "Reform Act")¹⁴ remains the only substantive amendment to the Trust Indenture Act. The Reform Act, among other things, changed the time when a trustee's conflicting interests are judged for purposes of disqualification of the trustee. Under the pre-1990 Trust Indenture Act, the existence of any of nine specified "conflicting interests" at any time while indenture debt was outstanding required cure or resignation by the trustee. After the Reform Act, a "conflicting interest" exists only when default under the indenture is pending and one of the specified conflicts also exists. The SEC proposed and Congress enacted this change because they believed that a trustee's pre-default role is only administrative.¹⁵ This change made disqualifying trustee conflicts applicable to a trustee at substantially the same time as the prudent man standard becomes applicable to the trustee. It implicitly recognizes that, before any default occurs under an indenture, a trustee has no duties under the indenture other than the duties it has explicitly undertaken to perform.

The Trustee. The virtually universal inclusion in indentures of standard provisions protecting and exonerating the trustee reflects the economic realities of trustees' relationships to debt offerings. Trustees are usually named late in the preparation of a transaction (with accordingly limited ability to negotiate terms) and are paid relatively small fees to act as trustees in transactions involving large sums of money. A trustee's willingness to act is premised upon its documented understanding that the trustee can have no liability in the transaction except for its own negligence or willful misconduct in carrying out its prescribed duties or for breach of contract claims. Thus, trustees require indemnification and a lien against trust assets for their expenses in enforcing the indenture and defending themselves against claims.

III. Asset-Backed Securities Transactions

Brief History. Current asset-backed securities transactions (as distinguished from traditional mortgage indentures that granted physical security under mortgages mostly for railroads and utilities) developed in the 1980's from such predecessors as project finance, sale-leaseback and tax-exempt municipal financing. The initial draftsmen were experienced with traditional indentures for corporate and municipal debt and the passive roles performed by trustees under those indentures prior to any default. However, certain structural features of asset-backed securities transactions, primarily the absence in most such transactions of an operating issuer, inclined the draftsmen to make the trustee's pre-default role more active.

Structure. In a typical asset-backed securities transaction, a seller transfers receivables, securities or other assets in either of two ways. A trustee may receive the assets in exchange for pass-through certificates evidencing beneficial ownership interests in such assets. Alternatively, a Delaware statutory trust or another limited purpose entity (a "special purpose vehicle" or "SPV") organized by the sponsor of the ABS transaction¹⁶ may purchase the assets with proceeds from its notes or other debt

¹⁴ Act of November 15, 1990, Pub. L. 101-550, 104 Stat. 2713.

¹⁵ Senate Report 101-155, The Securities Acts Amendments of 1989, October 18, 1989, at 32-35 ("[T]he Commission has stated that, in the absence of default, the indenture trustee's duties are essentially ministerial . . ." at 32).

¹⁶ Regulation AB (see *infra* at footnote [17]) defines "sponsor" as the person who organizes and initiates an asset-backed securities transaction. This person may be the seller.

instruments and pledge such assets to a trustee to secure the debt instruments. The seller of the assets or the SPV may sell the certificates or debt instruments directly or through underwriters to investors. A pooling and servicing agreement, trust indenture or similar agreement forms the basic document which sets forth the relationship among the parties and the assets.

Sellers In most asset-backed securities transactions, the seller (or originator, depositor or other sponsor) assembles the pool of financial assets backing the securities by purchasing them or arranging for them to be acquired. The seller then describes the financial assets in offering materials and sells the securities backed by them to investors. The seller, in conjunction with underwriters or private investors, determines the structure, drafts the documents and prices the transaction. The seller selects the other transaction participants, including the underwriter, if any, the servicer and the trustee. It may also sell the securities to investors and it, or an affiliate, may act as servicer. At the initiation of an asset-backed securities transaction, the seller will know more about the assets and structure of the transaction than any other participant. In some cases the seller will have continuing obligations with respect to the pool of assets, such as an obligation to add or replace assets if the assets in the pool drop below certain value thresholds. In other cases the seller will have no contact with the pool of assets once the transaction is closed. The seller may benefit from the initial sale of the assets to the trust or SPV and from the sale of securities issued by the trust or SPV to investors, as well as from any ongoing relationships that the seller or its affiliates may have with the transaction.

Underwriters The seller may select one or more underwriters to purchase the asset-backed securities and resell them to investors. Underwriters, their counsel and other experts conduct a "due diligence" review of the assets, the structure of the transaction and the parties involved to obtain comfort and protection under the securities laws that the prospectus or other sales document is accurate. In some cases the underwriter controls the seller of the assets and is primarily responsible for the structure and assets in the transaction. Underwriters sell the securities and then have no further relation to the transaction. Consequently, they have little interaction with trustees.

Servicers. The servicer is appointed as an independent contractor who performs its servicing obligations for the benefit of the transaction investors. Servicer duties are specified in the applicable servicing agreement and generally are performed in accordance with certain accepted servicing practices (as defined under the agreement). In connection with these duties, the servicer's fee is typically structured as a percentage of the outstanding balance of the asset pool. Servicing duties are carried out either directly or through subservicers, and involves managing the underlying assets deposited with the trust or SPV in the asset-backed securities transaction.

The servicer typically collects all the income from the assets, enforces the assets as needed and may perform any evaluations needed to substitute assets. Following the end of each collection period, as defined in the ABS transaction documents, the servicer reports to security holders (often through the trustee) information on collections and other summary information about how the assets are performing. This information is used to determine the payment stream to holders of ABS and the allocation of losses, if any. The servicer may also determine allocations of funds to reserves and/or to purchase additional assets. The trustee applies the funds delivered to it from the servicer, as instructed by the servicer and provided in the transaction documents, to pay interest and principal on the securities, to fund reserve accounts and purchases of additional assets, and to make other payments including fees due to the ABS transaction participants.

Additionally, as required by recent federal legislation, servicers evaluate and approve mortgage loan modifications, short sales and other default resolution strategies to mitigate losses in connection with defaulted assets. To the extent enforcement of the assets involves a foreclosure action, the servicer undertakes these actions in the trustee's name as the secured party but is fully responsible for all associated activities including the engagement of counsel, eviction proceedings, property maintenance, and sale or disposition of properties following foreclosure.

Thus, in most asset-backed securities transactions, the seller and the servicer have more knowledge about and, in the case of the servicer, control over the assets, asset performance and the

transaction generally than any other transaction participant. In many asset-backed securities transactions, the document may not contemplate any direct check on the performance of the seller or the servicer. Transaction documents virtually *never* give the trustee any substantive oversight of the seller or the servicer and their activities other than to confirm the timely receipt by the trustee of certain remittances and reports from the servicer, including reports of independent accountants, and certifications in the forms required by the transaction documents. Additional oversight is not explicitly required of trustees and would necessarily be limited to matters that are readily ascertainable and verifiable on a cost and time sensitive basis. Importantly, the trustee typically has no duty under the transaction documents to make investigations on its own for the purpose of detecting defaults, fraud or other breaches.

If the servicer becomes insolvent or unable to perform, the trustee may be responsible under the transaction documents for the appointment of a successor servicer. Some transaction documents contain specific provisions relating to "back-up" servicing, *i.e.*, appointing a specified successor servicer from the outset to take over servicing when succession becomes necessary. These provisions range from "cold" back-up servicing, where the trustee agrees in the transaction documents to become the successor servicer (a servicer of last resort) unless another entity (appointed by the trustee when needed) accepts such appointment, to "hot" back-up servicing, where a successor servicer named in the transaction documents agrees to maintain back-up files throughout the transaction. In transactions where the trustee accepts the role of back-up servicer, the trustee typically relies upon arrangements with servicing units within its own institution or with third party providers to pre-arrange succession.

Trustees. The trustee in an asset-backed securities transaction may perform various functions, including serving as indenture trustee, authenticating agent, issuing and paying agent, securities registrar and transfer agent and calculation agent with respect to the securities, custodian of the assets (on behalf of the issuer), analytics provider and back-up servicer. "Trustee" as used herein, unless otherwise specified, includes all such roles performed by the trustee in an asset-backed securities transaction (but not the role of servicer, back-up servicer or master servicer).

The trustee of an asset-backed securities transaction typically performs more numerous and complex duties than trustees for traditional corporate and municipal debt transactions. The asset-backed securities trustee's ability to accept these expanded duties within its role and compensation depends on the clear expression of such duties in the transaction documents and the applicability of the provisions thereof to properly limit the trustee's liability for their performance.

IV. Regulation of Asset-Backed Securities

Regulation AB. In December 2004, the Securities and Exchange Commission ("SEC") published comprehensive final regulations addressing registration, disclosure and reporting requirements for asset-backed securities.¹⁶ Among other things, the regulations require specific disclosure regarding ABS transaction counterparties in transactions registered with the SEC, including trustees, sponsors, depositors, issuing entities, servicers, originators and others. Consistent with the economic reality of the trustee's role as being ministerial in nature, the regulations require only basic, limited, summary disclosure regarding the trustee. Indeed, the SEC did not even propose a separate definition of "trustee," and following market commentary did not believe such a definition was necessary.

The limited disclosure for trustees stands in marked contrast to the *increased* disclosure that the regulations require for many other ABS transaction participants, including sponsors, issuing entities, servicers and related parties. It also stands in particularly sharp contrast to the regulations' *new and materially higher* disclosure standards for significant obligors, credit enhancement providers and swap counterparties in ABS transactions due to the critical importance of these parties – as contrasted to the trustee – to the economic performance of transactions subject to the rule.

¹⁶ See Securities Act Rel. No. 8518 (Dec. 22, 2004), available on the Internet at <http://sec.gov/rules/final/33-8518fr.pdf>.

At this writing, the SEC has proposed revisions to both Regulation AB and asset-backed securities generally that would impose substantial changes in the offering process and disclosure and reporting requirements for ABS (the "Proposal")¹⁷ In a lengthy release that emphasizes the need for improved investor protection in the wake of the financial crisis, the SEC issued the Proposal because "[t]he recent financial crisis highlighted that investors and other participants in the securitization market did not have the necessary tools to be able to fully understand the risk underlying those securities and did not value those securities properly or accurately." However, even though the Proposal is a direct result of the financial crisis and it substantially increases disclosure concerning pool assets, servicers, originators, cash flow models, repurchase demands, and other items, the Proposal requires no additional disclosure concerning trustees

V. The Asset-Backed Securities Trustee

Transaction Documents The principal document in most asset-backed securities transactions is a pooling and servicing agreement, indenture or similar contract governing the securities pursuant to which the securities are issued and the trustee serves. The transaction documents normally provide for events of servicer default, additional events of default ("acceleration events" in pooling and servicing agreements), and limits on enforcement rights only to rights against the assets dedicated to the asset-backed securities transaction (not against the seller) or performance obligations of contractual parties. Additional agreements may detail the roles of the servicer and other parties and may contain specified additional duties for the trustee.

The responsibilities of the trustee, as set forth in typical asset-backed securities transaction documents, whether a pooling and servicing agreement or an indenture, are narrowly circumscribed as to each role and are traditionally stated to be limited to those expressly accepted by the trustee. These duties are ministerial in nature and do not require the trustee to verify, investigate or monitor the actions of the seller or the servicer (other than in instances of a breach or a default as further described below). Lastly, in tacit recognition that the trustee's duties are so circumscribed, asset-backed securities transaction documents usually provide for expert input from independent accountants or others in circumstances where information needs to be audited or verified and actions at the direction of specified requisite percentage of holders (contingent upon providing trustees with indemnity sufficient to cover such actions contemplated). Trustees are virtually never required or invited to exercise independent discretion in the transaction documents.

Under Trust Indenture Act-qualified transaction documents, during the continuance of a default, the trustee must exercise its rights and powers under the transaction documents for the benefit of the holders of the asset-backed securities in the same manner that a prudent person would exercise such rights and powers for his or her own benefit. Lastly, these provisions are generally only relevant to the extent the trustee has actual knowledge of a default (or a breach which, to the extent not cured, will mature into an event of default) and specific actions or remedies are clearly prescribed under the transaction documents.

Basic Duties of the Trustee. In most asset-backed securities transactions, the roles and basic duties of the trustee are specifically detailed in the transaction documents and may consist of the duties for the following capacities.

1. As *assets custodian*, the receipt, safekeeping and release of the assets;
2. As *analytics provider*, the performance of certain, specified analysis and reporting of related data provided thereto;

¹⁷ The proposing release is available at <http://www.sec.gov/rules/proposed/2010/33-9117.pdf>

3. As *account custodian*, the receipt, maintenance and segregation of funds derived from the asset;
4. As *paying agent*, the release of those funds as payments to holders and for other purposes; and
5. As *trustee*, the holding of a lien on the assets for the benefit of holders, the circulation of certain information to holders, the exercise of certain remedies for the benefit of investors as specified and/or directed by a controlling majority and the replacement of the servicer.

Additionally, the trustee performs certain traditional duties in respect of the asset-backed securities (authenticating agent, registrar and transfer agent for the asset-backed securities issued under the indenture or pooling and servicing agreement). Although some of these tasks may be complex, they are all ministerial in nature and not discretionary. Trustees accept these duties in reliance upon provisions in transaction documents that limit trustee performance liability to negligence and bad faith, authorize trustee reliance on the servicer for all information and indemnify the trustee.

Asset Custodian. The trustee usually is granted a security interest in or is the owner of the assets underlying the transaction for the benefit of the holders of the asset-backed securities. The details of the interest and the trustee's duties in respect of it are described in the transaction documents. The actual grant occurs pursuant to the transaction documents at the closing for the issuance of the asset-backed securities. In the case of physical assets or securities, the transaction documents usually require that physical possession be given to the trustee or registration of securities be made in the name of the trustee or its nominee. Where the assets are receivables, inventory or other property that may be impracticable for the trustee to hold, the transaction documents normally specify that the trustee's interest in such assets must be clearly indicated in the records of the seller or pledgor of the assets. The quality of the security interest granted ("perfected", "first priority", etc.) and the "true sale" nature of any transfer of assets may be specified in the transaction documentation. The trustee is not, however, expected to determine that a security interest of such quality has been established or that a "true sale" transfer has occurred. Instead, the trustee is authorized by the transaction documents to rely upon legal opinions or other evidence to establish at closing that what it has been granted conforms to the documents. The trustee is also authorized to rely on future opinions and instructions from others (usually the servicer or the seller) to establish that the assets are being maintained so as to preserve the trustee's interests in the assets in accordance with the transaction documents.

The trustee may be obligated under the transaction documents to determine from time to time that the aggregate value of the assets bears a prescribed ratio to the amount of the debt outstanding or to perform other analytics on the assets. The documents set forth precise valuation procedures and indices and other methods of valuation and authorize the trustee to rely upon specific sources of information. The trustee will instruct the seller or other responsible party to add assets if needed or may permit assets to be withdrawn if the amount held exceeds requirements. In each case the trustee has authority to rely on specified information as to the value and ownership of assets being added or withdrawn. The trustee may also require the substitution of new conforming assets for existing assets that have ceased to conform to the asset requirements for the transaction upon receiving notice of such failure to conform. Usually the seller or servicer will effect the substitution. The trustee will be authorized to rely upon their representations that the substitute assets meet transaction requirements. In certain transactions there is a constant or periodic flow of assets through the trustee's custody or security interest.

Accounts. The transaction documents usually specify a number of separate accounts in which the trustee is instructed to hold funds derived from specified sources. The servicer usually collects the funds from these sources and remits the funds to the trustee with instructions as to source and account application. Appropriately, in most asset-backed securities transactions, the trustee is authorized under the transaction documents to rely entirely upon the servicer as to the source and, usually, the allocation of the funds to particular accounts because the trustee has no independent means to investigate the servicer's information and instructions. The trustee's only duty is to keep the funds safe until their release is directed pursuant to the transaction documents by the servicer or upon the happening of an event, established by certification to the trustee.

Payments. The trustee for an asset-backed securities transaction releases funds from one or more accounts upon the terms of the transaction documents to pay holders, to pay transaction participants' fees and expenses and, in some cases, to pay the costs of acquiring new assets. The trustee or the servicer usually calculates payments to holders based upon the terms of the asset-backed securities. Often an asset-backed securities transaction involves several classes of holders who are entitled to payment at different levels of priority, with some entitled to payment on a particular day only if the funds then available exceed the amounts due to others having more senior interests. If the calculation requires information not known to the trustee, the transaction documents specify that in making the payment the trustee may rely upon information provided by other transaction participants.

Reports. The trustee usually provides monthly distribution reports to holders of securities, furnishes information or documents pertaining to the assets and performs tax reporting functions on distributions. In addition, in the case of publicly offered transactions, the trustee may file the periodic reports required by the Securities Exchange Act of 1934¹⁷ on behalf of the trust, the SPV, the servicer or the seller.

Replacement of the Servicer. The transaction documents often make the trustee responsible for any needed succession of another entity to the role of servicer. The transaction documents usually provide precise circumstances when the trustee must remove the servicer, such as upon the servicer's bankruptcy or material breach of its covenants. Where the transaction documents task the trustee with the administration of servicer performance standards, most trustees require that such standards be set forth in a sufficiently clear manner that the trustee may reasonably administer them.

In cases where the transaction participants or rating agencies contemplate a higher risk of replacing the initial servicer, a designated back-up servicer is appointed at the initial closing of the transaction. The requirements of any such designated backup servicer vary depending on the servicer, transaction structure, asset class and other variables. In some instances the backup servicer will maintain redundant real time servicing information during the life of the transaction so that it is in a position to step in at any time. In other instances, backup servicers may only periodically receive and test back-up tapes of transaction information. The specific responsibilities of the backup servicer vary and are clearly outlined in the applicable servicing agreement.

While designated backup servicers are appointed on more transactions today than they have been historically, in many transactions servicer succession is not actively contemplated at closing. In such cases, the transaction documents provide that the trustee will appoint a successor servicer, if needed, or will act as the successor servicer itself until another entity accepts appointment. This arrangement is typically referred to as having the trustee act as the "servicer of last resort."

Trustees that do not wish to perform as successor servicer, following the termination of the initial servicer, may obtain an agreement from another entity that can and is qualified to act for them in order to take over servicing upon the trustee's request. This type of succession arrangement can function reasonably well when funds are set aside for transition expenses and the successor servicers' fees are adequate, or can be increased, to attract a successor servicer.

Satisfaction and Discharge. Trustees are required to confirm that the discharge of indentures upon the stated maturity of the securities issued thereunder or upon the delivery to the trustee of all such securities for cancellation complies with the requirements under the transaction documents. In connection with the discharge of an indenture, the trustee ensures it receives the appropriate officers' certificates from the issuer (and, if applicable, the co-issuer) and an opinion of counsel, each stating that all conditions precedent for the satisfaction and discharge of the indenture have been satisfied. Although the provisions governing satisfaction and discharge of indentures have remained very consistent over time, trustees have recently come under pressure to discharge indentures in cases where the collateral securing the bonds has been exhausted or liquidated before the stated maturity of the bonds, which remain outstanding.

¹⁷ Act of June 6, 1934, 48 Stat. 881, 15 USC Sections 78a-78j, as amended

VI. Trustee as "Owner" or "Assignee" of Mortgage Loans

Mortgaged-backed securities ("MBS") often use pooling and servicing agreements, pursuant to which an MBS trustee holds formal title to loans for the benefit of MBS investors, calculates and processes securities payments, and takes certain specific actions on behalf of investors. Although the trustee is the legal owner of record of the mortgage loans, the trustee does not own the loans for its own account or have an economic interest in the loans. The beneficial owners of these mortgage loans are investors in the MBS securities, who typically are large institutions such as public and private pension funds, mutual funds and insurance companies.

As is the case with all other ABS, the role of the securitization trustees in MBS transactions is limited. The trust instruments creating MBS securities and relevant law do not give the trustee any powers or duties with respect to foreclosure, maintenance, sale or disposition of properties that are collateral for the MBS securities. Those powers and duties are conferred exclusively on loan servicers, who generally are appointed by the depositor or seller of the loans to the MBS trust. In fact, depending on the particular trust and pool, the trustee may have no or very limited information on either the borrower or the status of the mortgage loan. While foreclosure and any legal action with respect to trust properties must be brought in the trustee's name as the legal owner of the loans, foreclosure activity and the post-maintenance, sale and disposition of the trust properties are managed entirely by the loan servicers. Although any claims against the trust must be brought against the trustee as the trust's legal representative, these cases usually are defended either by the original lender who sold the loans to the securitization trust or by the loan servicer. Occasionally, trustees will become actively involved in this type of litigation in a representative capacity to protect the interests of the investors who are beneficiaries of the securitization trusts.

As previously discussed, the servicer is an independent contractor and is fully responsible and liable to the investors in connection with the performance of all loan servicing obligations as outlined in the applicable transaction documents. Trustees are not responsible for overseeing or monitoring the performance of the servicer other than with respect to confirming its timely receipt of remittances or any periodic reports or certificates in the required form. To enable servicers to independently perform their servicing obligations, trustees are generally required to provide powers of attorney to the servicer and execute documents as requested or directed by the servicers in furtherance of any loan servicing activities. In the event a servicer fails to perform its obligations, and such ongoing failure constitutes a servicer event of default, trustees may take additional action to pursue remedies on behalf of or as directed by the investors. Absent a servicer default, the trustee has no authority to direct or approve loan servicing activities.

VII. Response to Assertions of Market Participants on Role of the Trustee

Contrary to recent suggestions,¹⁹ the trustee in an asset-backed securities transaction is not like the board of directors of a company and does not owe ABS investors fiduciary duties similar to those owed by such directors. Prior to a default, the trustee's duties are limited to those expressly set forth in the related pooling and servicing agreement, indenture or similar contract.²⁰ The court in the case, *In re*

¹⁹ See "White Paper on Reforming the Asset-Backed Securities Market," Association of Mortgage Investors, March 2010.

²⁰ See, e.g., Trust Indenture Act (TIA), § 315(a)(1), 15 U.S.C. § 7700(a)(1); the Commentaries § 6-1, at 248 ("Before the occurrence of an event of default, Subsection (a) [of section 315 of the TIA] requires the Trustee to perform only those duties that are specifically set forth in the indenture."), and J. Spiotto, *Defaulted Securities: The Prudent Indenture Trustee's Guide*, at IV-13 (1990).

E F Hutton Southwest Properties II v Union Planters,²¹ stated that "the corporate trustee has very little in common with the ordinary trustee . . . The trustee under a corporate indenture . . . has his rights and duties defined, not by the fiduciary relationship, but exclusively by the terms of the agreement. His status is more that of a stakeholder than one of a trustee" (quotation marks omitted).²² New York courts have held that New York common law governing trust indentures is consistent with the foregoing interpretations of the TIA,²³ and federal courts applying New York law have ruled similarly.²⁴ The court in the case, *Semi-Tech Litigation, LLC v Bankers Trust Co*,²⁵ for instance, stated that, "[u]nder New York law, the pre-default duties of an indenture trustee . . . generally are limited to the duties imposed by the indenture. After an event of default, the trustee is held to the prudent man standard" (citations and quotation marks omitted).²⁶

Occasionally, the duty of an asset-backed securities trustee to take or refrain from taking a particular action is unclear, either because the related asset-backed securities documents are vague regarding the action to be taken or who is to take the action or because the permissibility of the action is in doubt under the terms of the documents (or for some other reason). In many recent instances, such ambiguities have prompted trustees to interplead participants in collateralized debt obligation and other asset-backed securities transactions as to which disputes have arisen, or, where the allocation of deal assets was not contested, to file for declaratory judgment. Trustees also have been concerned about their duty and ability to accept and cancel securities gratuitously surrendered by collateralized loan obligation investors for the purpose of affecting the timing and amounts of payments on other securities comprising part of the same issuance.²⁷ Additionally, trustees have been concerned about their duty and ability to cooperate in residential mortgage loan modifications under the Home Affordable Modification Program ("HAMP") established by the Secretary of the United States Treasury pursuant to the Emergency Economic Stabilization Act²⁸ and to treat principal forbore on those mortgage loans or reduced in amount pursuant to HAMP as a realized loss under the related asset-backed securities transaction documents.²⁹

Ambiguities or gaps in ABS transaction documents have, as described in Part III above, prompted transaction participants to induce trustees to undertake duties traditionally carried out by other parties, such as servicers. In most if not all such transactions, trustees are neither appropriately compensated for doing so, nor required to acquiesce under the terms of the contract. More importantly, in contrast to other transaction parties, trustees (within their trust departments) generally do not have (nor should be presumed to have) the expertise to make substantive business decisions. Rating agencies and investors should consider alternative means of mitigating the potential for servicer mistake or malfeasance, including the appointment of a backup servicer, a credit risk manager or verification agent.¹⁸

Although it would not be possible to resolve any uncertainty by interpreting the transaction documents to contain terms beyond the plain meaning of their existing provisions, trustees may determine the appropriate course of action in reliance upon the standard provisions protecting and exonerating them and the principle, established in the cases discussed in the immediately preceding paragraph and in other cases along similar lines, that the trustee's duties are limited to those expressly set forth in the transaction documents prior to a default.

²¹ 953 F.2d 963 (5th Cir. 1992).

²² Id at 969.

²³ See *AG Capital Funding Partners, L.P. v. State Street Bank and Trust Co*, 11 N.Y.3d 146 (2008)

²⁴ *Elliott Associates v J. Henry Schroder Bank & Trust Co.*, 838 F 2d 66, 71 (2d Cir. 1988)

²⁵ 353 F Supp. 2d 460 (S D.N Y. 2005)

²⁶ Id at 472.

²⁷ Moody's Investors Service, Inc. Structured Finance Special Report, "Challenges in Interpreting CDO Documentation: A Summary of Moody's Observations and Responses from 2009," Part II (Note Cancellations in CLO Transactions), pp. 2 - 3, March 2010

²⁸ Pub L 110-343

²⁹ See Letter of American Securitization Forum to Michael S. Barr, Acting Under Secretary for Domestic Finance and Assistant Secretary of the United States Department of the Treasury, dated December 19, 2009

¹⁸ See *The Report—Another View* infra

VIII. Conclusion

Trustees provide important services to the asset-backed securities marketplace under the terms of the applicable transaction documents. These duties are ministerial in nature and scope which is consistent with the limited information given to trustees and the level of compensation paid to trustees for those services. Parties in the marketplace generally have accepted the scope of the trustee's role since the enactment of the Trust Indenture Act, as evidenced by consistent terms in the relevant agreements over the last 70 years. The limited role of the trustee has not, in fact, been a contributing factor to disappointing ABS investment performance and was not a contributing factor in the current financial crisis.

Accordingly, efforts to expand the interpretation of transaction documents to retroactively impose additional non-contractual duties on trustees in light of the financial crisis are misguided. Indeed, such efforts, which may be seen as substantially altering the scope of the trustee banks' role and the extent of their potential liability relative to the holders of ABS, are not legally enforceable and would constitute unsafe and unsound practices for the banking industry. Absent trustees' consent, the reinterpretation of contractual terms to impose on trustees duties not contemplated at the inception of an ABS transaction is financially unfair to trustees, legally indefensible as an abrogation of their right of contract and destructive to the necessary certainty of debt terms that underlies successful capital markets.

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CWHEQ, INC.,
Depositor

COUNTRYWIDE HOME LOANS, INC.,
Seller

PARK GRANADA LLC,
Seller

PARK MONACO INC.,
Seller

PARK SIENNA LLC,
Seller

COUNTRYWIDE HOME LOANS SERVICING LP,
Master Servicer

and

THE BANK OF NEW YORK,
Trustee

POOLING AND SERVICING AGREEMENT

Dated as of March 1, 2007

HOME EQUITY LOAN ASSET BACKED CERTIFICATES, SERIES 2007-S3

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POOLING AND SERVICING AGREEMENT, dated as of March 1, 2007, by and among CWHEQ, INC., a Delaware corporation, as depositor (the "Depositor"), COUNTRYWIDE HOME LOANS, INC., a New York corporation, as seller ("CHL" or a "Seller"), PARK GRANADA LLC, a Delaware corporation, as a seller ("Park Granada" or a "Seller"), PARK MONACO INC., a Delaware corporation, as a seller ("Park Monaco" or a "Seller"), PARK SIENNA LLC, a Delaware limited liability company, as a seller ("Park Sienna" or a "Seller", and together with CHL, Park Granada and Park Monaco, the "Sellers"), COUNTRYWIDE HOME LOANS SERVICING LP, a Texas limited partnership, as master servicer (the "Master Servicer"), and THE BANK OF NEW YORK, a New York banking corporation, as trustee (the "Trustee").

PRELIMINARY STATEMENT

The Depositor is the owner of the Trust Fund that is hereby conveyed to the Trustee in return for the Certificates. As provided herein, the Trustee will elect that the Trust Fund (excluding the Carryover Reserve Fund, the assets held in the Pre-Funding Account and the Capitalized Interest Account and the Trust Fund's rights with respect to payments received under the Corridor Contract) for federal income tax purposes will consist of three REMICs (the "Swap-IO REMIC," the "Strip REMIC" and the "Master REMIC"). Each Certificate, other than the Class A-R Certificate, will represent ownership of one or more regular interests in the Master REMIC for purposes of the REMIC Provisions. The Class A-R Certificate will represent ownership of the sole class of residual interest in the Swap-IO REMIC, the Strip REMIC and the Master REMIC. The Master REMIC will hold as assets the several classes of uncertificated Strip REMIC Interests (other than the STR-A-R Interest). Each Strip REMIC Interest (other than the STR-A-R Interest) is hereby designated as a regular interest in the Strip REMIC. The Strip REMIC will hold as assets the several classes of uncertificated Swap-IO REMIC Interests (other than the SWR-A-R Interest). Each Swap-IO REMIC Interest (other than the SWR-A-R Interest) is hereby designated as a regular interest in the Swap-IO REMIC. The Swap-IO REMIC will hold as assets all property of the Trust Fund (excluding the Carryover Reserve Fund, the assets held in the Pre-Funding Account and the Capitalized Interest Account and the Trust Fund's rights with respect to payments received under the Corridor Contract) The latest possible maturity date, for federal income tax purposes, of all REMIC regular interests created herein shall be the Latest Possible Maturity Date.

The Swap Trust, the Swap Contract, the Swap Account and the Swap Reserve Fund will not constitute any part of any REMIC created hereunder.

SWAP-IO REMIC:

The Swap-IO REMIC Interests will have the principal balances and pass-through rates as set forth below.

Swap-IO REMIC Interest	Initial Principal Balance(1)	Pass-Through Rate
SWR-23A	\$4907783	(2)
SWR-23B	4907783	(3)
SWR-24A	5710544.5	(2)

Swap-IO Interest	REMIC	Initial Principal Balance(1)	Pass-Through Rate
SWR-24B		5710544.5	(3)
SWR-25A		5551733.5	(2)
SWR-25B		5551733.5	(3)
SWR-26A		5397304	(2)
SWR-26B		5397304	(3)
SWR-27A		5247136.5	(2)
SWR-27B		5247136.5	(3)
SWR-28A		5101112.5	(2)
SWR-28B		5101112.5	(3)
SWR-29A		4959120.5	(2)
SWR-29B		4959120.5	(3)
SWR-30A		4821048	(2)
SWR-30B		4821048	(3)
SWR-31A		4135971	(2)
SWR-31B		4135971	(3)
SWR-32A		4369431	(2)
SWR-32B		4369431	(3)
SWR-33A		4247690	(2)
SWR-33B		4247690	(3)
SWR-34A		4129313	(2)
SWR-34B		4129313	(3)
SWR-35A		4014206	(2)
SWR-35B		4014206	(3)
SWR-36A		3902281	(2)
SWR-36B		3902281	(3)
SWR-37A		3793449	(2)
SWR-37B		3793449	(3)
SWR-38A		3687626.5	(2)
SWR-38B		3687626.5	(3)
SWR-39A		3584730	(2)
SWR-39B		3584730	(3)
SWR-40A		3484679	(2)
SWR-40B		3484679	(3)
SWR-41A		3387395.5	(2)
SWR-41B		3387395.5	(3)
SWR-42A		3292803.5	(2)
SWR-42B		3292803.5	(3)
SWR-43A		3200829	(2)
SWR-43B		3200829	(3)
SWR-44A		3111400	(2)
SWR-44B		3111400	(3)
SWR-45A		3024446.5	(2)
SWR-45B		3024446.5	(3)
SWR-46A		2939900.5	(2)

Swap-IO Interest	REMIC	Initial Principal Balance(1)	Pass-Through Rate
SWR-46B		2939900.5	(3)
SWR-47A		2857695.5	(2)
SWR-47B		2857695.5	(3)
SWR-48A		2777767.5	(2)
SWR-48B		2777767.5	(3)
SWR-49A		2700053.5	(2)
SWR-49B		2700053.5	(3)
SWR-50A		2624493	(2)
SWR-50B		2624493	(3)
SWR-51A		2551027	(2)
SWR-51B		2551027	(3)
SWR-52A		2479596	(2)
SWR-52B		2479596	(3)
SWR-53A		2410146.5	(2)
SWR-53B		2410146.5	(3)
SWR-54A		2342622.5	(2)
SWR-54B		2342622.5	(3)
SWR-55A		2276971.5	(2)
SWR-55B		2276971.5	(3)
SWR-56A		2213141	(2)
SWR-56B		2213141	(3)
SWR-57A		2151082.5	(2)
SWR-57B		2151082.5	(3)
SWR-58A		2090745.5	(2)
SWR-58B		2090745.5	(3)
SWR-59A		2032083.5	(2)
SWR-59B		2032083.5	(3)
SWR-60A		1975050.5	(2)
SWR-60B		1975050.5	(3)
SWR-61A		1919601	(2)
SWR-61B		1919601	(3)
SWR-62A		1865691.5	(2)
SWR-62B		1865691.5	(3)
SWR-63A		1813280	(2)
SWR-63B		1813280	(3)
SWR-64A		1762325	(2)
SWR-64B		1762325	(3)
SWR-65A		1712785.5	(2)
SWR-65B		1712785.5	(3)
SWR-66A		1664624	(2)
SWR-66B		1664624	(3)
SWR-67A		1617801.5	(2)
SWR-67B		1617801.5	(3)
SWR-68A		1572281	(2)

Swap-IO Interest	REMIC	Initial Principal Balance(1)	Pass-Through Rate
SWR-68B		1572281	(3)
SWR-69A		1528027	(2)
SWR-69B		1528027	(3)
SWR-70A		1485004.5	(2)
SWR-70B		1485004.5	(3)
SWR-71A		1443178.5	(2)
SWR-71B		1443178.5	(3)
SWR-72A		1402518	(2)
SWR-72B		1402518	(3)
SWR-73A		1362989	(2)
SWR-73B		1362989	(3)
SWR-74A		1324561	(2)
SWR-74B		1324561	(3)
SWR-75A		1287204	(2)
SWR-75B		1287204	(3)
SWR-76A		1250887	(2)
SWR-76B		1250887	(3)
SWR-77A		1215583	(2)
SWR-77B		1215583	(3)
SWR-78A		1226321.5	(2)
SWR-78B		1226321.5	(3)
SWR-79A		1196975.5	(2)
SWR-79B		1196975.5	(3)
SWR-80A		1163156.5	(2)
SWR-80B		1163156.5	(3)
SWR-81A		1130281	(2)
SWR-81B		1130281	(3)
SWR-82A		1098322.5	(2)
SWR-82B		1098322.5	(3)
SWR-83A		1067256	(2)
SWR-83B		1067256	(3)
SWR-84A		34177935.5	(2)
SWR-84B		34177935.5	(3)
SWR-Support		(4)	(5)
SWR-P	\$	100 00	(6)
SW-A-R		(7)	(7)

- (1) Scheduled principal, prepayments and Realized Losses will be allocated first, to the SWR-Support Interest and second, to the numbered classes sequentially (from lowest to highest). Amounts so allocated to a numbered class shall be further allocated between the "A" and "B" components of such numbered class pro-rata until the entire class is reduced to zero.
- (2) Prior to the 85th Distribution Date, a rate equal to twice the Pool Tax Cap less 10.40% per annum. On and after the 85th Distribution Date a rate equal to the Pool Tax Cap. The

"Pool Tax Cap" means the weighted average of the Adjusted Net Mortgage Rates of all the Mortgage Loans.

- (3) Prior to the 85th Distribution Date, a rate equal to the lesser of (i) 10 40% per annum and (ii) twice the Pool Tax Cap. On and after the 85th Distribution Date, a rate equal to the Pool Tax Cap.
- (4) On the Closing Date and on each Distribution Date, following the allocation of Principal Amounts and Realized Losses, the principal balance in respect of the SWR-Support Interest will equal the excess of (a) the sum of (i) the principal balance of the Mortgage Loans (as of the end of the related Due Period, reduced by principal prepayments received after such Due Period that are to be distributed on such Distribution Date) and (ii) the amount, if any, on deposit in the Pre-Funding Account in respect of the Mortgage Loans over (b) the principal balance in respect of the remaining Swap-IO REMIC Interests other than the SWR-P and the SWR-A-R Interests.
- (5) A rate equal to the Pool Tax Cap.
- (6) On each Distribution Date the SWR-P Interest is entitled to all Prepayment Charges collected with respect to the Mortgage Loans. It pays no interest.
- (7) The SW-A-R Interest is the sole class of residual interest in the Swap-IO REMIC. It has no principal and pays no principal or interest.

On each Distribution Date, the Interest Funds and the Principal Distribution Amount payable with respect to the Mortgage Loans shall be payable with respect to the Swap-IO REMIC Interests in the following manner:

- (1) Interest. Interest is to be distributed with respect to each Swap-IO REMIC Interest at the rate, or according to the formulas, described above.
- (2) Principal. Principal Distribution Amounts shall be allocated among the Swap-IO REMIC Interests as described above.
- (3) Prepayment Penalties. All Prepayment Charges are allocated to the SWR-P Interest.

The Strip REMIC

The Strip REMIC Regular Interests will have the principal balances, pass-through rates and corresponding Classes of Certificates as set forth in the following table:

Strip REMIC Regular Interests	Initial Principal Balance	Pass-Through Rate	Corresponding Class of Certificates
STR-A-1	(1)	(2)	A-1
STR-A-2	(1)	(2)	A-2
STR-A-3	(1)	(2)	A-3
STR-Accrual	(3)	(2)	N/A
STR-C-Swap-IO	(4)	(4)	N/A
STR-\$100.....	\$100.00	(4)	N/A
STR-P	\$100.00	(4)	P

STR-A-R.....	(5)	(5)	N/A
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- (1) The Class STR-A-1 Interest, Class STR-A-2 Interest and Class STR-A-3 Interest (the "Accretion Directed Classes") will each have a principal balance that is equal to 50% of its Corresponding Class of Certificates and on each Distribution Date, interest, principal payments and Realized Losses shall be allocated so as to cause each of the Accretion Directed Classes to continue to equal 50% of its Corresponding Class of Certificates.
- (2) On each Distribution Date, the pass-through rate for this Strip REMIC Interest will be the "Strip REMIC Cap," which will equal the weighted average of the pass-through rates of the Swap-IO REMIC Interests (other than the SWR-P, and the SWR-A-R Interests) treating each "B" Interest the cardinal number of which (for example, SW-1B, SW-2B, SW-3B, etc.) is not less than the ordinal number of the Distribution Date (first Distribution Date, second Distribution Date, third Distribution Date, etc.) as capped at a rate equal to the product of (i) 2 and (ii) LIBOR.
- (3) The STR-Accrual Interest shall have an initial principal balance equal to the sum of (a) 50% of the Cut-off Date Principal Balance of the Mortgage Loans and (b) 50% of the Overcollateralized Amount. On each Distribution Date, interest, principal and Realized Losses shall be allocated so as to cause the STR-Accrual Interest to equal the excess of the Stated Principal Balance of the Mortgage Loans as of the end of the related Due Period (appropriately adjusted for prepayments) over the aggregate Certificate Principal Balance of the Accretion Directed Classes (after taking into account distributions for such Distribution Date).
- (4) For each Distribution Date, the STR-C-Swap-IO Interest is entitled to receive from each Swap REMIC "B" Interest the cardinal number of which (for example, SW-1B, SW-2B, SW-3B, etc.) is not less than the ordinal number of the Distribution Date (first Distribution Date, second Distribution Date, third Distribution Date, etc.) the interest accruing on such interest in excess of a per annum rate equal to the product of (i) 2 and (ii) LIBOR.
- (5) The STR-\$100 Interest and the Class STR-P Interest do not pay any interest. All Prepayment Charges are allocated to the Class STR-P Interest.
- (6) The Class STR-A-R Interest is the sole class of residual interest in the Strip REMIC. It has no principal balance and pays no principal or interest.

On each Distribution Date, the Interest Funds, the Principal Distribution Amount and the Prepayment Charges payable with respect to the Swap-IO Interests will be payable with respect to the Strip REMIC Regular Interests in the following manner:

- (1) Interest. Interest is to be distributed with respect to each Strip REMIC Interest at the rate or according to the formulas described above.
- (2) Prepayment Charges. All Prepayment Charges are allocated to the Class STR-P Interest.

(3) Principal. Principal shall be allocated among the Strip REMIC Interests according to the formulas described above.

The Master REMIC

The following table specifies the class designation, pass through rate, and principal amount for each class of Master REMIC Interest:

Class	Original Certificate Principal Balance	Pass-Through Rate
A-1.....	\$298,454,000	(1)
A-2.....	\$242,359,000	(1)
A-3.....	\$159,187,000	(1)
C.....	(2)	(3)
A-R.....	\$ 100	(4)
P.....	\$ 100	(5)

(1) The Pass-Through Rates for the Class A-1, Class A-2 and Class A-3 Certificates for the Accrual Period for any Distribution Date will be equal to the lesser of (a) One-Month LIBOR plus the related Pass-Through Margin, and (b) the applicable Net Rate Cap. For federal income tax purposes, including the computation of the Class C Distributable Amount and entitlement to Net Rate Carryover the pass-through rate in respect of each Class A-1, Class A-2 and Class A-3 Certificate will be subject to a cap equal to the Strip REMIC Cap rather than its applicable Net Rate Cap.

(2) For federal income tax purposes, the Class C Certificates shall have a Certificate Principal Balance equal to the Overcollateralized Amount.

(3) For each Interest Accrual Period the Class C Certificates are entitled to an amount (the "Class C Distributable Amount") equal to the sum of (a) the interest payable on the STR-C-Swap-IO Interest and (b) a specified portion of the interest payable on the Strip REMIC Regular Interests (other than the STR-\$100, STR-C-Swap-IO and STR-P Interests) equal to the excess of the Strip REMIC Cap over the weighted average interest rate of the Strip REMIC Regular Interests (other than the STR-\$100, STR-C-Swap-IO and STR-P Interests) with each such Class subject to a cap equal to the Pass-Through Rate of the Corresponding Master REMIC Class. The Pass-Through Rate of the Class C Certificates shall be a rate sufficient to entitle it to an amount equal to all interest accrued on the Mortgage Loans less the interest accrued on the other interests issued by the Master REMIC. The Class C Distributable Amount for any Distribution Date is payable from current interest on the Mortgage Loans and any related Overcollateralization Reduction Amount for that Distribution Date.

(4) The Class A-R Certificates represent the sole class of residual interest in each REMIC created hereunder. The Class A-R Certificates are not entitled to distributions of interest. On the first Distribution Date, the Class A-R Certificates are entitled to receive \$100.00 from the Principal Reserve Fund.

(5) For any Distribution Date, the Class P Certificates are entitled to all Prepayment Charges collected during the related Prepayment Period and the Master Servicer Prepayment Charge Amount. On the Class P Principal Distribution Date, the Class P Certificates are entitled to receive \$100.00 from the Principal Reserve Fund.

The foregoing REMIC structure is intended to cause all of the cash from the Mortgage Loans to flow through to the Master REMIC as cash flow on a REMIC regular interest, without creating any shortfall—actual or potential (other than for credit losses) to any REMIC regular interest.

For any purpose for which the interest rate in respect of any Subsidiary REMIC regular interest created hereunder is calculated, the interest rate on the Mortgage Loans shall be appropriately adjusted to account for the difference between the monthly day count convention of the Mortgage Loans and the monthly day count convention of the regular interests issued by each of the REMICs. For purposes of calculating the interest rates for each of the interests issued by REMIC, such rates shall be adjusted to equal a monthly day count convention based on a 30 day month for each Interest Period and a 360-day year so that the Mortgage Loans and all regular interests will be using the same monthly day count convention.

ARTICLE I.
DEFINITIONS

Section 1.01 Defined Terms.

Whenever used in this Agreement, the following words and phrases, unless the context otherwise requires, shall have the following meanings:

Acceptable Bid Amount: Either (i) a bid equal to or greater than the Minimum Auction Amount or (ii) the highest bid submitted by a Qualified Bidder in an auction if the Directing Certificateholder agrees to pay the related Auction Supplement Amount.

Account: Any Escrow Account, the Certificate Account, the Distribution Account, the Pre-Funding Account, the Capitalized Interest Account, the Swap Account, the Swap Reserve Fund or any other account related to the Trust Fund or the Mortgage Loans.

Accrual Period: With respect to any Distribution Date and each Class of Adjustable Rate Certificates, the period commencing on the immediately preceding Distribution Date (or, in the case of the first Distribution Date, the Closing Date) and ending on the day immediately preceding such Distribution Date. With respect to any Distribution Date and the Class C Certificates, the calendar month preceding the month in which such Distribution Date occurs. All calculations of interest on the Adjustable Rate Certificates will be made on the basis of the actual number of days elapsed in the related Accrual Period and on a 360-day year. All calculations of interest on the Class C Certificates will be made on the basis of a 360-day year consisting of twelve 30-day months.

Adjustable Rate Certificates: The Class A-1, Class A-2 and Class A-3 Certificates.

Adjusted Net Mortgage Rate: As to each Mortgage Loan, the Mortgage Rate less the related Expense Fee Rate.

Advance: The aggregate of the advances required to be made by the Master Servicer with respect to any Distribution Date pursuant to Section 4.01, the amount of any such advances being equal to the aggregate of payments of principal of, and interest on the Stated Principal Balance of, the Mortgage Loans (net of the Servicing Fees) that were due on the related Due Date and not received by the Master Servicer as of the close of business on the related Determination Date including an amount equivalent to interest on the Stated Principal Balance of each Mortgage Loan as to which the related Mortgaged Property is an REO Property or as to which the related Mortgaged Property has been liquidated but such Mortgage Loan has not yet become a Liquidated Mortgage Loan; provided, however, that the net monthly rental income (if any) from such REO Property deposited in the Certificate Account for such Distribution Date pursuant to Section 3.12 may be used to offset such Advance for the related REO Property; provided, further, that for the avoidance of doubt, no Advances shall be required to be made in

respect of any Liquidated Mortgage Loan and no Advances shall be made in respect of a Charged-off Mortgage Loan after the related Charge-off Date.

Agreement: This Pooling and Servicing Agreement and any and all amendments or supplements hereto made in accordance with the terms herein.

Amount Held for Future Distribution: As to any Distribution Date, the aggregate amount held in the Certificate Account at the close of business on the immediately preceding Determination Date on account of (i) all Scheduled Payments or portions thereof received in respect of the Mortgage Loans due after the related Due Date, (ii) Principal Prepayments received in respect of such Mortgage Loans after the last day of the related Prepayment Period and (iii) Liquidation Proceeds and Subsequent Recoveries received in respect of such Mortgage Loans after the last day of the related Due Period.

Applied Realized Loss Amount: With respect to any Distribution Date, the amount, if any, by which, the aggregate Certificate Principal Balance of the Certificates (after all distributions of principal on such Distribution Date) exceeds the sum of (x) the aggregate Stated Principal Balance of the Mortgage Loans for such Distribution Date and (y) the amount on deposit in the Pre-Funding Account.

Appraised Value: The appraised value of the Mortgaged Property based upon the appraisal made for the originator of the related Mortgage Loan by an independent fee appraiser at the time of the origination of the related Mortgage Loan, or the sales price of the Mortgaged Property at the time of such origination, whichever is less, or with respect to any Mortgage Loan originated in connection with a refinancing, the appraised value of the Mortgaged Property based upon the appraisal made at the time of such refinancing.

Auction Supplement Amount: As defined in Section 9.04(c).

Auction Period: With respect to a Charged-off Mortgage Loan, the period commencing on the related Charge-off Date and ending one year after such date.

Bankruptcy Code: Title 11 of the United States Code.

Bid Determination Date: As defined in Section 9.04(b).

Book-Entry Certificates: Any of the Certificates that shall be registered in the name of the Depository or its nominee, the ownership of which is reflected on the books of the Depository or on the books of a person maintaining an account with the Depository (directly, as a "Depository Participant", or indirectly, as an indirect participant in accordance with the rules of the Depository and as described in Section 5.06). As of the Closing Date, each Class of Interest-Bearing Certificates constitutes a Class of Book-Entry Certificates.

Business Day: Any day other than (i) a Saturday or a Sunday or (ii) a day on which either the Certificate Insurer or banking institutions in the State of New York or California or the city in which the Corporate Trust Office of the Trustee is located are authorized or obligated by law or executive order to be closed.

Capitalized Interest Account: The separate Eligible Account designated as such and created and maintained by the Trustee pursuant to Section 3.05(e). The Capitalized Interest Account shall be treated as an "outside reserve fund" under applicable Treasury regulations and shall not be part of any REMIC. Except as provided in Section 3.05(e), any investment earnings on the amounts on deposit in the Capitalized Interest Account shall be treated as owned by the Depositor and shall be taxable to the Depositor.

Capitalized Interest Deposit. \$1,413,930.73.

Capitalized Interest Requirement: With respect to each Funding Period Distribution Date, 1/12 of the product of (1) the sum of (a) the Trustee Fee Rate and (b) the weighted average Adjusted Net Mortgage Rate of the Mortgage Loans (excluding any Subsequent Mortgage Loans conveyed to the Trust Fund during the calendar month preceding such Distribution Date) as of the first day of the related Due Period (after giving effect to Principal Prepayments received during the Prepayment Period, if any, that ends during such Due Period) and (2) the amount on deposit in the Pre-Funding Account as of the last day of the calendar month preceding such Funding Period Distribution Date (or, if the Funding Period ended during such calendar month, as of the last day of the Funding Period).

Carryover Reserve Fund: The separate Eligible Account created and initially maintained by the Trustee pursuant to Section 4.08 in the name of the Trustee for the benefit of the Certificateholders and designated "The Bank of New York in trust for registered Holders of CWHEQ, Inc., Home Equity Loan Asset Backed Certificates, Series 2007-S3". Funds in the Carryover Reserve Fund shall be held in trust for the Certificateholders for the uses and purposes set forth in this Agreement.

Certificate: Any one of the certificates of any Class executed and authenticated by the Trustee in substantially the forms attached hereto as Exhibits A-1 through A-3, Exhibit B, Exhibit C and Exhibit D.

Certificate Account: The separate Eligible Account created and initially maintained by the Master Servicer pursuant to Section 3.05(b) with a depository institution in the name of the Master Servicer for the benefit of the Trustee on behalf of the Certificateholders and the Certificate Insurer and designated "Countrywide Home Loans Servicing LP in trust for registered Holders of CWHEQ, Inc., Home Equity Loan Asset Backed Certificates, Series 2007-S3". Funds in the Certificate Account shall be held in trust for the Certificateholders and the Certificate Insurer for the uses and purposes set forth in this Agreement.

Certificate Insurance Policy: The irrevocable Financial Guaranty Insurance Policy, No. 493810, including any endorsements thereto, issued by MBIA with respect to the Class A Certificates

Certificate Insurance Policy Premium Rate: 0.240% per annum.

Certificate Insurance Premium: For any Distribution Date, an amount equal to the product of (x) the Certificate Insurance Policy Premium Rate and (y) the aggregate Certificate Principal Balance of the Class A Certificates immediately prior to such Distribution Date. The

Certificate Insurance Premium shall be computed on the basis of a 360-day year and the actual number of days elapsed during the related accrual period

Certificate Insurance Reimbursement Amount: As to any Distribution Date, (i) all Insured Payments paid by the Certificate Insurer for which the Certificate Insurer has not been reimbursed prior to such Distribution Date pursuant to Section 4.04 hereof, plus (ii) interest accrued on such Insured Payments not previously repaid, calculated at the Late Payment Rate from the date the Insured Payments were made, plus (iii) any other amounts then due and owing to the Certificate Insurer pursuant to the Insurance and Indemnity Agreement plus interest accrued on such amount not previously paid calculated at the Late Payment Rate, plus (iv) any payment made by the Certificate Insurer in its sole discretion to cure any payment default under the Swap Contract after the Swap Contract Administrator has failed to do so, plus interest thereon calculated at the Late Payment Rate.

Certificate Insurer: MBIA in its capacity as insurer under the Certificate Insurance Policy, and any permitted successor or assign.

Certificate Insurer Contact Person: The officer designated by the Master Servicer to provide information to the Certificate Insurer pursuant to Section 4.06(i).

Certificate Insurer Default: As defined in Section 4.06(l).

Certificate Owner: With respect to a Book-Entry Certificate, the person that is the beneficial owner of such Book-Entry Certificate.

Certificate Principal Balance: As to any Certificate (other than the Class C and Class E-P Certificates) and as of any Distribution Date, the Initial Certificate Principal Balance of such Certificate (A) less the sum of (i) all amounts distributed with respect to such Certificate in reduction of the Certificate Principal Balance thereof on previous Distribution Dates pursuant to Section 4.04, (ii) with respect to the Class A Certificates only, payments under the Certificate Insurance Policy relating to principal (except that any payment under the Certificate Insurance Policy with respect to an Applied Realized Loss Amount allocated to the Class A Certificates shall not result in a further reduction of the Certificate Principal Balance of the Class A Certificates) and (iii) any Applied Realized Loss Amounts allocated to such Certificate on previous Distribution Dates pursuant to Section 4.04(i), and (B) increased by any Subsequent Recoveries allocated to such Certificate pursuant to Section 4.04(j) on such Distribution Date subject to the proviso set forth in Section 4.04(j). References herein to the Certificate Principal Balance of a Class of Certificates shall mean the Certificate Principal Balances of all Certificates in such Class. The Class C Certificates shall have a Certificate Principal Balance equal to the Overcollateralized Amount. The Class E-P Certificates do not have a Certificate Principal Balance. With respect to any Certificate (other than the Class C and Class E-P Certificates) of a Class and any Distribution Date, the portion of the Certificate Principal Balance of such Class represented by such Certificate is equal to the product of the Percentage Interest evidenced by such Certificate and the Certificate Principal Balance of such Class. Exclusively for the purpose of determining any subrogation rights of the Certificate Insurer arising under Section 4.06 hereof, the "Certificate Principal Balance" of the Class A Certificates shall not be reduced by the amount of any payments made by the Certificate Insurer in respect of principal on such

Certificates under the Certificate Insurance Policy, except to the extent such payment shall have been reimbursed to the Certificate Insurer pursuant to the provisions of this Agreement.

Certificate Register: The register maintained pursuant to Section 5.02 hereof.

Certificateholder or Holder: The person in whose name a Certificate is registered in the Certificate Register (initially, Cede & Co., as nominee for the Depository, in the case of any Class of Book-Entry Certificates), except that solely for the purpose of giving any consent pursuant to this Agreement, any Certificate registered in the name of the Depositor or any affiliate of the Depositor shall be deemed not to be Outstanding and the Voting Interest evidenced thereby shall not be taken into account in determining whether the requisite amount of Voting Interests necessary to effect such consent has been obtained; provided that if any such Person (including the Depositor) owns 100% of the Voting Interests evidenced by a Class of Certificates, such Certificates shall be deemed to be Outstanding for purposes of any provision hereof (other than the second sentence of Section 10.01 hereof) that requires the consent of the Holders of Certificates of a particular Class as a condition to the taking of any action hereunder. The Trustee is entitled to rely conclusively on a certification of the Depositor or any affiliate of the Depositor in determining which Certificates are registered in the name of an affiliate of the Depositor.

Certification Party: As defined in Section 11.05.

Certifying Person: As defined in Section 11.05.

Charge-off Date: With respect to a Mortgage Loan, the close of business on the last day of the calendar month in which such Mortgage Loan became a Charged-off Mortgage Loan.

Charged-off Loan Proceeds: With respect to a Charged-off Mortgage Loan, any Insurance Proceeds and all other net proceeds received with respect to such Charged-off Mortgage Loan after the related Charge-off Date in connection with the partial or complete liquidation of such Charged-off Mortgage Loan, whether through trustee's sale, foreclosure sale, auction or otherwise, or in connection with any condemnation or partial release of the related Mortgaged Property, together with the net proceeds received after the related Charge-off Date with respect to any Mortgaged Property acquired by the Master Servicer by foreclosure or deed in lieu of foreclosure in connection with such Charged-off Mortgage Loan, less the sum of related unreimbursed Servicing Advances and the related Charged-off Mortgage Loan Disposition Fee, if any.

Charged-off Mortgage Loan: A Mortgage Loan that is 180 days delinquent; provided, however, that a Covered Loan shall not be a Charged-off Mortgage Loan unless (i) the Credit Insurer has rejected the claim under the Credit Insurance Policy and (ii) no Loss Coverage Payment is payable with respect to such Mortgage Loan as a result of the Sponsor Loss Coverage Amount being reduced to zero or otherwise.

Charged-off Mortgage Loan Disposition Fee: The fee payable to the Master Servicer in connection with any Charged-off Mortgage Loan, which shall be an amount equal to

10% of the gross proceeds from the Charged-off Mortgage Loan, regardless of whether those proceeds arise as a result of a sale, an auction, foreclosure or otherwise.

CHL: Countrywide Home Loans, Inc., a New York corporation, and its successors and assigns.

CHL Mortgage Loans: The Mortgage Loans identified as such on the Mortgage Loan Schedule for which CHL is the applicable Seller.

Class: All Certificates bearing the same Class designation as set forth in Section 5.01 hereof.

Class A Certificates: Collectively, the Class A-1, Class A-2 and Class A-3 Certificates.

Class A Available Funds: With respect to any Distribution Date, funds allocated from amounts available pursuant to this Agreement to make distributions on the Class A Certificates on such Distribution Date, including without limitation amounts on deposit in the Distribution Account and the Premium Account.

Class A Insurance Payments Account: The separate Eligible Account created and maintained by the Trustee pursuant to Section 4.06(c) in the name of the Trustee for the benefit of the Class A Certificateholders and designated "The Bank of New York in trust for registered holders of CWHEQ, Inc., Home Equity Loan Asset Backed Certificates, Series 2007-S3, Class A Certificates." Funds in the Class A Insurance Payments Account shall be held in trust for the Class A Certificateholders for the uses and purposes set forth in this Agreement.

Class A Principal Distribution Amount: With respect to any Distribution Date, the excess of (x) the aggregate Certificate Principal Balance of the Class A Certificates immediately prior to that Distribution Date, over (y) the aggregate Stated Principal Balance of the Mortgage Loans for that Distribution Date minus the Overcollateralization Target Amount for such Distribution Date.

Class A-1 Certificate: Any Certificate designated as a "Class A-1 Certificate" on the face thereof, in the form of Exhibit A-1 hereto, representing the right to distributions as set forth herein.

Class A-2 Certificate: Any Certificate designated as a "Class A-2 Certificate" on the face thereof, in the form of Exhibit A-2 hereto, representing the right to distributions as set forth herein.

Class A-3 Certificate: Any Certificate designated as a "Class A-3 Certificate" on the face thereof, in the form of Exhibit A-3 hereto, representing the right to distributions as set forth herein.

Class A-R Certificate: Any Certificate designated as a "Class A-R Certificate" on the face thereof, in the form of Exhibit D-1 hereto or, in the case of the Tax Matters Person

Certificate, Exhibit E hereto, in either case representing the right to distributions as set forth herein.

Class C Certificate: Any Certificate designated as a "Class C Certificate" on the face thereof, in the form of Exhibit C hereto, representing the right to distributions as set forth herein.

Class C Distributable Amount: As defined in the Preliminary Statement.

Class E-P Certificate: Any Certificate designated as a "Class E-P Certificate" on the face thereof, in the form of Exhibit D-2 hereto, representing the right to distributions as set forth herein.

Class P Certificate: Any Certificate designated as a "Class P Certificate" on the face thereof, in the form of Exhibit B hereto, representing the right to distributions as set forth herein.

Class P Principal Distribution Date: The first Distribution Date that occurs after the end of the latest Prepayment Charge Period for all Mortgage Loans that have a Prepayment Charge Period.

Closing Date: March 30, 2007.

Code: The Internal Revenue Code of 1986, including any successor or amendatory provisions.

Collateral Schedule: Schedule II hereto.

Combined Loan-to-Value Ratio: The fraction, expressed as a percentage, the numerator of which is the sum of (x) original principal balance of the related Mortgage Loan and (y) the outstanding principal balance of any senior mortgage loans at the date of origination of the related Mortgage Loan and the denominator of which is the Appraised Value of the related Mortgaged Property.

Commission: The U.S. Securities and Exchange Commission.

Compensating Interest: With respect to the Mortgage Loans and any Distribution Date, an amount equal to the lesser of (x) one-half of the Servicing Fee for the related Due Period and (y) the aggregate Prepayment Interest Shortfall for such Distribution Date.

Confirmation: The confirmation, reference number FXNEC9369, with a trade date of March 27, 2007 evidencing a transaction between the Corridor Contract Counterparty and CHL relating to the Corridor Contract.

Corporate Trust Office. The designated office of the Trustee in the State of New York where at any particular time its corporate trust business with respect to this Agreement shall be administered, which office at the date of the execution of this Agreement is located at

101 Barclay Street, 4W, New York, New York 10286 (Attention: Corporate Trust MBS Administration), telephone: (212) 815-3236, facsimile: (212) 815-3986.

Corridor Contract: With respect to the Class A-1 Certificates, the transaction evidenced by the Confirmation (as assigned to the Corridor Contract Administrator pursuant to the Corridor Contract Assignment Agreement).

Corridor Contract Administration Agreement: The corridor contract administration agreement dated as of the Closing Date among CHL, the Trustee and the Corridor Contract Administrator.

Corridor Contract Administrator: The Bank of New York, in its capacity as corridor contract administrator under the Corridor Contract Administration Agreement.

Corridor Contract Assignment Agreement: The Assignment Agreement dated as of the Closing Date among CHL, the Corridor Contract Administrator and the Corridor Contract Counterparty.

Corridor Contract Counterparty: Bear Stearns Financial Products Inc.

Corridor Contract Termination Date: The Distribution Date in March 2009.

Covered Certificates: The Class A-1 Certificates.

Covered Loan: A Mortgage Loan covered by the Credit Insurance Policy as of the Cut-off Date.

Credit Bureau Risk Score: A statistical credit score obtained by CHL in connection with the origination of a Mortgage Loan.

Credit Insurance Policy: The Credit Insurance Policy issued by the Credit Insurer with respect to certain Mortgage Loans identified in the Mortgage Loan Schedule.

Credit Insurance Premium: For any Distribution Date, the aggregate fee payable to the Credit Insurer equal to the product of (x) the Credit Insurance Premium Rate and (y) the unpaid principal balance of each Covered Loan as of the first day of the related calendar month, computed on the basis of a 360-day year consisting of twelve 30-day months.

Credit Insurance Premium Rate: The rate at which the Credit Insurance Premium accrues on each Mortgage Loan, as set forth on the Mortgage Loan Schedule.

Credit Insurer: Old Republic Insurance Company, or any replacement Credit Insurer, as applicable.

Cumulative Loss Trigger Event: With respect to any Distribution Date on or after the Stepdown Date, (x) the aggregate amount of Realized Losses (calculated without taking into account payments made under the Credit Insurance Policy or any Loss Coverage Payments) on the Mortgage Loans from the Cut-off Date for each such Mortgage Loan to (and including) the

last day of the related Due Period (reduced by the aggregate amount of any Subsequent Recoveries and Charged-off Loan Proceeds received through the last day of that Due Period) exceeds (y) the applicable percentage, for such Distribution Date, of the sum of the Initial Cut-off Date Pool Principal Balance and the Pre-Funded Amount, as set forth below:

<u>Distribution Date</u>	<u>Percentage</u>
October 2009 — March 2010	2.025% with respect to October 2009, plus an additional 1/6th of 0.675% for each month thereafter through March 2010
April 2010 — March 2011	2.700% with respect to April 2010, plus an additional 1/12th of 1.100% for each month thereafter through March 2011
April 2011 — March 2012	3.800% with respect to April 2011, plus an additional 1/12th of 1.100% for each month thereafter through March 2012
April 2012 — March 2013	4.900% with respect to April 2012, plus an additional 1/12th of 0.500% for each month thereafter until March 2013
April 2013 and thereafter	5.400%

Current Interest: With respect to each Class of Interest-Bearing Certificates and each Distribution Date, interest accrued at the applicable Pass-Through Rate for the applicable Accrual Period on the Certificate Principal Balance of such Class immediately prior to such Distribution Date.

Cut-off Date: With respect to any Mortgage Loan, the Initial Cut-off Date or the related Subsequent Cut-off Date, as the case may be.

Cut-off Date Principal Balance: As to any Mortgage Loan, the unpaid principal balance thereof as of the close of business on the Cut-off Date after application of all payments of principal due on or prior to the Cut-off Date, whether or not received, and all Principal Prepayments received on or prior to the Cut-off Date, but without giving effect to any installments of principal received in respect of Due Dates after the Cut-off Date.

Debt Service Reduction: With respect to any Mortgage Loan, a reduction by a court of competent jurisdiction in a proceeding under the Bankruptcy Code in the Scheduled Payment for such Mortgage Loan that became final and non-appealable, except such a reduction resulting from a Deficient Valuation or any other reduction that results in a permanent forgiveness of principal.

Deficiency Amount: As defined in the Certificate Insurance Policy.

Deficient Valuation: With respect to any Mortgage Loan, a valuation by a court of competent jurisdiction of the Mortgaged Property in an amount less than the then outstanding indebtedness under such Mortgage Loan, or any reduction in the amount of principal to be paid in connection with any Scheduled Payment that results in a permanent forgiveness of principal, which valuation or reduction results from an order of such court that is final and non-appealable in a proceeding under the Bankruptcy Code.

Definitive Certificates: As defined in Section 5.06.

Delay Delivery Mortgage Loans: (i) The Initial Mortgage Loans identified on the schedule of Mortgage Loans hereto set forth on Exhibit F-2 hereof for which all or a portion of a related Mortgage File is not delivered to the Trustee on or prior to the Closing Date, and (ii) the Subsequent Mortgage Loans identified on the schedule of Subsequent Mortgage Loans set forth in Annex I to each related Subsequent Transfer Agreement for which all or a portion of the related Mortgage File is not delivered to the Trustee on or prior to the related Subsequent Transfer Date. The Depositor shall deliver (or cause delivery of) the Mortgage Files to the Trustee: (A) with respect to at least 50% of the Initial Mortgage Loans, not later than the Closing Date and with respect to at least 10% of the Subsequent Mortgage Loans conveyed on a Subsequent Transfer Date, not later than such Subsequent Transfer Date, (B) with respect to at least an additional 40% of the Initial Mortgage Loans, not later than 20 days after the Closing Date, and not later than 20 days after the relevant Subsequent Transfer Date with respect to the remaining Subsequent Mortgage Loans conveyed on such Subsequent Transfer Date, and (C) with respect to the remaining Initial Mortgage Loans, not later than thirty days after the Closing Date. To the extent that Countrywide Home Loans, Inc. shall be in possession of any Mortgage Files with respect to any Delay Delivery Mortgage Loan, until delivery of such Mortgage File to the Trustee as provided in Section 2.01, Countrywide Home Loans, Inc. shall hold such files as agent and in trust for the Trustee.

Deleted Mortgage Loan: A Mortgage Loan replaced or to be replaced by a Replacement Mortgage Loan.

Delinquency Trigger Event: With respect to any Distribution Date on or after the Stepdown Date, the Rolling Sixty-Day Delinquency Rate for that Distribution Date for the outstanding Mortgage Loans exceeds 4.50%.

Denomination: With respect to each Certificate, the amount set forth on the face thereof as the "Initial Certificate Balance of this Certificate" or, if not the foregoing, the Percentage Interest appearing on the face thereof, as applicable.

Depositor: CWHEQ, Inc, a Delaware corporation, or its successor in interest.

Depository: The initial Depository shall be The Depository Trust Company, the nominee of which is Cede & Co., or any other organization registered as a "clearing agency" pursuant to Section 17A of the Securities Exchange Act of 1934, as amended. The Depository shall initially be the registered Holder of the Book-Entry Certificates. The Depository shall at all

times be a "clearing corporation" as defined in Section 8-102(a)(5) of the Uniform Commercial Code of the State of New York.

Depository Agreement: With respect to the Book-Entry Certificates, the agreement among the Depositor and the initial Depository, dated as of the Closing Date, substantially in the form of Exhibit O.

Depository Participant: A broker, dealer, bank or other financial institution or other person for whom from time to time a Depository effects book-entry transfers and pledges of securities deposited with the Depository.

Determination Date: With respect to any Distribution Date, the 22nd day of the month of such Distribution Date or, if such 22nd day is not a Business Day, the immediately preceding Business Day; provided that the Determination Date in each month will be at least two Business Days before the Distribution Date.

Directing Certificateholder: As defined in Section 9.04(a).

Distribution Account: The separate Eligible Account created and maintained by the Trustee pursuant to Section 3.05(c) in the name of the Trustee for the benefit of the Certificateholders and the Certificate Insurer and designated "The Bank of New York, in trust for registered Holders of CWHEQ, Inc., Home Equity Loan Asset Backed Certificates, Series 2007-S3". Funds in the Distribution Account shall be held in trust for the Certificateholders and the Certificate Insurer for the uses and purposes set forth in this Agreement.

Distribution Account Deposit Date: As to any Distribution Date, 1.00 p.m. Pacific time on the Business Day immediately preceding such Distribution Date.

Distribution Date: The 25th day of each month, or if such day is not a Business Day, on the first Business Day thereafter, commencing in April 2007.

Due Date: With respect to any Mortgage Loan and Due Period, the due date for Scheduled Payments of interest and/or principal on that Mortgage Loan occurring in such Due Period as provided in the related Mortgage Note.

Due Period: With respect to any Distribution Date, the period beginning on the second day of the calendar month preceding the calendar month in which such Distribution Date occurs and ending on the first day of the month in which such Distribution Date occurs

EDGAR: The Commission's Electronic Data Gathering, Analysis, and Retrieval system.

Eligible Account: Any of (i) an account or accounts maintained with a federal or state chartered depository institution or trust company, the long-term unsecured debt obligations and short-term unsecured debt obligations of which (or, in the case of a depository institution or trust company that is the principal subsidiary of a holding company, the debt obligations of such holding company, if Moody's is not a Rating Agency) are rated by each Rating Agency in one of its two highest long-term and its highest short-term rating categories respectively, at the time any

amounts are held on deposit therein, or (ii) an account or accounts in a depository institution or trust company in which such accounts are insured by the FDIC (to the limits established by the FDIC) and the uninsured deposits in which accounts are otherwise secured such that, as evidenced by an Opinion of Counsel delivered to the Trustee, the Certificate Insurer and to each Rating Agency, the Certificateholders have a claim with respect to the funds in such account or a perfected first priority security interest against any collateral (which shall be limited to Permitted Investments) securing such funds that is superior to claims of any other depositors or creditors of the depository institution or trust company in which such account is maintained, or (iii) a trust account or accounts maintained with the corporate trust department of a federal or state chartered depository institution or trust company having capital and surplus of not less than \$50,000,000, acting in its fiduciary capacity or (iv) any other account acceptable to the Rating Agencies without reduction or withdrawal of their then-current ratings of the Certificates (without regard to the Certificate Insurance Policy, in the case of the Class A Certificates) as evidenced by a letter from each Rating Agency to the Trustee and the Certificate Insurer. Eligible Accounts may bear interest, and may include, if otherwise qualified under this definition, accounts maintained with the Trustee.

Eligible Repurchase Month: As defined in Section 3.12(d) hereof.

ERISA: The Employee Retirement Income Security Act of 1974, as amended.

ERISA-Qualifying Underwriting: A best efforts or firm commitment underwriting or private placement that meets the applicable requirements of the Underwriter's Exemption.

ERISA-Restricted Certificates: The Class A-R Certificates, Class P Certificates, Class E-P Certificates, Class C Certificates and Certificates of any Class that does not have or no longer has a rating of at least AA- or its equivalent from at least one Rating Agency.

Escrow Account: As defined in Section 3.06 hereof.

Event of Default: As defined in Section 7.01 hereof.

Excess Cashflow: With respect to any Distribution Date the sum of (i) the amount remaining after the distribution of interest to Certificateholders and payments to the Certificate Insurer for such Distribution Date, pursuant to Section 4.04(a)(vi), (ii) the amount remaining after the distribution of principal to Certificateholders and payments to the Certificate Insurer for such Distribution Date, pursuant to Section 4.04(b)(iv) and (iii) the Overcollateralization Reduction Amount for such Distribution Date.

Excess Overcollateralization Amount: With respect to any Distribution Date, the excess, if any, of the Overcollateralized Amount for such Distribution Date over the Overcollateralization Target Amount for such Distribution Date.

Excess Proceeds: With respect to any Liquidated Mortgage Loan, other than a Charged-off Mortgage Loan, the amount, if any, by which the sum of any Liquidation Proceeds and Subsequent Recoveries are in excess of the sum of (i) the unpaid principal balance of such Liquidated Mortgage Loan as of the date of liquidation of such Liquidated Mortgage Loan plus

(ii) interest at the Mortgage Rate from the Due Date as to which interest was last paid or advanced to Certificateholders (and not reimbursed to the Master Servicer) up to the Due Date in the month in which Liquidation Proceeds are required to be distributed on the Stated Principal Balance of such Liquidated Mortgage Loan outstanding during each Due Period as to which such interest was not paid or advanced.

Exchange Act: The Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

Exchange Act Reports: Any reports on Form 10-D, Form 8-K and Form 10-K required to be filed by the Depositor with respect to the Trust Fund under the Exchange Act.

Expense Fee Rate: With respect to any Mortgage Loan, the sum of (i) the Servicing Fee Rate, (ii) the Trustee Fee Rate and (iii) with respect to any Covered Loan, the Credit Insurance Premium Rate.

Extra Principal Distribution Amount: With respect to any Distribution Date, the lesser of (1) the Overcollateralization Deficiency Amount for such Distribution Date and (2) the Excess Cashflow available for payment thereof for such Distribution Date.

Fannie Mae: The Federal National Mortgage Association, a federally chartered and privately owned corporation organized and existing under the Federal National Mortgage Association Charter Act, or any successor thereto.

FDIC: The Federal Deposit Insurance Corporation, or any successor thereto.

Final Scheduled Distribution Date: With respect to the Class A Certificates and the Certificate Insurance Policy, the Distribution Date occurring in the month following the month of the scheduled maturity date of the Mortgage Loan having the latest scheduled maturity date including any Subsequent Mortgage Loan, if any.

Form 10-D Disclosure Item: With respect to any Person, any material litigation or governmental proceedings pending against such Person, or against any of the Trust Fund, the Depositor, the Trustee, any co-trustee, the Master Servicer or any Subservicer, if such Person has actual knowledge thereof.

Form 10-K Disclosure Item: With respect to any Person, (a) Form 10-D Disclosure Item, and (b) any affiliations or relationships between such Person and any Item 1119 Party.

Freddie Mac: The Federal Home Loan Mortgage Corporation, a corporate instrumentality of the United States created and existing under Title III of the Emergency Home Finance Act of 1970, as amended, or any successor thereto.

Funding Period: The period from the Closing Date to and including the earlier to occur of (x) the date the amount in the Pre-Funding Account is less than \$40,000 and (y) May 24, 2007.

Funding Period Distribution Date: Each Distribution Date on or prior to the Distribution Date occurring in the calendar month following the month in which the Funding Period ends.

Initial Certificate Account Deposit: An amount equal to the aggregate of all amounts in respect of (i) principal of the Initial Mortgage Loans due after the Initial Cut-off Date and received by the Master Servicer before the Closing Date and not applied in computing the Cut-off Date Principal Balance thereof and (ii) interest on the Initial Mortgage Loans due after the Initial Cut-off Date and received by the Master Servicer before the Closing Date.

Initial Certificate Principal Balance: With respect to any Certificate (other than the Class C and Class E-P Certificates) the Certificate Principal Balance of such Certificate or any predecessor Certificate on the Closing Date.

Initial Cut-off Date: In the case of any Initial Mortgage Loan, the later of (x) March 1, 2007 and (y) the date of origination of such Mortgage Loan.

Initial Cut-off Date Pool Principal Balance: The aggregate Cut-off Date Principal Balance of the Initial Mortgage Loans.

Initial Mortgage Loan: A Mortgage Loan conveyed to the Trustee on the Closing Date pursuant to this Agreement as identified on the Mortgage Loan Schedule delivered to the Trustee on the Closing Date.

Insolvency Proceeding: As defined in Section 4.06(h).

Insurance and Indemnity Agreement: The Insurance Agreement, dated as of the Closing Date, by and among the Certificate Insurer, as insurer, the Depositor, as depositor, CHL, as sponsor and a seller, the Master Servicer, as master servicer, and the Trustee, as trustee.

Insurance Policy: With respect to any Mortgage Loan included in the Trust Fund, any insurance policy, including the Credit Insurance Policy but excluding the Certificate Insurance Policy, including all riders and endorsements thereto in effect with respect to such Mortgage Loan, including any replacement policy or policies for any Insurance Policy

Insurance Proceeds: Proceeds paid in respect of the Mortgage Loans (other than by the Certificate Insurer under the Certificate Insurance Policy) pursuant to any Insurance Policy or any other insurance policy covering a Mortgage Loan, to the extent such proceeds are payable to the mortgagee under the Mortgage, the Master Servicer or the trustee under the deed of trust and are not applied to the restoration of the related Mortgaged Property or released to the Mortgagor in accordance with the procedures that the Master Servicer would follow in servicing mortgage loans held for its own account, in each case other than any amount included in such Insurance Proceeds in respect of Insured Expenses and received either prior to or in connection with such Mortgage Loan becoming a Liquidated Mortgage Loan.

Insured Expenses: Expenses covered by an Insurance Policy or any other insurance policy with respect to the Mortgage Loans.

Insured Payments: As defined in the Certificate Insurance Policy.

Interest-Bearing Certificates: The Class A Certificates.

Interest Carry Forward Amount: With respect to each Class of Interest-Bearing Certificates and each Distribution Date, the excess of (i) the Current Interest for such Class with respect to prior Distribution Dates over (ii) the amount actually distributed to such Class with respect to interest on such prior Distribution Dates.

Interest Determination Date: With respect to the Adjustable Rate Certificates, the second LIBOR Business Day preceding the commencement of each Accrual Period.

Interest Funds: With respect to any Distribution Date, (x) an amount equal to the sum of (i) the Interest Remittance Amount for such Distribution Date, (ii) the Capitalized Interest Requirement, if any, for such Distribution Date, (iii) solely for the purpose of calculating the Deficiency Amount, the amount on deposit in the Premium Account after taking into account any deposits to the Premium Account on such Distribution Date, plus (iv) the Adjusted Replacement Upfront Amount, if any, less (y) the sum of (i) the Trustee Fee for such Distribution Date and (ii) the Credit Insurance Premium for such Distribution Date.

Interest Remittance Amount: With respect to any Distribution Date, (x) the sum, without duplication, of (i) all scheduled interest collected during the related Due Period with respect to the Mortgage Loans less the Servicing Fee, (ii) all interest on Principal Prepayments received during the related Prepayment Period with respect to the Mortgage Loans, other than Prepayment Interest Excess, (iii) all Advances relating to interest with respect to the Mortgage Loans, (iv) all Compensating Interest with respect to the Mortgage Loans, (v) Liquidation Proceeds with respect to the Mortgage Loans collected during the related Due Period (to the extent such Liquidation Proceeds relate to interest), (vi) any payments received under the Credit Insurance Policy attributable to interest for the related Due Period, (vii) any Loss Coverage Payment attributable to interest for the related Due Period and (viii) the Seller Interest Shortfall Payment, if any, less (y) all reimbursements to the Master Servicer during the related Due Period for Advances of interest previously made.

Investment Letter: As defined in Section 5.02(b).

Item 1119 Party: The Depositor, any Seller, the Master Servicer, the Trustee, any Subservicer, any originator identified in the Prospectus Supplement, the Certificate Insurer, the Credit Insurer, the Corridor Contract Counterparty, the Swap Counterparty and any other material transaction party, as identified in Exhibit Z hereto, as updated pursuant to Section 11.04.

Late Payment Rate: With respect to any Distribution Date, the lesser of (i) the greater of (a) the rate of interest, as it is publicly announced by Citibank, N.A. at its principal office in New York, New York as its prime rate (any change in the prime rate of interest to be effective on the date the change is announced by Citibank, N.A.) plus 2% and (b) the then applicable highest rate of interest on any of the Class A Certificates and (ii) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days.

Latest Possible Maturity Date: The Distribution Date following the third anniversary of the scheduled maturity date of the Mortgage Loan having the latest scheduled maturity date as of the Cut-off Date.

LIBOR Business Day: Any day on which banks in the City of London, England and New York City, U.S.A. are open and conducting transactions in foreign currency and exchange.

Limited Exchange Act Reporting Obligations: The obligations of the Master Servicer under Section 3.17(b), Section 6.02 and Section 6.04 with respect to notice and information to be provided to the Depositor and Article XI (except Section 11.07(a)(1) and (2)).

Liquidated Mortgage Loan: With respect to any Distribution Date, a defaulted Mortgage Loan that has been liquidated through deed-in-lieu of foreclosure, foreclosure sale, trustee's sale or other realization as provided by applicable law governing the real property subject to the related Mortgage and any security agreements and as to which the Master Servicer has certified in the related Prepayment Period that it has received all amounts it expects to receive in connection with such liquidation.

Liquidation Proceeds: Amounts, including Insurance Proceeds, received in connection with the partial or complete liquidation of Mortgage Loans, whether through trustee's sale, foreclosure sale or otherwise or amounts received in connection with any condemnation or partial release of a Mortgaged Property and any other proceeds received in connection with an REO Property received in connection with or prior to such Mortgage Loan becoming a Liquidated Mortgage Loan (other than the amount of such net proceeds representing any profit realized by the Master Servicer in connection with the disposition of any such properties and other than amounts paid under the Certificate Insurance Policy), less the sum of related unreimbursed Advances, Servicing Fees and Servicing Advances. For the avoidance of doubt, Liquidation Proceeds shall not include Charged-off Loan Proceeds.

Loan Number and Borrower Identification Mortgage Loan Schedule: With respect to any Subsequent Transfer Date, the Loan Number and Borrower Identification Mortgage Loan Schedule delivered in connection with such Subsequent Transfer Date pursuant to Section 2.01(f). Each Loan Number and Borrower Identification Mortgage Loan Schedule shall contain the information specified in the definition of "Mortgage Loan Schedule" with respect to the Subsequent Mortgage Loans conveyed on such Subsequent Transfer Date, and each Loan Number and Borrower Identification Mortgage Loan Schedule shall be deemed to be included in the Mortgage Loan Schedule.

Loss Coverage Payment: With respect to any Distribution Date on or prior to the Distribution Date on which the Sponsor Loss Coverage Amount is reduced to zero, the amount of Realized Losses on the Covered Loans with respect to which a claim for payment was denied by the Credit Insurer due to an exclusion in the Credit Insurance Policy but for which there are no breaches of the representations and warranties set forth in Section 2.03 with respect to such Covered Loans. Notwithstanding the preceding sentence, with respect to the Distribution Date on which the amount described in the preceding sentence exceeds the Sponsor Loss Coverage

Amount, the Loss Coverage Payment for such Distribution Date shall be the Sponsor Loss Coverage Amount.

Majority Holder: The Holders of Certificates evidencing at least 51% of the Voting Rights allocated to such Class of Certificates.

Master Servicer: Countrywide Home Loans Servicing LP, a Texas limited partnership, and its successors and assigns, in its capacity as master servicer hereunder.

Master Servicer Advance Date: As to any Distribution Date, the Business Day immediately preceding such Distribution Date.

Master Servicer Prepayment Charge Payment Amount: The amounts (i) payable by the Master Servicer in respect of any Prepayment Charges waived other than in accordance with the standard set forth in the first sentence of Section 3.20(a), or (ii) collected from the Master Servicer in respect of a remedy for the breach of the representation made by CHL set forth in Section 3.20(c).

MBIA: MBIA Insurance Corporation, organized and created under the laws of the State of New York, or any successor thereto.

MERS: Mortgage Electronic Registration Systems, Inc., a corporation organized and existing under the laws of the State of Delaware, or any successor thereto.

MERS Mortgage Loan: Any Mortgage Loan registered with MERS on the MERS® System.

MERS® System: The system of recording transfers of mortgages electronically maintained by MERS.

MIN: The Mortgage Identification Number for any MERS Mortgage Loan.

Minimum Auction Amount: With respect to any auction of the Mortgage Loans and any REO Properties pursuant to Section 9.04, the sum of (i) the Termination Price that would be payable by the NIM Insurer if the Optional Termination were exercised in the following calendar month pursuant to Section 9.01 and (ii) all reasonable fees and expenses incurred by the Trustee in connection with any auction conducted pursuant to Section 9.04. For the avoidance of doubt, the Minimum Auction Amount shall result in a final distribution on the Class A Certificates and to the Certificate Insurer that is sufficient (x) to pay such Class A Certificates in full (without the need of any payment by the Certificate Insurer of any Insured Payment) and (y) to pay any amounts due and payable to the Certificate Insurer pursuant to the terms hereof and pursuant to the Insurance and Indemnity Agreement.

Modified Mortgage Loan: As defined in Section 3.12(a).

MOM Loan: Any Mortgage Loan, as to which MERS is acting as mortgagee, solely as nominee for the originator of such Mortgage Loan and its successors and assigns.

Monthly Statement: The statement delivered to the Certificateholders pursuant to Section 4.05.

Moody's: Moody's Investors Service, Inc. and its successors.

Mortgage: The mortgage, deed of trust or other instrument creating a second lien on or second priority ownership interest in an estate in fee simple in real property securing a Mortgage Note.

Mortgage File: The mortgage documents listed in Section 2.01 hereof pertaining to a particular Mortgage Loan and any additional documents delivered to the Trustee to be added to the Mortgage File pursuant to this Agreement.

Mortgage Loan Schedule: The list of Mortgage Loans (as from time to time amended by the Master Servicer to reflect the deletion of Liquidated Mortgage Loans and Deleted Mortgage Loans and the addition of (x) Replacement Mortgage Loans pursuant to the provisions of this Agreement and (y) Subsequent Mortgage Loans pursuant to the provisions of this Agreement and any Subsequent Transfer Agreement) transferred to the Trustee as part of the Trust Fund and from time to time subject to this Agreement, attached hereto as Exhibit F-1, setting forth in the following information with respect to each Mortgage Loan:

- (i) the loan number;
- (ii) [Reserved];
- (iii) the Appraised Value;
- (iv) the Mortgage Rate;
- (v) the maturity date;
- (vi) the original principal balance;
- (vii) the Cut-off Date Principal Balance;
- (viii) the first payment date of the Mortgage Loan;
- (ix) the Scheduled Payment in effect as of the Cut-off Date;
- (x) the Combined Loan-to-Value Ratio at origination;
- (xi) a code indicating whether the residential dwelling at the time of origination was represented to be owner-occupied;
- (xii) a code indicating whether the residential dwelling is either (a) a detached single-family dwelling, (b) a two-family residential property, (c) a three-family residential property, (d) a four-family residential property, (e) planned unit development, (f) a low-rise condominium unit, (g) a high-rise condominium unit or (h) manufactured housing;

- (xiii) the purpose of the Mortgage Loan;
- (xiv) a code indicating if such Mortgage Loan is a Covered Loan and the related Credit Insurance Premium Rate; and
- (xv) a code indicating whether the Mortgage Loan is a CHL Mortgage Loan, a Park Granada Mortgage Loan, a Park Monaco Mortgage Loan or a Park Sienna Mortgage Loan.

Such schedule shall also set forth the total of the amounts described under (vii) above for all of the Mortgage Loans. The Mortgage Loan Schedule shall be deemed to include each Loan Number and Borrower Identification Mortgage Loan Schedule delivered pursuant to Section 2.01(f) and all the related Subsequent Mortgage Loans and Subsequent Mortgage Loan information included therein.

Mortgage Loans: Such of the mortgage loans transferred and assigned to the Trustee pursuant to the provisions hereof and any Subsequent Transfer Agreement as from time to time are held as part of the Trust Fund (including any REO Property), the mortgage loans so held being identified in the Mortgage Loan Schedule, notwithstanding foreclosure or other acquisition of title of the related Mortgaged Property. Any mortgage loan that was intended by the parties hereto to be transferred to the Trust Fund as indicated by such Mortgage Loan Schedule which is in fact not so transferred for any reason, including a breach of the representation contained in Section 2.02 hereof, shall continue to be a Mortgage Loan hereunder until the Purchase Price with respect thereto has been paid to the Trust Fund.

Mortgage Note: The original executed note or other evidence of indebtedness evidencing the indebtedness of a Mortgagor under a Mortgage Loan.

Mortgage Pool: The aggregate of the Mortgage Loans identified in the Mortgage Loan Schedule.

Mortgage Rate: The annual rate of interest borne by a Mortgage Note as set forth in the Mortgage Loan Schedule.

Mortgaged Property: The underlying property securing a Mortgage Loan.

Mortgagor: The obligors on a Mortgage Note.

Net Mortgage Rate: As to each Mortgage Loan, and at any time, the per annum rate equal to the Mortgage Rate less the Servicing Fee Rate.

Net Rate Cap: For each Distribution Date,

(i) with respect to the Class A-1 Certificates, (1) the weighted average Adjusted Net Mortgage Rate of the Mortgage Loans as of the first day of the related Due Period (after giving effect to Principal Prepayments received during the Prepayment Period that ends during such Due Period), less (2) the Certificate Insurance Policy Premium Rate, multiplied by a fraction, the numerator of which

is (a) the aggregate Certificate Principal Balance of the Class A Certificates and the denominator of which is (b) the aggregate Stated Principal Balance of the Mortgage Loans as of the first day of the related Due Period (after giving effect to Principal Prepayments received during the Prepayment Period that ends during such Due Period) plus any amounts on deposit in the Pre-Funding Account as of the first day of that Due Period. The Net Rate Cap for the Class A-1 Certificates shall be adjusted to an effective rate reflecting the calculation of interest on the basis of the actual number of days elapsed during the related Accrual Period and a 360 day year, and

(ii) with respect to the Class A-2 and Class A-3 Certificates, the related Net Rate Cap for the Class A-1 Certificates (adjusted to an effective rate reflecting the calculation of interest on the basis of the actual number of days elapsed during the related Accrual Period and a 360-day year), minus a fraction, expressed as a percentage, the numerator of which is (x) the sum of (1) the Net Swap Payment payable to the Swap Counterparty with respect to such Distribution Date times a fraction, the numerator of which is 360 and the denominator of which is the actual number of days in the related Accrual Period and (2) any Swap Termination Payment payable to the Swap Counterparty for such Distribution Date (other than a Swap Termination Payment due to a Swap Counterparty Trigger Event), and the denominator of which is (y) the aggregate Certificate Principal Balance of the Class A-2 and Class A-3 Certificates immediately prior to such Distribution Date.

Net Rate Carryover: With respect to any Class of Class A Certificates and any Distribution Date, the sum of (A) the excess of (i) the amount of interest that such Class would otherwise have accrued for such Distribution Date had the Pass-Through Rate for such Class and the related Accrual Period not been determined based on the related Net Rate Cap, over (ii) the amount of interest accrued on such Class at the applicable Net Rate Cap for such Distribution Date and (B) the Net Rate Carryover for such Class for all previous Distribution Dates not previously paid pursuant to Section 4.04, together with interest thereon at the then-applicable Pass-Through Rate for such Class, without giving effect to the applicable Net Rate Cap.

Net Swap Payment: With respect to any Distribution Date and payment by the Swap Contract Administrator to the Swap Counterparty, the excess, if any, of the "Fixed Amount" (as defined in the Swap Contract) with respect to such Distribution Date over the "Floating Amount" (as defined in the Swap Contract) with respect to such Distribution Date. With respect to any Distribution Date and payment by the Swap Counterparty to the Swap Contract Administrator, the excess, if any, of the "Floating Amount" (as defined in the Swap Contract) with respect to such Distribution Date over the "Fixed Amount" (as defined in the Swap Contract) with respect to such Distribution Date.

NIM Insurer: Any insurer guarantying at the request of CHL certain payments under notes backed or secured by the Class C and/or Class P Certificates.

Nonrecoverable Advance: Any portion of an Advance previously made or proposed to be made by the Master Servicer that, in the good faith judgment of the Master

Servicer, will not or, in the case of a current delinquency, would not, be ultimately recoverable by the Master Servicer from the related Mortgagor, related Liquidation Proceeds or otherwise. Any unreimbursed Advances made prior to the related Charge-off Date in connection with a Charged-off Mortgage Loan shall be considered Nonrecoverable Advances as of the related Charge-off Date.

Non-United States Person: A Person that is not a citizen or resident of the United States, a corporation, partnership, or other entity (treated as a corporation or a partnership for federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia, an estate whose income from sources without the United States is includible in gross income for United States federal income tax purposes regardless of its connection with the conduct of a trade or business within the United States, or 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 trustor.

OC Floor: An amount equal to 0.50% of the sum of the Initial Cut-off Date Pool Principal Balance and the Pre-Funded Amount.

Officer's Certificate: A certificate (i) in the case of the Depositor, signed by the Chairman of the Board, the Vice Chairman of the Board, the President, a Managing Director, a Vice President (however denominated), an Assistant Vice President, the Treasurer, the Secretary, or one of the Assistant Treasurers or Assistant Secretaries of the Depositor, (ii) in the case of the Master Servicer, signed by the President, an Executive Vice President, a Vice President, an Assistant Vice President, the Treasurer, or one of the Assistant Treasurers or Assistant Secretaries of Countrywide GP, Inc., its general partner, (iii) if provided for in this Agreement, signed by a Servicing Officer, as the case may be, and delivered to the Depositor and the Trustee, as the case may be, as required by this Agreement, or (iv) in the case of any other Person, signed by an authorized officer of such Person.

One-Month LIBOR: With respect to any Accrual Period for the Adjustable Rate Certificates, the rate determined by the Trustee on the related Interest Determination Date on the basis of the rate for U.S. dollar deposits for one month as quoted on the Bloomberg Terminal on such Interest Determination Date. If such rate is not quoted on the Bloomberg Terminal (or if such service is no longer offered, such other service for displaying One-Month LIBOR or comparable rates as may be reasonably selected by the Trustee), One-Month LIBOR for the applicable Accrual Period for the Adjustable Rate Certificates will be the Reference Bank Rate. If no such quotations can be obtained by the Trustee and no Reference Bank Rate is available, One-Month LIBOR will be One-Month LIBOR applicable to the preceding Accrual Period for the Adjustable Rate Certificates.

Opinion of Counsel: A written opinion of counsel, who may be counsel for the Depositor or the Master Servicer, reasonably acceptable to each addressee of such opinion; provided that with respect to Section 6.04 or 10.01, or the interpretation or application of the REMIC Provisions, such counsel must (i) in fact be independent of the Depositor and the Master Servicer, (ii) not have any direct financial interest in the Depositor or the Master Servicer or in any affiliate of either and (iii) not be connected with the Depositor or the Master Servicer as an

officer, employee, promoter, underwriter, trustee, partner, director or person performing similar functions.

Optional Termination: The termination of the Trust Fund provided hereunder pursuant to the purchase of the Mortgage Loans pursuant to clause (a) of the first sentence of Section 9.01 hereof.

Optional Termination Date: The first Distribution Date on which the aggregate Stated Principal Balance of the Mortgage Loans is less than or equal to 10% of the sum of the Initial Cut-off Date Pool Principal Balance and the Pre-Funded Amount.

Original Value: The value of the property underlying a Mortgage Loan based, in the case of the purchase of the underlying Mortgaged Property, on the lower of an appraisal satisfactory to the Master Servicer or the sales price of such property or, in the case of a refinancing, on an appraisal satisfactory to the Master Servicer.

OTS: The Office of Thrift Supervision.

Outstanding: With respect to the Certificates as of any date of determination, all Certificates theretofore executed and authenticated under this Agreement except:

(i) Certificates theretofore canceled by the Trustee or delivered to the Trustee for cancellation; and

(ii) Certificates in exchange for which or in lieu of which other Certificates have been executed and delivered by the Trustee pursuant to this Agreement.

To effectuate the Certificate Insurer's rights of subrogation under Section 4.06 hereof, all Class A Certificates that have been paid with funds provided under the Certificate Insurance Policy shall be Outstanding until the Certificate Insurer has been paid all amounts due to it pursuant to this Agreement and the Insurance and Indemnity Agreement.

Outstanding Mortgage Loan: As of any Distribution Date, a Mortgage Loan with a Stated Principal Balance greater than zero that was not the subject of a Principal Prepayment in full, and that did not become a Liquidated Mortgage Loan, prior to the end of the related Prepayment Period.

Overcollateralization Deficiency Amount: With respect to any Distribution Date, the amount, if any, by which the Overcollateralization Target Amount exceeds the Overcollateralized Amount on such Distribution Date (after giving effect to the distribution of the Principal Distribution Amount (other than the portion thereof consisting of the Extra Principal Distribution Amount) on such Distribution Date).

Overcollateralization Reduction Amount: With respect to any Distribution Date, an amount equal to the lesser of (i) the Excess Overcollateralization Amount for such Distribution Date and (ii) the Principal Remittance Amount for such Distribution Date.

Overcollateralization Target Amount: With respect to any Distribution Date: (1) through the Distribution Date in June 2007, \$0, and (2) beginning with the Distribution Date in July 2007 and (a) prior to the Stepdown Date, an amount equal to 2.10% of the sum of the Initial Cut-off Date Pool Principal Balance and the Pre-Funded Amount and (b) on or after the Stepdown Date, the greater of (i) an amount equal to 4.20% of the aggregate Stated Principal Balance of the Mortgage Loans for that Distribution Date and (ii) the OC Floor, provided, however, that if a Trigger Event is in effect on any Distribution Date, the Overcollateralization Target Amount will be the Overcollateralization Target Amount as in effect for the prior Distribution Date.

Overcollateralized Amount: With respect to any Distribution Date, the amount, if any, by which (x) the sum of the aggregate Stated Principal Balance of the Mortgage Loans for such Distribution Date and any amount on deposit in the Pre-Funding Account exceeds (y) the aggregate Certificate Principal Balance of the Class A Certificates as of such Distribution Date (after giving effect to the distribution of the Principal Remittance Amount on such Distribution Date and, in the case of the Distribution Date immediately following the end of the Funding Period, any amounts to be released from the Pre-Funding Account).

Ownership Interest: As to any Certificate, any ownership interest in such Certificate including any interest in such Certificate as the Holder thereof and any other interest therein, whether direct or indirect, legal or beneficial.

Park Granada: Park Granada LLC, a Delaware limited liability company, and its successors and assigns.

Park Granada Mortgage Loans: The Mortgage Loans identified as such on the Mortgage Loan Schedule for which Park Granada is the applicable Seller.

Park Monaco: Park Monaco Inc., a Delaware corporation, and its successors and assigns.

Park Monaco Mortgage Loans: The Mortgage Loans identified as such on the Mortgage Loan Schedule for which Park Monaco is the applicable Seller.

Park Sienna: Park Sienna LLC, a Delaware limited liability company, and its successors and assigns.

Park Sienna Mortgage Loans: The Mortgage Loans identified as such on the Mortgage Loan Schedule for which Park Sienna is the applicable Seller.

Pass-Through Margin: With respect to any Distribution Date and (1) the Class A-1 Certificates, 0.140% per annum, (2) the Class A-2 Certificates, 0.250% per annum and (3) the Class A-3 Certificates, 0.380% per annum.

Pass-Through Rate: With respect to any Accrual Period and each Class of Interest-Bearing Certificates, the per annum rate set forth or calculated in the manner described in the Preliminary Statement.

Percentage Interest: With respect to any Interest-Bearing Certificate, a fraction, expressed as a percentage, the numerator of which is the Certificate Principal Balance represented by such Certificate and the denominator of which is the aggregate Certificate Principal Balance of the related Class. With respect to the Class C, Class E-P, Class P and Class A-R Certificates, the portion of the Class evidenced thereby, expressed as a percentage, as stated on the face of such Certificate or equal to the percentage obtained by dividing the Denomination of such Certificate by the aggregate of the Denominations of all Certificates of the same Class.

Performance Certification: As defined in Section 11.05.

Permitted Investments: At any time, any one or more of the following obligations and securities:

- (i) obligations of the United States or any agency thereof, provided such obligations are backed by the full faith and credit of the United States;
- (ii) general obligations of or obligations guaranteed by any state of the United States or the District of Columbia receiving the highest long-term debt rating of each Rating Agency, or such lower rating as each Rating Agency has confirmed in writing is sufficient for the ratings originally assigned to the Certificates by such Rating Agency (without regard to the Certificate Insurance Policy, in the case of the Class A Certificates);
- (iii) commercial or finance company paper which is then receiving the highest commercial or finance company paper rating of each Rating Agency, or such lower rating as each Rating Agency has confirmed in writing is sufficient for the ratings originally assigned to the Certificates by such Rating Agency (without regard to the Certificate Insurance Policy, in the case of the Class A Certificates);
- (iv) certificates of deposit, demand or time deposits, or bankers' acceptances issued by any depository institution or trust company incorporated under the laws of the United States or of any state thereof and subject to supervision and examination by federal and/or state banking authorities, provided that the commercial paper and/or long term unsecured debt obligations of such depository institution or trust company (or in the case of the principal depository institution in a holding company system, the commercial paper or long-term unsecured debt obligations of such holding company, but only if Moody's is not a Rating Agency) are then rated one of the two highest long-term and the highest short-term ratings of each such Rating Agency for such securities, or such lower ratings as each Rating Agency has confirmed in writing is sufficient for the ratings originally assigned to the Certificates by such Rating Agency (without regard to the Certificate Insurance Policy, in the case of the Class A Certificates);
- (v) repurchase obligations with respect to any security described in clauses (i) and (ii) above, in either case entered into with a depository institution or trust company (acting as principal) described in clause (iv) above;

(vi) securities (other than stripped bonds, stripped coupons or instruments sold at a purchase price in excess of 115% of the face amount thereof) bearing interest or sold at a discount issued by any corporation incorporated under the laws of the United States or any state thereof which, at the time of such investment, have one of the two highest long term ratings of each Rating Agency (except (x) if the Rating Agency is Moody's, such rating shall be the highest commercial paper rating of S&P for any such securities) and (y), or such lower rating as each Rating Agency has confirmed in writing is sufficient for the ratings originally assigned to the Certificates by such Rating Agency (without regard to the Certificate Insurance Policy, in the case of the Class A Certificates);

(vii) interests in any money market fund which at the date of acquisition of the interests in such fund and throughout the time such interests are held in such fund has the highest applicable long term rating by each Rating Agency or such lower rating as each Rating Agency has confirmed in writing is sufficient for the ratings originally assigned to the Certificates by such Rating Agency (without regard to the Certificate Insurance Policy, in the case of the Class A Certificates);

(viii) short term investment funds sponsored by any trust company or national banking association incorporated under the laws of the United States or any state thereof which on the date of acquisition has been rated by each Rating Agency in their respective highest applicable rating category or such lower rating as each Rating Agency has confirmed in writing is sufficient for the ratings originally assigned to the Certificates by such Rating Agency (without regard to the Certificate Insurance Policy, in the case of the Class A Certificates); and

(ix) such other relatively risk free investments having a specified stated maturity and bearing interest or sold at a discount acceptable to each Rating Agency as will not result in the downgrading or withdrawal of the rating then assigned to the Certificates by any Rating Agency (without regard to the Certificate Insurance Policy, in the case of the Class A Certificates), as evidenced by a signed writing delivered by each Rating Agency, and reasonably acceptable to the NIM Insurer and the Certificate Insurer, as evidenced by a signed writing delivered by the NIM Insurer and the Certificate Insurer;

provided, that no such instrument shall be a Permitted Investment if such instrument (i) evidences the right to receive interest only payments with respect to the obligations underlying such instrument, (ii) is purchased at a premium or (iii) is purchased at a deep discount; provided further that no such instrument shall be a Permitted Investment (A) if such instrument evidences principal and interest payments derived from obligations underlying such instrument and the interest payments with respect to such instrument provide a yield to maturity of greater than 120% of the yield to maturity at par of such underlying obligations, or (B) if it may be redeemed at a price below the purchase price (the foregoing clause (B) not to apply to investments in units of money market funds pursuant to clause (vii) above); provided further that no amount beneficially owned by any REMIC (including, without limitation, any amounts collected by the Master Servicer but not yet deposited in the Certificate Account) may be invested in investments (other than money market funds) treated as equity interests for Federal income tax purposes,

unless the Master Servicer shall receive an Opinion of Counsel, at the expense of Master Servicer, to the effect that such investment will not adversely affect the status of any such REMIC as a REMIC under the Code or result in imposition of a tax on any such REMIC. Permitted Investments that are subject to prepayment or call may not be purchased at a price in excess of par.

Permitted Transferee: Any Person other than (i) the United States, any State or political subdivision thereof, or any agency or instrumentality of any of the foregoing, (ii) a foreign government, International Organization or any agency or instrumentality of either of the foregoing, (iii) an organization (except certain farmers' cooperatives described in section 521 of the Code) that is exempt from tax imposed by Chapter 1 of the Code (including the tax imposed by section 511 of the Code on unrelated business taxable income) on any excess inclusions (as defined in section 860E(c)(1) of the Code) with respect to any Class A-R Certificate, (iv) rural electric and telephone cooperatives described in section 1381(a)(2)(C) of the Code, (v) an "electing large partnership" as defined in section 775 of the Code, (vi) a Person that is not a citizen or resident of the United States, a corporation, partnership, or other entity (treated as a corporation or a partnership for federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia, or an estate whose income from sources without the United States is includible in gross income for United States federal income tax purposes regardless of its connection with the conduct of a trade or business within the United States, or 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 trustor unless such Person has furnished the transferor and the Trustee with a duly completed Internal Revenue Service Form W-8ECI, and (vii) any other Person so designated by the Trustee based upon an Opinion of Counsel that the Transfer of an Ownership Interest in a Class A-R Certificate to such Person may cause any REMIC formed hereunder to fail to qualify as a REMIC at any time that any Certificates are Outstanding. The terms "United States," "State" and "International Organization" shall have the meanings set forth in section 7701 of the Code or successor provisions. A corporation will not be treated as an instrumentality of the United States or of any State or political subdivision thereof for these purposes if all of its activities are subject to tax and, with the exception of the Federal Home Loan Mortgage Corporation, a majority of its board of directors is not selected by such government unit.

Person: Any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization or government, or any agency or political subdivision thereof.

Plan: An "employee benefit plan" as defined in section 3(3) of ERISA that is subject to Title I of ERISA, a "plan" as defined in section 4975 of the Code that is subject to section 4975 of the Code, or any Person investing on behalf of or with plan assets (as defined in 29 CFR §2510.3-101 or otherwise under ERISA) of such an employee benefit plan or plan.

Pool Stated Principal Balance: The aggregate of the Stated Principal Balances of the Mortgage Loans which were Outstanding Mortgage Loans.

Pre-Funded Amount: The amount deposited in the Pre-Funding Account on the Closing Date, which shall equal \$103,872,796.73.

Pre-Funding Account: The separate Eligible Account created and maintained by the Trustee pursuant to Section 3.05 in the name of the Trustee for the benefit of the Certificateholders and the Certificate Insurer and designated "The Bank of New York, in trust for registered holders of CWHEQ, Inc., Home Equity Loan Asset Backed Certificates, Series 2007-S3." Funds in the Pre-Funding Account shall be held in trust for the Certificateholders and the Certificate Insurer for the uses and purposes set forth in this Agreement and shall not be a part of any REMIC created hereunder, provided, however that any investment income earned from Permitted Investments made with funds in the Pre-Funding Account will be for the account of CHL.

Preference Amount: As defined in the Certificate Insurance Policy.

Preference Claim: As defined in Section 4.06(h).

Premium Account: The separate Eligible Account created and maintained by the Trustee pursuant to Section 3.05 in the name of the Trustee for the benefit of the Certificateholders and the Certificate Insurer and designated "The Bank of New York, in trust for registered holders of CWHEQ, Inc., Home Equity Loan Asset Backed Certificates, Series 2007-S3." Funds in the Premium Account shall be held in trust for the Certificateholders and the Certificate Insurer for the uses and purposes set forth in this Agreement.

Prepayment Assumption: The applicable rate of prepayment, as described in the Prospectus Supplement relating to the Certificates.

Prepayment Charge: With respect to any Mortgage Loan, the charges or premiums, if any, due in connection with a full or partial prepayment of such Mortgage Loan within the related Prepayment Charge Period in accordance with the terms thereof (other than any Master Servicer Prepayment Charge Payment Amount).

Prepayment Charge Period: With respect to any Mortgage Loan, the period of time during which a Prepayment Charge may be imposed.

Prepayment Charge Schedule: As of the Initial Cut-off Date with respect to each Initial Mortgage Loan and as of the Subsequent Cut-off Date with respect to each Subsequent Mortgage Loan, a list attached hereto as Schedule I (including the Prepayment Charge Summary attached thereto), setting forth the following information with respect to each Prepayment Charge:

- (i) the Mortgage Loan identifying number;
- (ii) a code indicating the type of Prepayment Charge;
- (iii) the state of origination of the related Mortgage Loan;

- (iv) the date on which the first monthly payment was due on the related Mortgage Loan;
- (v) the term of the related Prepayment Charge; and
- (vi) the principal balance of the related Mortgage Loan as of the Cut-off Date.

As of the Closing Date, the Prepayment Charge Schedule shall contain the necessary information for each Initial Mortgage Loan. The Prepayment Charge Schedule shall be amended by the Master Servicer upon the sale of any Subsequent Mortgage Loans to the Trust Fund. In addition, the Prepayment Charge Schedule shall be amended from time to time by the Master Servicer in accordance with the provisions of this Agreement and a copy of each related amendment shall be furnished by the Master Servicer to the Class P and Class C Certificateholders and the NIM Insurer.

Prepayment Interest Excess: With respect to any Distribution Date, for each Mortgage Loan that was the subject of a Principal Prepayment during the period from the related Due Date to the end of the related Prepayment Period, any payment of interest received in connection therewith (net of any applicable Servicing Fee) representing interest accrued for any portion of such month of receipt.

Prepayment Interest Shortfall: With respect to any Distribution Date, for each Mortgage Loan that was the subject of a partial Principal Prepayment or a Principal Prepayment in full during the period from the beginning of the related Prepayment Period to the Due Date in such Prepayment Period (other than a Principal Prepayment in full resulting from the purchase of a Mortgage Loan pursuant to Section 2.02, 2.03, 2.04, 3.12 or 9.01 hereof) and for each Mortgage Loan that became a Liquidated Mortgage Loan during the related Due Period, the amount, if any, by which (i) one month's interest at the applicable Net Mortgage Rate on the Stated Principal Balance of such Mortgage Loan immediately prior to such prepayment (or liquidation) or in the case of a partial Principal Prepayment on the amount of such prepayment (or Liquidation Proceeds) exceeds (ii) the amount of interest paid or collected in connection with such Principal Prepayment or such Liquidation Proceeds.

Prepayment Period: As to any Distribution Date and related Due Date, the period beginning with the opening of business on the sixteenth day of the calendar month preceding the month in which such Distribution Date occurs (or, with respect to the first Distribution Date, the period beginning with the opening of business on March 2, 2007) and ending on the close of business on the fifteenth day of the month in which such Distribution Date occurs.

Prime Rate: The prime commercial lending rate of The Bank of New York, as publicly announced to be in effect from time to time. The Prime Rate shall be adjusted automatically, without notice, on the effective date of any change in such prime commercial lending rate. The Prime Rate is not necessarily The Bank of New York's lowest rate of interest.

Principal Distribution Amount: With respect to each Distribution Date, the sum of (i) the Principal Remittance Amount for such Distribution Date, less any portion of such amount used to cover any payment due to the Swap Counterparty with respect to such

Distribution Date, (ii) the Extra Principal Distribution Amount for such Distribution Date, and (iii) with respect to the Distribution Date immediately following the end of the Funding Period, the amount, if any, remaining in the Pre-Funding Account at the end of the Funding Period (net of any investment income therefrom), minus (iv) the Overcollateralization Reduction Amount for such Distribution Date.

Principal Prepayment: Any Mortgagor payment or other recovery of (or proceeds with respect to) principal on a Mortgage Loan (including loans purchased or repurchased under Sections 2.02, 2.03, 2.04, 2.07, 3.12 and 9.01 hereof) that is received in advance of its scheduled Due Date to the extent it is not accompanied by an amount as to interest representing scheduled interest due on any date or dates in any month or months subsequent to the month of prepayment. Partial Principal Prepayments shall be applied by the Master Servicer in accordance with the terms of the related Mortgage Note.

Principal Remittance Amount: With respect to any Distribution Date, (a) the sum, without duplication, of: (i) the scheduled principal collected with respect to the Mortgage Loans during the related Due Period or advanced with respect to such Distribution Date, (ii) Principal Prepayments collected in the related Prepayment Period with respect to the Mortgage Loans, (iii) the Stated Principal Balance of each Mortgage Loan that was repurchased by a Seller or purchased by the Master Servicer with respect to such Distribution Date, (iv) the amount, if any, by which the aggregate unpaid principal balance of any Replacement Mortgage Loans delivered by the Sellers in connection with a substitution of a Mortgage Loan is less than the aggregate unpaid principal balance of any Deleted Mortgage Loans, (v) any payments received under the Credit Insurance Policy attributable to principal for the related Due Period, (vi) any Loss Coverage Payment attributable to principal for the related Due Period, and (vii) all Liquidation Proceeds (to the extent such Liquidation Proceeds related to principal) and Subsequent Recoveries collected during the related Due Period; less (b) all Advances relating to principal and certain expenses reimbursable pursuant to Section 6.03 and reimbursed during the related Due Period.

Principal Reserve Fund: The separate Eligible Account created and initially maintained by the Trustee pursuant to Section 3.08 in the name of the Trustee for the benefit of the Certificateholders and designated "The Bank of New York in trust for registered Holders of CWHEQ, Inc., Home Equity Loan Asset Backed Certificates, Series 2007-S3". Funds in the Principal Reserve Fund shall be held in trust for the Certificateholders for the uses and purposes set forth in this Agreement.

Private Certificates: The Class C, Class E-P and Class P Certificates.

Prospectus: The prospectus dated November 15, 2006, relating to asset backed securities to be sold by the Depositor.

Prospectus Supplement: The prospectus supplement dated March 29, 2007, relating to the public offering of the certain Classes of Certificates offered thereby.

PTCE 95-60: As defined in Section 5.02(b).

PUD: A Planned Unit Development.

Purchase Price: With respect to any Mortgage Loan (x) required to be (1) repurchased by a Seller or purchased by the Master Servicer, as applicable, pursuant to Section 2.02, 2.03, 2.07 or 3.12 hereof or (2) repurchased by the Depositor pursuant to Section 2.04 hereof, or (y) that the Master Servicer has a right to purchase pursuant to Section 3.12 hereof, an amount equal to the sum of (i) 100% of the unpaid principal balance (or, if such purchase or repurchase, as the case may be, is effected by the Master Servicer, the Stated Principal Balance (without giving effect to the second sentence of the definition of Stated Principal Balance)) of the Mortgage Loan as of the date of such purchase, (ii) accrued interest thereon at the applicable Mortgage Rate (or, if such purchase or repurchase, as the case may be, is effected by the Master Servicer, at the Net Mortgage Rate) from (a) the date through which interest was last paid by the Mortgagor (or, if such purchase or repurchase, as the case may be, is effected by the Master Servicer, the date through which interest was last advanced by and not reimbursed to the Master Servicer) to (b) the Due Date in the month in which the Purchase Price is to be distributed to Certificateholders and (iii) any costs, expenses and damages incurred by the Trust Fund resulting from any violation of any predatory or abusive lending law in connection with such Mortgage Loan.

Qualified Bidder: With respect to any auction pursuant to Section 9.04, any institution that is a regular purchaser and/or seller in the secondary market of residential mortgage loans as determined by the Trustee (or any advisor on its behalf), in its sole discretion, and any holder of an interest in the Class C Certificates; provided, however, that neither CHL nor any of its affiliates shall constitute a Qualified Bidder.

Rating Agency: Each of Moody's and S&P. If any such organization or its successor is no longer in existence, "Rating Agency" shall be a nationally recognized statistical rating organization, or other comparable Person identified as a "Rating Agency" in the Underwriter's Exemption, designated by the Depositor with the prior written consent of the Certificate Insurer, notice of which designation shall be given to the Trustee. References herein to a given rating category of a Rating Agency shall mean such rating category without giving effect to any modifiers.

Realized Loss: With respect to each Liquidated Mortgage Loan, an amount (not less than zero or more than the Stated Principal Balance of the Mortgage Loan) as of the date of such liquidation, equal to (i) the Stated Principal Balance of such Liquidated Mortgage Loan as of the date of such liquidation, minus (ii) the Liquidation Proceeds, if any, received in connection with such liquidation during the month in which such liquidation occurs, to the extent applied as recoveries of principal of the Liquidated Mortgage Loan. With respect to each Mortgage Loan that has become the subject of a Deficient Valuation, (i) if the value of the related Mortgaged Property was reduced below the principal balance of the related Mortgage Note, the amount by which the value of the Mortgaged Property was reduced below the principal balance of the related Mortgage Note and (ii) if the principal amount due under the related Mortgage Note has been reduced, the difference between the principal balance of the Mortgage Loan outstanding immediately prior to such Deficient Valuation and the principal balance of the Mortgage Loan as reduced by the Deficient Valuation. With respect to each Charged-off Mortgage Loan, the Stated Principal Balance thereof at the time it became a Charged-off Mortgage Loan.

Record Date: With respect to any Distribution Date and the Adjustable-Rate Certificates, the Business Day immediately preceding such Distribution Date, or if such Certificates are no longer Book-Entry Certificates, the last Business Day of the month preceding the month of such Distribution Date. With respect to the Class A-R, Class C, Class E-P and Class P Certificates, the last Business Day of the month preceding the month of a Distribution Date.

Reference Bank Rate: With respect to any Accrual Period, the arithmetic mean (rounded upwards, if necessary, to the nearest whole multiple of 0.03125%) of the offered rates for United States dollar deposits for one month that are quoted by the Reference Banks as of 11:00 a.m., New York City time, on the related Interest Determination Date to prime banks in the London interbank market for a period of one month in amounts approximately equal to the outstanding aggregate Certificate Principal Balance of the Adjustable-Rate Certificates on such Interest Determination Date, provided that at least two such Reference Banks provide such rate. If fewer than two offered rates appear, the Reference Bank Rate will be the arithmetic mean (rounded upwards, if necessary, to the nearest whole multiple of 0.03125%) of the rates quoted by one or more major banks in New York City, selected by the Trustee, 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 Adjustable-Rate Certificates on such Interest Determination Date.

Reference Banks: Barclays Bank PLC, Deutsche Bank and NatWest, N.A., provided that if any of the foregoing banks are not suitable to serve as a Reference Bank, then any leading banks selected by the Trustee which are engaged in transactions in Eurodollar deposits in the international Eurocurrency market (i) with an established place of business in London, England, (ii) not controlling, under the control of or under common control with the Depositor, CHL or the Master Servicer and (iii) which have been designated as such by the Trustee.

Refinancing Mortgage Loan: Any Mortgage Loan originated in connection with the refinancing of an existing mortgage loan.

Regular Certificate: Any Certificate other than the Class A-R Certificates.

Regulation AB: Subpart 229.1100 – Asset Backed Securities (Regulation AB), 17 C.F.R. §§229.1100-229.1123, as such may be amended from time to time, and subject to such clarification and interpretation as have been provided by the Commission in the adopting release (Asset Backed Securities, Securities Act Release No. 33-8518, 70 Fed. Reg. 1,506, 1,531 (Jan. 7, 2005)) or by the staff of the Commission, or as may be provided by the Commission or its staff from time to time and publicly available.

Relief Act: The Servicemembers Civil Relief Act.

REMIC Provisions: Provisions of the federal income tax law relating to real estate mortgage investment conduits which appear at section 860A through 860G of Subchapter M of Chapter 1 of the Code, and related provisions, and regulations and rulings promulgated thereunder, as the foregoing may be in effect from time to time.

Remittance Report: A report prepared by the Master Servicer and delivered to the Trustee and the NIM Insurer in accordance with Section 4.01.

REO Property: A Mortgaged Property acquired by the Master Servicer through foreclosure or deed-in-lieu of foreclosure in connection with a defaulted Mortgage Loan.

Replacement Mortgage Loan: A Mortgage Loan substituted by a Seller for a Deleted Mortgage Loan which must, on the date of such substitution, as confirmed in a Request for File Release, (i) have a Stated Principal Balance, after deduction of the principal portion of the Scheduled Payment due in the month of substitution, not in excess of, and not less than 90% of the Stated Principal Balance of the Deleted Mortgage Loan; (ii) have the same or higher credit quality characteristics than that of the Deleted Mortgage Loan; (iii) be accruing interest at a rate not more than 1% per annum higher or lower than that of the Deleted Mortgage Loan; (iv) have a Combined Loan-to-Value Ratio no higher than that of the Deleted Mortgage Loan; (v) have a remaining term to maturity not greater than (and not more than one year less than) that of the Deleted Mortgage Loan; (vi) not permit conversion of the Mortgage Rate from a fixed rate to a variable rate; (vii) provide for a Prepayment Charge on terms substantially similar to those of the Prepayment Charge, if any, of the Deleted Mortgage Loan; (viii) have the same occupancy type and lien priority as the Deleted Mortgage Loan; and (ix) comply with each representation and warranty set forth in Section 2.03 as of the date of substitution; provided, however, that notwithstanding the foregoing, to the extent that compliance with clause (ix) of this definition would cause a proposed Replacement Mortgage Loan to fail to comply with one or more of clauses (i), (iii), (vii) and/or (viii) of this definition, then such proposed Replacement Mortgage Loan must comply with clause (ix) and need not comply with one or more of clauses (i), (iii), (vii) and/or (viii), to the extent, and only to the extent, necessary to assure that the Replacement Mortgage Loan otherwise complies with clause (ix).

Reportable Event: Any event required to be reported on Form 8-K, and in any event, the following:

- (a) entry into a definitive agreement related to the Trust Fund, the Certificates or the Mortgage Loans, or an amendment to a Transaction Document, even if the Depositor is not a party to such agreement (e.g., a servicing agreement with a servicer contemplated by Item 1108(a)(3) of Regulation AB);
- (b) termination of a Transaction Document (other than by expiration of the agreement on its stated termination date or as a result of all parties completing their obligations under such agreement), even if the Depositor is not a party to such agreement (e.g., a servicing agreement with a servicer contemplated by Item 1108(a)(3) of Regulation AB);
- (c) with respect to the Master Servicer only, if the Master Servicer becomes aware of any bankruptcy or receivership with respect to CHL, the Depositor, the Master Servicer, any Subservicer, the Trustee, the Corridor Contract Counterparty, the Swap Counterparty, any enhancement or support provider contemplated by Items 1114(b) or 1115 of Regulation AB, or any other material party contemplated by Item 1101(d)(1) of Regulation AB;

(d) with respect to the Trustee, the Master Servicer and the Depositor only, the occurrence of an early amortization, performance trigger or other event, including an Event of Default under this Agreement;

(e) any amendment to this Agreement;

(f) the resignation, removal, replacement, substitution of the Master Servicer, any Subservicer, the Trustee or any co-trustee;

(g) with respect to the Master Servicer only, if the Master Servicer becomes aware that (i) any material enhancement or support specified in Item 1114(a)(1) through (3) of Regulation AB or Item 1115 of Regulation AB that was previously applicable regarding one or more classes of the Certificates has terminated other than by expiration of the contract on its stated termination date or as a result of all parties completing their obligations under such agreement; (ii) any material enhancement specified in Item 1114(a)(1) through (3) of Regulation AB or Item 1115 of Regulation AB has been added with respect to one or more classes of the Certificates; or (iii) any existing material enhancement or support specified in Item 1114(a)(1) through (3) of Regulation AB or Item 1115 of Regulation AB with respect to one or more classes of the Certificates has been materially amended or modified; and

(h) with respect to the Trustee, the Master Servicer and the Depositor only, a required distribution to Holders of the Certificates is not made as of the required Distribution Date under this Agreement.

Reporting Subcontractor: With respect to the Master Servicer or the Trustee, any Subcontractor determined by such Person pursuant to Section 11.08(b) to be "participating in the servicing function" within the meaning of Item 1122 of Regulation AB. References to a Reporting Subcontractor shall refer only to the Subcontractor of such Person and shall not refer to Subcontractors generally.

Representing Party: As defined in Section 2.03(f)

Request for Document Release: A Request for Document Release submitted by the Master Servicer to the Trustee, substantially in the form of Exhibit M.

Request for File Release: A Request for File Release submitted by the Master Servicer to the Trustee, substantially in the form of Exhibit N.

Required Carryover Reserve Fund Deposit: With respect to any Distribution Date, an amount equal to the excess of (i) \$1,000 over (ii) the amount of funds on deposit in the Carryover Reserve Fund.

Required Insurance Policy: With respect to any Mortgage Loan, any insurance policy that is required to be maintained from time to time under this Agreement, including with respect to the Covered Loans, the Credit Insurance Policy

Responsible Officer: When used with respect to the Trustee, any Vice President, any Assistant Vice President, the Secretary, any Assistant Secretary, any Trust Officer or any

other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also to whom, with respect to a particular matter, such matter is referred because of such officer's knowledge of and familiarity with the particular subject.

Rolling Sixty-Day Delinquency Rate: With respect to any Distribution Date on or after the Stepdown Date, the average of the Sixty-Day Delinquency Rates for that Distribution Date and the two immediately preceding Distribution Dates.

Rule 144A: Rule 144A under the Securities Act.

Rule 144A Letter: As defined in Section 5.02(b).

S&P: Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. and its successors.

Sarbanes-Oxley Certification: As defined in Section 11.05.

Scheduled Payment: With respect to any Mortgage Loan, the scheduled monthly payment of principal and/or interest due on any Due Date on such Mortgage Loan which is payable by the related Mortgagor from time to time under the related Mortgage Note, determined: (a) after giving effect to (i) any Deficient Valuation and/or Debt Service Reduction with respect to such Mortgage Loan and (ii) any reduction in the amount of interest collectible from the related Mortgagor pursuant to the Relief Act or any similar state or local law; (b) without giving effect to any extension granted or agreed to by the Master Servicer pursuant to Section 3.05(a); and (c) on the assumption that all other amounts, if any, due under such Mortgage Loan are paid when due.

Securities Act: The Securities Act of 1933, as amended.

Seller Interest Shortfall Payment: With respect to any Initial Mortgage Loan that does not have a Scheduled Payment of interest due on or before the Due Date in the month of the first Distribution Date or any Subsequent Mortgage Loan that does not have a Scheduled Payment of interest due on or before the Due Date in the month immediately following the related Subsequent Transfer Date, an amount equal to one month's interest at the related Net Mortgage Rate on the Cut-off Date Principal Balance of that Mortgage Loan.

Sellers: CHL, in its capacity as seller of the CHL Mortgage Loans to the Depositor, Park Granada, in its capacity as seller of the Park Granada Mortgage Loans to the Depositor, Park Monaco, in its capacity as seller of the Park Monaco Mortgage Loans to the Depositor and Park Sienna, in its capacity as seller of the Park Sienna Mortgage Loans to the Depositor.

Servicing Advances: All customary, reasonable and necessary "out of pocket" costs and expenses incurred in the performance by the Master Servicer of its servicing obligations hereunder, including, but not limited to, the cost of (i) the preservation, restoration and protection of a Mortgaged Property, (ii) any enforcement or judicial proceedings, including foreclosures, (iii) the management and liquidation of any REO Property, (iv) auction costs and

expenses in connection with Charged-off Mortgage Loans and (v) compliance with the obligations under Section 3.10.

Servicing Criteria: The "servicing criteria" set forth in Item 1122(d) of Regulation AB.

Servicing Fee: As to each Mortgage Loan and any Distribution Date, an amount equal to one month's interest at the Servicing Fee Rate on the Stated Principal Balance of such Mortgage Loan for the preceding Distribution Date or, in the event of any payment of interest that accompanies a Principal Prepayment in full made by the Mortgagor, interest at the Servicing Fee Rate on the Stated Principal Balance of such Mortgage Loan for the period covered by such payment of interest. The Servicing Fee will not accrue on any Charged-off Mortgage Loan after the related Charge-off Date.

Servicing Fee Rate: With respect to each Mortgage Loan, 0.50% per annum.

Servicing Officer: Any officer of the Master Servicer involved in, or responsible for, the administration and servicing of the Mortgage Loans whose name and facsimile signature appear on a list of servicing officers furnished to the Trustee by the Master Servicer on the Closing Date pursuant to this Agreement, as such list may from time to time be amended.

Sixty-Day Delinquency Rate: With respect to any Distribution Date on or after the Stepdown Date, a fraction, expressed as a percentage, the numerator of which is the aggregate Stated Principal Balance for such Distribution Date of all Mortgage Loans 60 or more days delinquent as of the close of business on the last day of the calendar month preceding such Distribution Date (including Mortgage Loans in foreclosure, bankruptcy and REO Properties) and the denominator of which is the aggregate Stated Principal Balance for such Distribution Date of all Mortgage Loans.

Sponsor Loss Coverage Amount: With respect to any Distribution Date, the amount by which 1.00% of the sum of the aggregate Cut-off Date Principal Balance of the Initial Mortgage Loans and the Pre-Funded Amount exceeds the aggregate amount of Loss Coverage Payments, if any, made prior to such Distribution Date.

Sponsor Loss Coverage Obligation The obligation of CHL described in Section 2.08 with respect to Loss Coverage Payments.

Stated Principal Balance: With respect to any Mortgage Loan or related REO Property (i) as of the Cut-off Date, the unpaid principal balance of the Mortgage Loan as of such date (before any adjustment to the amortization schedule for any moratorium or similar waiver or grace period), after giving effect to any partial prepayments or Liquidation Proceeds received prior to such date and to the payment of principal due on or prior to such date and irrespective of any delinquency in payment by the related Mortgagor, and (ii) as of any other Distribution Date, the Stated Principal Balance of the Mortgage Loan as of its Cut-off Date, minus the sum of (a) the principal portion of the Scheduled Payments (x) due with respect to such Mortgage Loan during each Due Period ending prior to such Distribution Date and (y) that were received by the Master Servicer as of the close of business on the Determination Date related to such Distribution Date or with respect to which Advances were made as of the Master Servicer

Advance Date related to such Distribution Date, (b) all Principal Prepayments with respect to such Mortgage Loan received by the Master Servicer during each Prepayment Period ending prior to such Distribution Date, (c) all Liquidation Proceeds collected with respect to such Mortgage Loan during each Due Period ending prior to such Distribution Date, to the extent applied by the Master Servicer as recoveries of principal in accordance with Section 3.12 and (d) any Realized Loss previously incurred in connection with a Deficient Valuation. The Stated Principal Balance of any Mortgage Loan that becomes a Liquidated Mortgage Loan will be zero on each date following the Due Period in which such Mortgage Loan becomes a Liquidated Mortgage Loan, and the Stated Principal Balance of a Charged-off Mortgage Loan will be zero on the date following the date on which it became a Charged-off Mortgage Loan. References herein to the Stated Principal Balance of the Mortgage Loans at any time shall mean the aggregate Stated Principal Balance of all Mortgage Loans in the Trust Fund as of such time.

Stepdown Date: The later to occur of (i) the Distribution Date in October 2009 and (ii) the first Distribution Date on which the aggregate Stated Principal Balance of the Mortgage Loans for that Distribution Date is less than or equal to 50.00% of the sum of the Initial Cut-off Date Pool Principal Balance and the Pre-Funded Amount.

Subcontractor: Any vendor, subcontractor or other Person that is not responsible for the overall servicing (as "servicing" is commonly understood by participants in the mortgage-backed securities market) of Mortgage Loans but performs one or more discrete functions identified in Item 1122(d) of Regulation AB with respect to the Mortgage Loans under the direction or authority of the Master Servicer or a Subservicer or the Trustee, as the case may be.

Subsequent Certificate Account Deposit: With respect to any Subsequent Transfer Date, an amount equal to the aggregate of all amounts in respect of (i) principal of the related Subsequent Mortgage Loans due after the related Subsequent Cut-off Date and received by the Master Servicer on or before such Subsequent Transfer Date and not applied in computing the Cut-off Date Principal Balance thereof and (ii) interest on the such Subsequent Mortgage Loans due after such Subsequent Cut-off Date and received by the Master Servicer on or before the Subsequent Transfer Date.

Subsequent Cut-off Date: In the case of any Subsequent Mortgage Loan, the later of (x) the first day of the month of the related Subsequent Transfer Date and (y) the date of origination of such Subsequent Mortgage Loan.

Subsequent Mortgage Loan: Any Mortgage Loan conveyed to the Trustee on a Subsequent Transfer Date, and listed on the related Loan Number and Borrower Identification Mortgage Loan Schedule delivered pursuant to Section 2.01(f). When used with respect to a single Subsequent Transfer Date, "Subsequent Mortgage Loan" shall mean a Subsequent Mortgage Loan conveyed to the Trustee on such Subsequent Transfer Date.

Subsequent Recoveries: As to any Distribution Date, with respect to a Liquidated Mortgage Loan that resulted in a Realized Loss in a prior calendar month, unexpected amounts received by the Master Servicer (net of any related expenses permitted to be reimbursed pursuant to Section 3.08 and 3.12) specifically related to such Liquidated Mortgage Loan after the

classification of such Mortgage Loan as a Liquidated Mortgage Loan. Subsequent Recoveries shall not include Charged-off Loan Proceeds.

Subsequent Transfer Agreement: A Subsequent Transfer Agreement substantially in the form of Exhibit P hereto, executed and delivered by the Sellers, the Depositor and the Trustee as provided in Section 2.01(d).

Subsequent Transfer Date: For any Subsequent Transfer Agreement, the "Subsequent Transfer Date" identified in such Subsequent Transfer Agreement; provided, however, the Subsequent Transfer Date for any Subsequent Transfer Agreement must be a Business Day and may not be a date earlier than the date on which the Subsequent Transfer Agreement is executed and delivered by the parties thereto pursuant to Section 2.01(d).

Subsequent Transfer Date Purchase Amount: With respect to any Subsequent Transfer Date, the "Subsequent Transfer Date Purchase Amount" identified in the related Subsequent Transfer Agreement which shall be an estimate of the aggregate Stated Principal Balances of the Subsequent Mortgage Loans identified in such Subsequent Transfer Agreement.

Subsequent Transfer Date Transfer Amount: With respect to any Subsequent Transfer Date, an amount equal to the lesser of (i) the aggregate Stated Principal Balances as of the related Subsequent Cut-off Dates of the Subsequent Mortgage Loans conveyed on such Subsequent Transfer Date, as listed on the related Loan Number and Borrower Identification Mortgage Loan Schedule delivered pursuant to Section 2.01(f) and (ii) the amount on deposit in the Pre-Funding Account.

Subservicer: As defined in Section 3.02(a).

Subservicing Agreement: As defined in Section 3.02(a).

Substitution Adjustment Amount: The meaning ascribed to such term pursuant to Section 2.03(f).

Substitution Amount: With respect to any Mortgage Loan substituted pursuant to Section 2.03(f), the excess of (x) the principal balance of the Mortgage Loan that is substituted for, over (y) the principal balance of the related substitute Mortgage Loan, each balance being determined as of the date of substitution.

Successful Auction: An auction held pursuant to Section 9.04 at which at least three Qualified Bidders submitted bids and at least one of those bids was an Acceptable Bid Amount.

Swap Account: The separate Eligible Account created and initially maintained by the Swap Trustee pursuant to Section 4.09.

Swap Confirmation: The confirmation, reference number CXCWL07S3, with a trade date of March 27, 2007 evidencing a transaction between the Swap Counterparty and CHL relating to the Swap Contract.

Swap Contract: The transaction evidenced by the Swap Confirmation (as assigned to the Swap Contract Administrator pursuant to the Swap Contract Assignment Agreement).

Swap Contract Administration Agreement: The swap contract administration agreement dated as of the Closing Date among CHL, the Trustee and the Swap Contract Administrator.

Swap Contract Administrator: The Bank of New York, in its capacity as swap contract administrator under the Swap Contract Administration Agreement and its successors and assigns.

Swap Contract Assignment Agreement: The Assignment Agreement dated as of the Closing Date among CHL, the Swap Contract Administrator and the Swap Counterparty.

Swap Contract Termination Date: The Distribution Date in March 2014.

Swap Counterparty: Bear Stearns Capital Markets Inc. and its successors.

Swap Counterparty Trigger Event: Either (i) an "Event of Default" under the Swap Contract with respect to which the Swap Counterparty is the sole "Defaulting Party" (as defined in the Swap Contract) or (ii) a "Termination Event" (other than an Illegality or a Tax Event (as such terms are defined in the Swap Contract)) or "Additional Termination Event" under the Swap Contract with respect to which the Swap Counterparty is the sole "Affected Party" (as defined in the Swap Contract).

Swap Reserve Fund: The separate Eligible Account created and initially maintained by the Trustee pursuant to Section 4.09 in the name of the Trustee for the benefit of the Certificateholders and designated "The Bank of New York in trust for registered Holders of CWHEQ, Inc., Asset-Backed Certificates, Series 2007-S3". Funds in the Swap Reserve Fund shall be held in trust for the Certificateholders for the uses and purposes set forth in this Agreement.

Swap Reserve Fund O/C Deficiency Amount: For any Distribution Date, an amount equal to the Overcollateralization Deficiency Amount for such Distribution Date after giving effect to the distribution of the Principal Distribution Amount, Excess Cashflow and the Net Swap Payment, if any, on such Distribution Date.

Swap Termination Payment: The payment payable to either party under the Swap Contract due to an early termination of the Swap Contract.

Swap Trust: The trust fund established by Section 4.09.

Swap Trustee: The Bank of New York, a New York banking corporation, not in its individual capacity, but solely in its capacity as trustee of the Swap Trust for the benefit of the Holders of the Class A Certificates under this Agreement, and any successor thereto, and any corporation or national banking association resulting from or surviving any consolidation or

merger to which it or its successors may be a party and any successor trustee as may from time to time be serving as successor trustee hereunder.

Tax Matters Person: The person designated as "tax matters person" in the manner provided under Treasury regulation § 1.860F-4(d) and Treasury regulation § 301.6231(a)(7)-1. Initially, this person shall be the Trustee.

Tax Matters Person Certificate: The Class A-R Certificate with a Denomination of \$0.05 and in the form of Exhibit E hereto.

Terminator: As defined in Section 9.01.

Termination Price: As defined in Section 9.01.

Transaction Documents: This Agreement, the Corridor Contract, the Corridor Contract Administration Agreement, the Credit Insurance Policy, the Swap Contract, the Swap Contract Administration Agreement, the Certificate Insurance Policy, the Insurance and Indemnity Agreement and any other document or agreement entered into in connection with the Trust Fund, the Certificates or the Mortgage Loans.

Transfer: Any direct or indirect transfer or sale of any Ownership Interest in a Certificate.

Transfer Affidavit: As defined in Section 5.02(c).

Transferor Certificate: As defined in Section 5.02(b).

Trigger Event: With respect to any Distribution Date on or after the Stepdown Date, either a Delinquency Trigger Event or a Cumulative Loss Trigger Event is in effect with respect to that Distribution Date.

Trust Fund: The corpus of the trust created hereunder consisting of (i) the Mortgage Loans and all interest and principal received on or with respect thereto after the Cut-off Date to the extent not applied in computing the Cut-off Date Principal Balance thereof, exclusive of interest not required to be deposited in the Certificate Account pursuant to Section 3.05(b)(2); (ii) the Certificate Account, the Distribution Account, the Principal Reserve Fund, the Carryover Reserve Fund, the Pre-Funding Account, the Capitalized Interest Account, the Premium Account and all amounts deposited therein pursuant to the applicable provisions of this Agreement; (iii) the rights to receive certain proceeds of the Corridor Contract as provided in the Corridor Contract Administration Agreement; (iv) property that secured a Mortgage Loan and has been acquired by foreclosure, deed in lieu of foreclosure or otherwise; (v) the mortgagee's rights under the Insurance Policies with respect to the Mortgage Loan; (vi) rights under the Credit Insurance Policy; (vii) the rights of the Trustee for the benefit of the Class A Certificateholders under the Certificate Insurance Policy; and (viii) all proceeds of the conversion, voluntary or involuntary, of any of the foregoing into cash or other liquid property.

Trustee: The Bank of New York, a New York banking corporation, not in its individual capacity, but solely in its capacity as trustee for the benefit of the Certificateholders

and the Certificate Insurer under this Agreement, and any successor thereto, and any corporation or national banking association resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor trustee as may from time to time be serving as successor trustee hereunder.

Trustee Advance Notice: As defined in Section 4.01(d).

Trustee Advance Rate: With respect to any Advance made by the Trustee pursuant to Section 4.01(d), a per annum rate of interest determined as of the date of such Advance equal to the Prime Rate in effect on such date plus 5.00%.

Trustee Fee: As to any Distribution Date, an amount equal to one-twelfth of the Trustee Fee Rate multiplied by the sum of (i) the Pool Stated Principal Balance and (ii) any amounts remaining in the Pre-Funding Account (excluding any investment earnings thereon) with respect to such Distribution Date.

Trustee Fee Rate: With respect to each Mortgage Loan, the per annum rate agreed upon in writing on or prior to the Closing Date by the Trustee and the Depositor, which is 0.009% per annum.

Underwriter's Exemption: Prohibited Transaction Exemption 2002-41, 67 Fed. Reg. 54487 (2002), as amended (or any successor thereto), or any substantially similar administrative exemption granted by the U.S. Department of Labor.

Underwriters: Countrywide Securities Corporation and Greenwich Capital Markets, Inc.

Unpaid Realized Loss Amount: For any Class of Certificates and any Distribution Date, (x) the portion of the aggregate Applied Realized Loss Amount allocated to that Class and remaining unpaid (in the case of any Class of Class A Certificates, without regard to any payment made by the Certificate Insurer in respect of that Class under the Certificate Insurance Policy) *minus* (y) the sum of (1) the Charged-off Loan Proceeds distributed in respect of such Class of Certificates on any prior Distribution Date pursuant to Section 4.04(c), (2) amounts on deposit in the Premium Account distributed in respect of such Class of Certificates on any prior Distribution Date pursuant to Section 4.04(k)(iv), (3) Excess Cashflow distributed in respect of such Class of Certificates on any prior Distribution Date pursuant to Section 4.04(d)(2) and (4) either (a) any increase in the Certificate Principal Balance of that Class due to the allocation of Subsequent Recoveries to the Certificate Principal Balance of that Class pursuant to Section 4.04(j) or (b) in the case of any Class of Class A Certificates, the amount of any Subsequent Recovery paid to the Certificate Insurer in respect of that Class.

Voting Rights: The voting rights of all the Certificates that are allocated to any Certificates for purposes of the voting provisions hereunder. Voting Rights allocated to each Class of Certificates shall be allocated 96% to the Certificates other than the Class A-R, Class C, Class E-P and Class P Certificates (with the allocation among the Certificates to be in proportion to the Certificate Principal Balance of each Class relative to the Certificate Principal Balance of all other such Classes), and 1% to each of the Class A-R, Class C, Class E-P and Class P Certificates. Voting Rights will be allocated among the Certificates of each such Class in

accordance with their respective Percentage Interests. Notwithstanding any of the foregoing, on any date on which any Class A Certificates are outstanding or any amounts are owed the Certificate Insurer under this Agreement, unless a Certificate Insurer Default shall have occurred and be continuing, the Certificate Insurer will be entitled to exercise the Voting Rights of the Class A Certificateholders, without the consent of the Class A Certificateholders, and the Class A Certificateholders may exercise such rights only with the prior written consent of the Certificate Insurer.

Winning Bidder: With respect to a Successful Auction, the Qualified Bidder that bids the highest price.

Section 1.02 Certain Interpretive Provisions.

All terms defined in this Agreement shall have the defined meanings when used in any certificate, agreement or other document delivered pursuant hereto unless otherwise defined therein. For purposes of this Agreement and all such certificates and other documents, unless the context otherwise requires: (a) accounting terms not otherwise defined in this Agreement, and accounting terms partly defined in this Agreement to the extent not defined, shall have the respective meanings given to them under generally accepted accounting principles; (b) the words "hereof," "herein" and "hereunder" and words of similar import refer to this Agreement (or the certificate, agreement or other document in which they are used) as a whole and not to any particular provision of this Agreement (or such certificate, agreement or document); (c) references to any Section, Schedule or Exhibit are references to Sections, Schedules and Exhibits in or to this Agreement, and references to any paragraph, subsection, clause or other subdivision within any Section or definition refer to such paragraph, subsection, clause or other subdivision of such Section or definition; (d) the term "including" means "including without limitation"; (e) references to any law or regulation refer to that law or regulation as amended from time to time and include any successor law or regulation; (f) references to any agreement refer to that agreement as amended from time to time; (g) references to any Person include that Person's permitted successors and assigns; and (h) a Mortgage Loan is "30 days delinquent" if a Scheduled Payment has not been received by the close of business on the Due Date on which the next Scheduled Payment is due. Similarly for "60 days delinquent," "90 days delinquent" and so on.

ARTICLE II. CONVEYANCE OF MORTGAGE LOANS; REPRESENTATIONS AND WARRANTIES

Section 2.01 Conveyance of Mortgage Loans.

(a) Each Seller hereby sells, transfers, assigns, sets over and otherwise conveys to the Depositor, without recourse, all the right, title and interest of such Seller in and to the applicable Initial Mortgage Loans, including all interest and principal received and receivable by such Seller on or with respect to applicable Initial Mortgage Loans after the Initial Cut-off Date (to the extent not applied in computing the Cut-off Date Principal Balance thereof) or

deposited into the Certificate Account by the Master Servicer on behalf of such Seller as part of the Initial Certificate Account Deposit as provided in this Agreement, other than principal due on the applicable Initial Mortgage Loans on or prior to the Initial Cut-off Date and interest accruing prior to the Initial Cut-off Date. The Master Servicer confirms that, on behalf of the Sellers, concurrently with the transfer and assignment, it has deposited into the Certificate Account the Initial Certificate Account Deposit.

Immediately upon the conveyance of the Initial Mortgage Loans referred to in the preceding paragraph, the Depositor (i) sells, transfers, assigns, sets over and otherwise conveys to the Trustee for benefit of the Certificateholders and the Certificate Insurer, without recourse, all right title and interest in the Initial Mortgage Loans, (ii) causes the Certificate Insurer to deliver the Certificate Insurance Policy to the Trustee and (iii) causes the Credit Insurer to deliver the Credit Insurance Policy to the Trustee.

CHL further agrees (x) to cause The Bank of New York to enter into the Corridor Contract Administration Agreement as Corridor Contract Administrator and (y) to assign all of its right, title and interest in and to the interest rate corridor transaction evidenced by each Confirmation, and to cause all of its obligations in respect of such transaction to be assumed by, the Corridor Contract Administrator, on the terms and conditions set forth in the Corridor Contract Assignment Agreement.

In addition, CHL further agrees (x) to cause The Bank of New York to enter into the Swap Contract Administration Agreement as Swap Contract Administrator and (y) to assign all of its right, title and interest in and to the interest rate swap transaction evidenced by the Swap Confirmation, and to cause all of its obligations in respect of such transaction to be assumed by, the Swap Contract Administrator, on the terms and conditions set forth in the Swap Contract Assignment Agreement.

(b) Subject to the execution and delivery of the related Subsequent Transfer Agreement as provided by Section 2.01(d) and the terms and conditions of this Agreement, each Seller sells, transfers, assigns, sets over and otherwise conveys to the Depositor, without recourse, on each Subsequent Transfer Date, all the right, title and interest of such Seller in and to the related Subsequent Mortgage Loans, including all interest and principal received and receivable by such Seller on or with respect to such Subsequent Mortgage Loans after the related Subsequent Cut-off Date (to the extent not applied in computing the Cut-off Date Principal Balance thereof) or deposited into the Certificate Account by the Master Servicer on behalf of such Seller as part of any related Subsequent Certificate Account Deposit as provided in this Agreement, other than principal due on such Subsequent Mortgage Loans on or prior to the related Subsequent Cut-off Date and interest accruing prior to the related Subsequent Cut-off Date.

Immediately upon the conveyance of the Subsequent Mortgage Loans referred to in the preceding paragraph, the Depositor sells, transfers, assigns, sets over and otherwise conveys to the Trustee for benefit of the Certificateholders and the Certificate Insurer, without recourse, all right title and interest in the Subsequent Mortgage Loans.

(c) Each Seller has entered into this Agreement in consideration for the purchase of the Mortgage Loans by the Depositor and has agreed to take the actions specified herein. The Depositor, concurrently with the execution and delivery of this Agreement, hereby sells, transfers, assigns and otherwise conveys to the Trustee for the use and benefit of the Certificateholders and the Certificate Insurer, without recourse, all right title and interest in the portion of the Trust Fund not otherwise conveyed to the Trustee pursuant to Section 2.01(a) or (b).

(d) On any Business Day during the Funding Period designated by CHL to the Trustee, the Sellers, the Depositor and the Trustee shall complete, execute and deliver a Subsequent Transfer Agreement. After the execution and delivery of such Subsequent Transfer Agreement, on the Subsequent Transfer Date, the Trustee shall set aside in the Pre-Funding Account an amount equal to the related Subsequent Transfer Date Purchase Amount.

(e) The transfer of Subsequent Mortgage Loans on the Subsequent Transfer Date is subject to the satisfaction of each of the following conditions:

(1) the Trustee, the Underwriters and the Certificate Insurer will be provided Opinions of Counsel addressed to the Rating Agencies and the Certificate Insurer as with respect to the sale of the Subsequent Mortgage Loans conveyed on such Subsequent Transfer Date (such opinions being substantially similar to the opinions delivered on the Closing Date to the Rating Agencies and the Certificate Insurer with respect to the sale of the Initial Mortgage Loans on the Closing Date), to be delivered as provided in Section 2.01(f);

(2) the execution and delivery of such Subsequent Transfer Agreement or conveyance of the related Subsequent Mortgage Loans does not result in a reduction or withdrawal of any ratings assigned to the Certificates by the Rating Agencies (without regard to the Certificate Insurance Policy, in the case of the Class A Certificates);

(3) the Depositor shall deliver to the Trustee an Officer's Certificate confirming the satisfaction of each of the conditions set forth in this Section 2.01(e) required to be satisfied by such Subsequent Transfer Date;

(4) each Subsequent Mortgage Loan conveyed on such Subsequent Transfer Date satisfies the representations and warranties applicable to it under this Agreement, provided, however, that with respect to a breach of a representation and warranty with respect to a Subsequent Mortgage Loan set forth in this clause (4), the obligation under Section 2.03(f) of this Agreement of the applicable Seller, to cure, repurchase or replace such Subsequent Mortgage Loan shall constitute the sole remedy against such Seller respecting such breach available to Certificateholders, the Depositor, the Certificate Insurer or the Trustee;

(5) the Subsequent Mortgage Loans conveyed on such Subsequent Transfer Date were selected in a manner reasonably believed not to be adverse to the interests of the Certificateholders or the Certificate Insurer;

(6) no Subsequent Mortgage Loan conveyed on such Subsequent Transfer Date was 30 or more days delinquent as of the related Cut-off Date;

(7) following the conveyance of the Subsequent Mortgage Loans on such Subsequent Transfer Date, the characteristics of the Mortgage Loans will not vary by more than the amount specified below from the characteristics listed below; provided that for the purpose of making such calculations, the characteristics for any Initial Mortgage Loan made will be taken as of the Initial Cut-off Date and the characteristics for any Subsequent Mortgage Loans will be taken as of the Subsequent Cut-off Date;

<u>Characteristic</u>	<u>Value</u>	<u>Permitted Variance or Range</u>
Average Stated Principal Balance.....	\$46,179	± 5.00%
Weighted Average Mortgage Rate.....	8.670%	± 0.10%
Weighted Average Original Combined Loan-to-Value Ratio	90.72%	± 3.00%
Weighted Average Remaining Term to Maturity	228 months	±3 months
Weighted Average FICO Score	721 points	±5 points

(8) none of the Sellers or the Depositor is insolvent and neither of the Sellers nor the Depositor will be rendered insolvent by the conveyance of Subsequent Mortgage Loans on such Subsequent Transfer Date; and

(9) the Trustee, the Underwriters and the Certificate Insurer will be provided with an Opinion of Counsel, which Opinion of Counsel shall not be at the expense of either the Trustee or the Trust Fund, addressed to the Trustee and the Certificate Insurer, to the effect that such purchase of Subsequent Mortgage Loans will not (i) result in the imposition of the tax on "prohibited transactions" on the Trust Fund or contributions after the Startup Date, as defined in Sections 860F(a)(2) and 860G(d) of the Code, respectively or (ii) cause any REMIC formed hereunder to fail to qualify as a REMIC, such opinion to be delivered as provided in Section 2.01(f).

The Trustee shall not be required to investigate or otherwise verify compliance with these conditions, except for its own receipt of documents specified above, and shall be entitled to rely on the required Officer's Certificate.

(f) Within six Business Days after each Subsequent Transfer Date, upon (1) delivery to the Trustee and the Certificate Insurer by the Depositor of the Opinions of Counsel referred to in Section 2.01(e)(1) and (e)(9), (2) delivery to the Trustee by CHL (on behalf of each Seller) of a Loan Number and Borrower Identification Mortgage Loan Schedule reflecting the Subsequent Mortgage Loans conveyed on such Subsequent Transfer Date, (3) deposit in the Certificate Account by the Master Servicer on behalf of the Sellers of the applicable Subsequent Certificate Account Deposit, and (4) delivery to the Trustee by the Depositor of an Officer's Certificate confirming the satisfaction of each of the conditions precedent set forth in this Section 2.01(f), the Trustee shall pay the applicable Seller the Subsequent Transfer Date Transfer Amount from such funds that were set aside in the Pre-Funding Account pursuant to Section

2.01(d). The positive difference, if any, between the Subsequent Transfer Date Transfer Amount and the Subsequent Transfer Date Purchase Amount shall be re-invested by the Trustee in the Pre-Funding Account.

The Trustee shall not be required to investigate or otherwise verify compliance with the conditions set forth in the preceding paragraph, except for its own receipt of documents specified above, and shall be entitled to rely on the required Officer's Certificate.

Within thirty days after each Subsequent Transfer Date, the Depositor shall deliver to the Trustee and the Certificate Insurer a letter of a nationally recognized firm of independent public accountants stating whether or not the Subsequent Mortgage Loans conveyed on such Subsequent Transfer Date conform to the characteristics described in Section 2.01(e)(6) and (7). Promptly after the end of the Funding Period, the Master Servicer shall deliver to the Certificate Insurer a final data tape which includes all Mortgage Loans as of the end of the Funding Period. Such data tape shall be in a format and contain the information provided to the Certificate Insurer with respect to the Initial Mortgage Loans.

(g) In connection with the transfer and assignment of each Mortgage Loan, the Depositor has delivered to, and deposited with, the Trustee (or, in the case of the Delay Delivery Mortgage Loans, will deliver to, and deposit with, the Trustee within the time periods specified in the definition of Delay Delivery Mortgage Loans) (except as provided in clause (vi) below) for the benefit of the Certificateholders and the Certificate Insurer, the following documents or instruments with respect to each such Mortgage Loan so assigned (with respect to each Mortgage Loan, clause (i) through (vi) below, together, the "Mortgage File" for each such Mortgage Loan):

(i) the original Mortgage Note, endorsed by manual or facsimile signature in blank in the following form: "Pay to the order of _____ without recourse", with all intervening endorsements that show a complete chain of endorsement from the originator to the Person endorsing the Mortgage Note (each such endorsement being sufficient to transfer all right, title and interest of the party so endorsing, as noteholder or assignee thereof, in and to that Mortgage Note), or, if the original Mortgage Note has been lost or destroyed and not replaced, an original lost note affidavit, stating that the original Mortgage Note was lost or destroyed, together with a copy of the related Mortgage Note and all such intervening endorsements;

(ii) in the case of each Mortgage Loan that is not a MERS Mortgage Loan, the original recorded Mortgage or a copy of such Mortgage, with recording information, and in the case of each MERS Mortgage Loan, the original Mortgage or a copy of such Mortgage, with recording information, 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 certified by the public recording office in which such Mortgage has been recorded;

(iii) in the case of each Mortgage Loan that is not a MERS Mortgage Loan, a duly executed assignment of the Mortgage to "Home Equity Loan Asset Backed Certificates, Series 2007-S3, CWHEQ, Inc., by The Bank of New York, a New York banking corporation, as trustee under the Pooling and Servicing Agreement dated as of March 1, 2007, without recourse" or a copy of such assignment, with recording information, (each such assignment, when duly and validly completed, to be in recordable form and sufficient to effect the assignment of and transfer to the assignee thereof, under the Mortgage to which such assignment relates);

(iv) the original recorded assignment or assignments of the Mortgage or a copy of such assignments, with recording information, together with all interim recorded assignments of such Mortgage or a copy of such assignments, with recording information (in each case noting the presence of a MIN in the case of each MERS Mortgage Loan);

(v) the original or copies of each assumption, modification, written assurance or substitution agreement, if any; and

(vi) the original or duplicate original lender's title policy or a copy of lender's title policy or a printout of the electronic equivalent and all riders thereto or, in the event such original title policy has not been received from the insurer, such original or duplicate original lender's title policy and all riders thereto shall be delivered within one year of the Closing Date.

In addition, in connection with the assignment of any MERS Mortgage Loan, each Seller agrees that it will cause, at such Seller's own expense, the MERS® System to indicate (and provide evidence to the Trustee that it has done so) that such Mortgage Loans have been assigned by such Seller to the Trustee in accordance with this Agreement for the benefit of the Certificateholders and the Certificate Insurer 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 "[IDENTIFY TRUSTEE SPECIFIC CODE]" in the field "[IDENTIFY THE FIELD NAME FOR TRUSTEE]" which identifies the Trustee and (b) the code "[IDENTIFY SERIES SPECIFIC CODE NUMBER]" in the field "Pool Field" which identifies the series of the Certificates issued in connection with such Mortgage Loans. The Sellers further agree that they 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.

In the event that in connection with any Mortgage Loan that is not a MERS Mortgage Loan a Seller cannot deliver the original recorded Mortgage or all interim recorded assignments of the Mortgage satisfying the requirements of clause (ii), (iii) or (iv) concurrently with the execution and delivery hereof, such Seller shall deliver or cause to be delivered to the Trustee a true copy of such Mortgage and of each such undelivered interim assignment of the Mortgage each certified by such Seller, the applicable title company, escrow agent or attorney, or the originator of such Mortgage, as the case may be, to be a true and complete copy of the

original Mortgage or assignment of Mortgage submitted for recording. For any such Mortgage Loan that is not a MERS Mortgage Loan each Seller shall promptly deliver or cause to be delivered to the Trustee such original Mortgage and such assignment or assignments with evidence of recording indicated thereon upon receipt thereof from the public recording official, or a copy thereof, certified, if appropriate, by the relevant recording office, but in no event shall any such delivery be made later than 270 days following the Closing Date; provided that in the event that by such date such Seller is unable to deliver or cause to be delivered each such Mortgage and each interim assignment by reason of the fact that any such documents have not been returned by the appropriate recording office, or, in the case of each interim assignment, because the related Mortgage has not been returned by the appropriate recording office, such Seller shall deliver or cause to be delivered such documents to the Trustee as promptly as possible upon receipt thereof. If the public recording office in which a Mortgage or interim assignment thereof is recorded retains the original of such Mortgage or assignment, a copy of the original Mortgage or assignment so retained, with evidence of recording thereon, certified to be true and complete by such recording office, shall satisfy a Seller's obligations in Section 2.01. If any document submitted for recording pursuant to this Agreement is (x) lost prior to recording or rejected by the applicable recording office, the applicable Seller shall immediately prepare or cause to be prepared a substitute and submit it for recording, and shall deliver copies and originals thereof in accordance with the foregoing or (y) lost after recording, the applicable Seller shall deliver to the Trustee a copy of such document certified by the applicable public recording office to be a true and complete copy of the original recorded document. Each Seller shall promptly forward or cause to be forwarded to the Trustee (x) from time to time additional original documents evidencing an assumption or modification of a Mortgage Loan and (y) any other documents required to be delivered by the Depositor or the Master Servicer to the Trustee within the time periods specified in this Section 2.01.

With respect to each Mortgage Loan other than a MERS Mortgage Loan as to which the related Mortgaged Property and Mortgage File are located in any jurisdiction under the laws of which the recordation of the assignment specified in clause (iii) above is not necessary to protect the Trustee's, the Certificate Insurer's and the Certificateholders' interest in the related Mortgage Loan, as evidenced by an Opinion of Counsel delivered by CHL to the Trustee and the Certificate Insurer within 90 days of the Closing Date (which opinion may be in the form of a "survey" opinion and is not required to be delivered by counsel admitted to practice law in the jurisdiction as to which such opinion applies), in lieu of recording the assignment specified in clause (iii) above, the applicable Seller may deliver an unrecorded assignment in blank, in form otherwise suitable for recording to the Trustee; provided that if the related Mortgage has not been returned from the applicable public recording office, such assignment, or any copy thereof, of the Mortgage may exclude the information to be provided by the recording office. As to any Mortgage Loan other than a MERS Mortgage Loan, the procedures of the preceding sentence shall be applicable only so long as the related Mortgage File is maintained in the possession of the Trustee in the State or jurisdiction described in such sentence. In the event that with respect to Mortgage Loans other than MERS Mortgage Loans (I) any Seller, the Depositor, the Master Servicer, the Certificate Insurer or the NIM Insurer gives written notice to the Trustee that recording is required to protect the right, title and interest of the Trustee on behalf of the Certificateholders in and to any Mortgage Loan, (II) a court recharacterizes any sale of the Mortgage Loans as a financing, or (III) as a result of any change in or amendment to the laws of the State or jurisdiction described in the first sentence of this paragraph or any applicable

political subdivision thereof, or any change in official position regarding application or interpretation of such laws, including a holding by a court of competent jurisdiction, such recording is so required, the Trustee shall complete the assignment in the manner specified in clause (iii) above and CHL shall submit or cause to be submitted for recording as specified above or, should CHL fail to perform such obligations, the Trustee shall cause the Master Servicer, at the Master Servicer's expense, to cause each such previously unrecorded assignment to be submitted for recording as specified above. In the event a Mortgage File is released to the Master Servicer as a result of the Master Servicer's having completed a Request for Document Release, the Trustee shall complete the assignment of the related Mortgage in the manner specified in clause (iii) above.

The Trustee or its agent shall maintain possession of the Mortgage Files in the State of California and shall not remove the Mortgage Files from the State of California. In the event that a Seller fails to record an assignment of a Mortgage Loan as herein provided within 90 days of notice of an event set forth in clause (I), (II) or (III) of the preceding paragraph, the Master Servicer shall prepare and, if required hereunder, file such assignments for recordation in the appropriate real property or other records office. Each Seller hereby appoints the Master Servicer (and any successor servicer hereunder) as its attorney-in-fact with full power and authority acting in its stead for the purpose of such preparation, execution and filing.

In the case of Mortgage Loans that become the subject of a Principal Prepayment between the Closing Date (in the case of Initial Mortgage Loans) or related Subsequent Transfer Date (in the case of Subsequent Mortgage Loans) and the Cut-off Date, CHL shall deposit or cause to be deposited in the Certificate Account the amount required to be deposited therein with respect to such payment pursuant to Section 3.05 hereof.

Notwithstanding anything to the contrary in this Agreement, within thirty days after the Closing Date (in the case of Initial Mortgage Loans) or within twenty days after the related Subsequent Transfer Date (in the case of Subsequent Mortgage Loans), CHL (on behalf of each Seller) shall either (i) deliver to the Trustee the Mortgage File as required pursuant to this Section 2.01 for each Delay Delivery Mortgage Loan or (ii) (A) repurchase the Delay Delivery Mortgage Loan or (B) substitute the Delay Delivery Mortgage Loan for a Replacement Mortgage Loan, which repurchase or substitution shall be accomplished in the manner and subject to the conditions set forth in Section 2.03, provided that if CHL fails to deliver a Mortgage File for any Delay Delivery Mortgage Loan within the period provided in the prior sentence, the cure period provided for in Section 2.02 or in Section 2.03 shall not apply to the initial delivery of the Mortgage File for such Delay Delivery Mortgage Loan, but rather CHL shall have five (5) Business Days to cure such failure to deliver. CHL shall promptly provide each Rating Agency and the Certificate Insurer with written notice of any cure, repurchase or substitution made pursuant to the proviso of the preceding sentence. On or before the thirtieth (30th) day (or if such thirtieth day is not a Business Day, the succeeding Business Day) after the Closing Date (in the case of Initial Mortgage Loans) or within twenty days after the related Subsequent Transfer Date (in the case of Subsequent Mortgage Loans), the Trustee shall, in accordance with the provisions of Section 2.02, send a Delay Delivery Certification substantially in the form annexed hereto as Exhibit G-3 (with any applicable exceptions noted thereon) for all Delay Delivery Mortgage Loans delivered within thirty (30) days after such date. The Trustee will promptly send a copy of such Delay Delivery Certification to each Rating Agency and the Certificate Insurer.

Each Seller has entered into this Agreement in consideration for the purchase of the Mortgage Loans sold by such Seller to the Depositor and has agreed to take the actions specified herein. The Depositor, concurrently with the execution and delivery of this Agreement, hereby sells, transfers, assigns and otherwise conveys to the Trustee for the use and benefit of the Certificateholders and the Certificate Insurer, without recourse, all right title and interest in the portion of the Trust Fund not otherwise conveyed to the Trust Fund pursuant to Sections 2.01(a) or (b).

Section 2.02 Acceptance by Trustee of the Mortgage Loans.

(a) The Trustee acknowledges receipt, subject to the limitations contained in and any exceptions noted in the Initial Certification in the form annexed hereto as Exhibit G-1 and in the list of exceptions attached thereto, of the documents referred to in clauses (i) and (iii) of Section 2.01(g) above with respect to the Initial Mortgage Loans and all other assets included in the Trust Fund and declares that it holds and will hold such documents and the other documents delivered to it constituting the Mortgage Files, and that it holds or will hold such other assets included in the Trust Fund, in trust for the exclusive use and benefit of all present and future Certificateholders and the Certificate Insurer.

The Trustee agrees to execute and deliver on the Closing Date to the Depositor, the Master Servicer, CHL (on behalf of each Seller) and the Certificate Insurer, an Initial Certification substantially in the form annexed hereto as Exhibit G-1 to the effect that, as to each Initial Mortgage Loan listed in the Mortgage Loan Schedule (other than any Initial Mortgage Loan paid in full or any Initial Mortgage Loan specifically identified in such certification as not covered by such certification), the documents described in Section 2.01(g)(i) and, in the case of each Initial Mortgage Loan that is not a MERS Mortgage Loan, the documents described in Section 2.01(g)(iii) with respect to such Initial Mortgage Loans as are in the Trustee's possession and based on its review and examination and only as to the foregoing documents, such documents appear regular on their face and relate to such Initial Mortgage Loan. The Trustee agrees to execute and deliver within 30 days after the Closing Date to the Depositor, the Master Servicer, CHL (on behalf of each Seller) and the Certificate Insurer, an Interim Certification substantially in the form annexed hereto as Exhibit G-2 to the effect that, as to each Initial Mortgage Loan listed in the Mortgage Loan Schedule (other than any Initial Mortgage Loan paid in full or any Initial Mortgage Loan specifically identified in such certification as not covered by such certification) all documents required to be delivered to the Trustee pursuant to the Agreement with respect to such Initial Mortgage Loans are in its possession (except those documents described in Section 2.01(g)(vi)) and based on its review and examination and only as to the foregoing documents, (i) such documents appear regular on their face and relate to such Initial Mortgage Loan, and (ii) the information set forth in items (i), (iv), (v), (vi), (viii) and (ix) of the definition of the "Mortgage Loan Schedule" accurately reflects information set forth in the Mortgage File. On or before the thirtieth (30th) day after the Closing Date (or if such thirtieth day is not a Business Day, the succeeding Business Day), the Trustee shall deliver to the Depositor, the Master Servicer, CHL (on behalf of each Seller) and the Certificate Insurer a Delay Delivery Certification with respect to the Initial Mortgage Loans substantially in the form annexed hereto as Exhibit G-3, with any applicable exceptions noted thereon. The Trustee shall be under no duty or obligation to inspect, review or examine such 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 in the real estate records or that they are other than what they purport to be on their face.

Not later than 180 days after the Closing Date, the Trustee shall deliver to the Depositor, the Master Servicer, CHL (on behalf of each Seller), the Certificate Insurer and any Certificateholder that so requests, a Final Certification with respect to the Initial Mortgage Loans substantially in the form annexed hereto as Exhibit H, with any applicable exceptions noted thereon.

In connection with the Trustee's completion and delivery of such Final Certification, the Trustee shall review each Mortgage File with respect to the Initial Mortgage Loans to determine that such Mortgage File contains the following documents:

- (i) the original Mortgage Note, endorsed by manual or facsimile signature in blank in the following form: "Pay to the order of _____ without recourse", with all intervening endorsements that show a complete chain of endorsement from the originator to the Person endorsing the Mortgage Note (each such endorsement being sufficient to transfer all right, title and interest of the party so endorsing, as noteholder or assignee thereof, in and to that Mortgage Note), or, if the original Mortgage Note has been lost or destroyed and not replaced, an original lost note affidavit, stating that the original Mortgage Note was lost or destroyed, together with a copy of the related Mortgage Note and all such intervening endorsements;
- (ii) in the case of each Initial Mortgage Loan that is not a MERS Mortgage Loan, the original recorded Mortgage or a copy of such Mortgage, with recording information, and in the case of each Initial Mortgage Loan that is a MERS Mortgage Loan, the original Mortgage or a copy of such Mortgage, with recording information, noting the presence of the MIN of the Initial Mortgage Loan and language indicating that the Mortgage Loan is a MOM Loan if the Initial Mortgage Loan is a MOM Loan, with evidence of recording indicated thereon, or a copy of the Mortgage certified by the public recording office in which Mortgage has been recorded;
- (iii) in the case of each Initial Mortgage Loan that is not a MERS Mortgage Loan, a duly executed assignment of the Mortgage or a copy thereof with recording information, in either case in the form permitted by Section 2.01;
- (iv) the original recorded assignment or assignments of the Mortgage or a copy of such assignments, with recording information, together with all interim recorded assignments of such Mortgage or a copy of such assignments, with recording information (in each case noting the presence of a MIN in the case of each MERS Mortgage Loan);
- (v) the original or copies of each assumption, modification, written assurance or substitution agreement, if any; and

(vi) the original or duplicate original lender's title policy or a copy of lender's title policy or a printout of the electronic equivalent and all riders thereto.

If, in the course of such review, the Trustee finds any document or documents constituting a part of such Mortgage File that do not meet the requirements of clauses (i)-(iv) and (vi) above, the Trustee shall include such exceptions in such Final Certification (and the Trustee shall state in such Final Certification whether any Mortgage File does not then include the original or duplicate original lender's title policy or a printout of the electronic equivalent and all riders thereto). If the public recording office in which a Mortgage or assignment thereof is recorded retains the original of such Mortgage or assignment, a copy of the original Mortgage or assignment so retained, with evidence of recording thereon, certified to be true and complete by such recording office, shall be deemed to satisfy the requirements of clause (ii), (iii) or (iv) above, as applicable. CHL shall promptly correct or cure such defect referred to above within 90 days from the date it was so notified of such defect and, if CHL does not correct or cure such defect within such period, CHL shall either (A) if the time to cure such defect expires prior to the end of the second anniversary of the Closing Date, substitute for the related Initial Mortgage Loan a Replacement Mortgage Loan, which substitution shall be accomplished in the manner and subject to the conditions set forth in Section 2.03, or (B) purchase such Initial Mortgage Loan from the Trust Fund within 90 days from the date CHL was notified of such defect in writing at the Purchase Price of such Initial Mortgage Loan; provided that any such substitution pursuant to (A) above or repurchase pursuant to (B) above shall not be effected prior to the delivery to the Trustee of the Opinion of Counsel required by Section 2.05 hereof and any substitution pursuant to (A) above shall not be effected prior to the additional delivery to the Trustee of a Request for File Release. No substitution will be made in any calendar month after the Determination Date for such month. The Purchase Price for any such Initial Mortgage Loan shall be deposited by CHL in the Certificate Account and, upon receipt of such deposit and Request for File Release with respect thereto, the Trustee shall release the related Mortgage File to CHL and shall execute and deliver at CHL's request such instruments of transfer or assignment as CHL has prepared, in each case without recourse, as shall be necessary to vest in CHL, or a designee, the Trustee's interest in any Initial Mortgage Loan released pursuant hereto. If pursuant to the foregoing provisions CHL repurchases an Initial Mortgage Loan that is a MERS Mortgage Loan, the Master Servicer shall cause MERS to execute and deliver an assignment of the Mortgage in recordable form to transfer the Mortgage from MERS to CHL and shall cause such Mortgage to be removed from registration on the MERS® System in accordance with MERS' rules and regulations.

The Trustee shall retain possession and custody of each Mortgage File in accordance with and subject to the terms and conditions set forth herein. Each Seller shall promptly deliver to the Trustee, upon the execution or receipt thereof, the originals of such other documents or instruments constituting the Mortgage File that come into the possession of such Seller from time to time.

It is understood and agreed that the obligation of CHL to substitute for or to purchase any Mortgage Loan that does not meet the requirements of Section 2.02(a) above shall constitute the sole remedy respecting such defect available to the Trustee, the Depositor and any Certificateholder against any Seller.

It is understood and agreed that the obligation of CHL to substitute for or to purchase, pursuant to Section 2.02(a), any Initial Mortgage Loan whose Mortgage File contains any document or documents that does not meet the requirements of clauses (i)-(iv) and (vi) above and which defect is not corrected or cured by CHL within 90 days from the date it was notified of such defect, shall constitute the sole remedy respecting such defect available to the Trustee, the Depositor and any Certificateholder against any Seller.

(b) The Trustee agrees to execute and deliver on the Subsequent Transfer Date to the Depositor, the Master Servicer, CHL (on behalf of each Seller) and the Certificate Insurer an Initial Certification substantially in the form annexed hereto as Exhibit G-4 to the effect that, as to each Subsequent Mortgage Loan listed in the Mortgage Loan Schedule (other than any Subsequent Mortgage Loan paid in full or any Subsequent Mortgage Loan specifically identified in such certification as not covered by such certification), the documents described in Section 2.01(g)(i) and, in the case of each Subsequent Mortgage Loan that is not a MERS Mortgage Loan, the documents described in Section 2.01(g)(iii), with respect to such Subsequent Mortgage Loan are in its possession, and based on its review and examination and only as to the foregoing documents, such documents appear regular on their face and relate to such Subsequent Mortgage Loan.

The Trustee agrees to execute and deliver within 30 days after the Subsequent Transfer Date to the Depositor, the Master Servicer, CHL (on behalf of each Seller) and the Certificate Insurer an Interim Certification substantially in the form annexed hereto as Exhibit G-2 to the effect that, as to each Subsequent Mortgage Loan listed in the Mortgage Loan Schedule (other than any Subsequent Mortgage Loan paid in full or any Subsequent Mortgage Loan specifically identified in such certification as not covered by such certification), all documents required to be delivered to it pursuant to this Agreement with respect to such Subsequent Mortgage Loan are in its possession (except those described in Section 2.01(g)(vi)) and based on its review and examination and only as to the foregoing documents, (i) such documents appear regular on their face and relate to such Subsequent Mortgage Loan, and (ii) the information set forth in items (i), (iv), (v), (vi), (viii) and (ix) of the definition of the "Mortgage Loan Schedule" accurately reflects information set forth in the Mortgage File. On or before the thirtieth (30th) day after the Subsequent Transfer Date (or if such thirtieth day is not a Business Day, the succeeding Business Day), the Trustee shall deliver to the Depositor, the Master Servicer, CHL (on behalf of each Seller) and the Certificate Insurer a Delay Delivery Certification with respect to the Subsequent Mortgage Loans substantially in the form annexed hereto as Exhibit G-3, with any applicable exceptions noted thereon, together with a Subsequent Certification substantially in the form annexed hereto as Exhibit G-4. The Trustee shall be under no duty or obligation to inspect, review or examine such 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 in the real estate records or that they are other than what they purport to be on their face.

Not later than 180 days after the Subsequent Transfer Date, the Trustee shall deliver to the Depositor, the Master Servicer, CHL (on behalf of each Seller), the Certificate Insurer and to any Certificateholder that so requests a Final Certification with respect to the Subsequent Mortgage Loans substantially in the form annexed hereto as Exhibit H, with any applicable exceptions noted thereon.

In connection with the Trustee's completion and delivery of such Final Certification, the Trustee shall review each Mortgage File with respect to the Subsequent Mortgage Loans to determine that such Mortgage File contains the following documents:

(i) the original Mortgage Note, endorsed by manual or facsimile signature in blank in the following form: "Pay to the order of _____ without recourse", with all intervening endorsements that show a complete chain of endorsement from the originator to the Person endorsing the Mortgage Note (each such endorsement being sufficient to transfer all right, title and interest of the party so endorsing, as noteholder or assignee thereof, in and to that Mortgage Note), or, if the original Mortgage Note has been lost or destroyed and not replaced, an original lost note affidavit, stating that the original Mortgage Note was lost or destroyed, together with a copy of the related Mortgage Note and all such intervening endorsements;

(ii) in the case of each Subsequent Mortgage Loan that is not a MERS Mortgage Loan, the original recorded Mortgage or a copy of such Mortgage, with recording information, and in the case of each Subsequent Mortgage Loan that is a MERS Mortgage Loan, the original Mortgage or a copy of such Mortgage, with recording information, noting the presence of the MIN of the Subsequent Mortgage Loan and language indicating that the Subsequent Mortgage Loan is a MOM Loan if the Subsequent Mortgage Loan is a MOM Loan, with evidence of recording indicated thereon, or a copy of the Mortgage certified by the public recording office in which Mortgage has been recorded;

(iii) in the case of each Subsequent Mortgage Loan that is not a MERS Mortgage Loan, a duly executed assignment of the Mortgage or a copy thereof with recording information, in either case in the form permitted by Section 2.01;

(iv) the original recorded assignment or assignments of the Mortgage or a copy of such assignments, with recording information, together with all interim recorded assignments of such Mortgage or a copy of such assignments, with recording information (in each case noting the presence of a MIN in the case of each MERS Mortgage Loan);

(v) the original or copies of each assumption, modification, written assurance or substitution agreement, if any; and

(vi) the original or duplicate original lender's title policy or a copy of lender's title policy or a printout of the electronic equivalent and all riders thereto.

If, in the course of such review, the Trustee finds any document or documents constituting a part of such Mortgage File that do not meet the requirements of clauses (i)-(iv) and (vi) above, the Trustee shall include such exceptions in such Final Certification (and the Trustee shall state in such Final Certification whether any Mortgage File does not then include the original or duplicate original lender's title policy or a printout of the electronic equivalent and all riders thereto). If the public recording office in which a Mortgage or assignment thereof is recorded retains the original of such Mortgage or assignment, a copy of the original Mortgage or

assignment so retained, with evidence of recording thereon, certified to be true and complete by such recording office, shall be deemed to satisfy the requirements of clause (ii), (iii) or (iv) above, as applicable. CHL shall promptly correct or cure such defect referred to above within 90 days from the date it was so notified of such defect and, if CHL does not correct or cure such defect within such period, CHL shall either (A) if the time to cure such defect expires prior to the end of the second anniversary of the Closing Date, substitute for the related Subsequent Mortgage Loan a Replacement Mortgage Loan, which substitution shall be accomplished in the manner and subject to the conditions set forth in Section 2.03, or (B) purchase such Subsequent Mortgage Loan from the Trust Fund within 90 days from the date CHL was notified of such defect in writing at the Purchase Price of such Subsequent Mortgage Loan; provided that any such substitution pursuant to (A) above or repurchase pursuant to (B) above shall not be effected prior to the delivery to the Trustee of the Opinion of Counsel required by Section 2.05 hereof and any substitution pursuant to (A) above shall not be effected prior to the additional delivery to the Trustee of a Request for File Release. No substitution will be made in any calendar month after the Determination Date for such month. The Purchase Price for any such Subsequent Mortgage Loan shall be deposited by CHL in the Certificate Account and, upon receipt of such deposit and Request for File Release with respect thereto, the Trustee shall release the related Mortgage File to CHL and shall execute and deliver at CHL's request such instruments of transfer or assignment as CHL has prepared, in each case without recourse, as shall be necessary to vest in CHL, or a designee, the Trustee's interest in any Subsequent Mortgage Loan released pursuant hereto. If pursuant to the foregoing provisions CHL repurchases a Subsequent Mortgage Loan that is a MERS Mortgage Loan, the Master Servicer shall cause MERS to execute and deliver an assignment of the Mortgage in recordable form to transfer the Mortgage from MERS to CHL and shall cause such Mortgage to be removed from registration on the MERS® System in accordance with MERS' rules and regulations.

The Trustee shall retain possession and custody of each Mortgage File in accordance with and subject to the terms and conditions set forth herein. Each Seller shall promptly deliver to the Trustee, upon the execution or receipt thereof, the originals of such other documents or instruments constituting the Mortgage File that come into the possession of such Seller from time to time.

It is understood and agreed that the obligation of the Sellers to substitute for or to purchase, pursuant to Section 2.02(b), any Subsequent Mortgage Loan whose Mortgage File contains any document or documents that does not meet the requirements of clauses (i)-(iv) and (vi) above and which defect is not corrected or cured by such Seller within 90 days from the date it was notified of such defect, shall constitute the sole remedy respecting such defect available to the Trustee, the Depositor and any Certificateholder against the Sellers.

Section 2.03 Representations, Warranties and Covenants of the Master Servicer and the Sellers.

(a) The Master Servicer hereby represents and warrants to the Depositor, the Certificate Insurer and the Trustee as follows, as of the date hereof with respect to the Initial Mortgage Loans, and the related Subsequent Transfer Date with respect to the Subsequent Mortgage Loans:

(1) The Master Servicer is duly organized as a Texas limited partnership and is validly existing and in good standing under the laws of the State of Texas and is duly authorized and qualified to transact any and all business contemplated by this Agreement to be conducted by the Master Servicer in any state in which a Mortgaged Property is located or is otherwise not required under applicable law to effect such qualification and, in any event, is in compliance with the doing business laws of any such state, to the extent necessary to ensure its ability to enforce each Mortgage Loan, to service the Mortgage Loans in accordance with the terms of this Agreement and to perform any of its other obligations under this Agreement in accordance with the terms hereof.

(2) The Master Servicer has the full partnership power and authority to sell and service each Mortgage Loan, and to execute, deliver and perform, and to enter into and consummate the transactions contemplated by this Agreement and has duly authorized by all necessary partnership action on the part of the Master Servicer the execution, delivery and performance of this Agreement; and this Agreement, assuming the due authorization, execution and delivery hereof by the other parties hereto, constitutes a legal, valid and binding obligation of the Master Servicer, enforceable against the Master Servicer in accordance with its terms, except that (a) the enforceability hereof may be limited by bankruptcy, insolvency, moratorium, receivership and other similar laws relating to creditors' rights generally and (b) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

(3) The execution and delivery of this Agreement by the Master Servicer, the servicing of the Mortgage Loans by the Master Servicer under this Agreement, the consummation of any other of the transactions contemplated by this Agreement, and the fulfillment of or compliance with the terms hereof are in the ordinary course of business of the Master Servicer and will not (A) result in a material breach of any term or provision of the certificate of limited partnership, partnership agreement or other organizational document of the Master Servicer or (B) materially conflict with, result in a material breach, violation or acceleration of, or result in a material default under, the terms of any other material agreement or instrument to which the Master Servicer is a party or by which it may be bound, or (C) constitute a material violation of any statute, order or regulation applicable to the Master Servicer of any court, regulatory body, administrative agency or governmental body having jurisdiction over the Master Servicer; and the Master Servicer is not in breach or violation of any material indenture or other material agreement or instrument, or in violation of any statute, order or

regulation of any court, regulatory body, administrative agency or governmental body having jurisdiction over it-which breach or violation may materially impair the Master Servicer's ability to perform or meet any of its obligations under this Agreement.

(4) The Master Servicer is an approved servicer of conventional mortgage loans for Fannie Mae and Freddie Mac and is a mortgagee approved by the Secretary of Housing and Urban Development pursuant to sections 203 and 211 of the National Housing Act.

(5) No litigation is pending or, to the best of the Master Servicer's knowledge, threatened, against the Master Servicer that would materially and adversely affect the execution, delivery or enforceability of this Agreement or the ability of the Master Servicer to service the Mortgage Loans or to perform any of its other obligations under this Agreement or any Subsequent Transfer Agreement in accordance with the terms hereof or thereof.

(6) No consent, approval, authorization or order of any court or governmental agency or body is required for the execution, delivery and performance by the Master Servicer of, or compliance by the Master Servicer with, this Agreement or the consummation of the transactions contemplated hereby, or if any such consent, approval, authorization or order is required, the Master Servicer has obtained the same.

(7) 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 for as long as such Mortgage Loans are registered with MERS.

(b) CHL hereby represents and warrants to the Depositor, the Certificate Insurer and the Trustee as follows, as of the Initial Cut-off Date in the case of the Initial Mortgage Loans and as of the related Subsequent Cut-off Date in the case of the Subsequent Mortgage Loans (unless otherwise indicated or the context otherwise requires, percentages with respect to the Initial Mortgage Loans in the Trust Fund are measured by the Cut-off Date Principal Balance of the Initial Mortgage Loans in the Trust Fund):

(1) CHL is duly organized as a New York corporation and is validly existing and in good standing under the laws of the State of New York and is duly authorized and qualified to transact any and all business contemplated by this Agreement and each Subsequent Transfer Agreement to be conducted by CHL in any state in which a Mortgaged Property is located or is otherwise not required under applicable law to effect such qualification and, in any event, is in compliance with the doing business laws of any such state, to the extent necessary to ensure its ability to enforce each Mortgage Loan, to sell the CHL Mortgage Loans in accordance with the terms of this Agreement and each Subsequent Transfer Agreement and to perform any of its other obligations under this Agreement and each Subsequent Transfer Agreement in accordance with the terms hereof and thereof.

(2) CHL has the full corporate power and authority to sell each CHL Mortgage Loan, and to execute, deliver and perform, and to enter into and consummate the transactions contemplated by this Agreement and each Subsequent Transfer Agreement and has duly authorized by all necessary corporate action on the part of CHL the execution, delivery and performance of this Agreement and each Subsequent Transfer Agreement; and this Agreement and each Subsequent Transfer Agreement, assuming the due authorization, execution and delivery hereof by the other parties hereto, constitutes a legal, valid and binding obligation of CHL, enforceable against CHL in accordance with its terms, except that (a) the enforceability hereof may be limited by bankruptcy, insolvency, moratorium, receivership and other similar laws relating to creditors' rights generally and (b) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

(3) The execution and delivery of this Agreement and each Subsequent Transfer Agreement by CHL, the sale of the CHL Mortgage Loans by CHL under this Agreement and each Subsequent Transfer Agreement, the consummation of any other of the transactions contemplated by this Agreement and each Subsequent Transfer Agreement, and the fulfillment of or compliance with the terms hereof and thereof are in the ordinary course of business of CHL and will not (A) result in a material breach of any term or provision of the charter or by-laws of CHL or (B) materially conflict with, result in a material breach, violation or acceleration of, or result in a material default under, the terms of any other material agreement or instrument to which CHL is a party or by which it may be bound, or (C) constitute a material violation of any statute, order or regulation applicable to CHL of any court, regulatory body, administrative agency or governmental body having jurisdiction over CHL; and CHL is not in breach or violation of any material indenture or other material agreement or instrument, or in violation of any statute, order or regulation of any court, regulatory body, administrative agency or governmental body having jurisdiction over it which breach or violation may materially impair CHL's ability to perform or meet any of its obligations under this Agreement and each Subsequent Transfer Agreement.

(4) CHL is an approved seller of conventional mortgage loans for Fannie Mae and Freddie Mac and is a mortgagee approved by the Secretary of Housing and Urban Development pursuant to sections 203 and 211 of the National Housing Act.

(5) No litigation is pending or, to the best of CHL's knowledge, threatened, against CHL that would materially and adversely affect the execution, delivery or enforceability of this Agreement or any Subsequent Transfer Agreement or the ability of CHL to sell the CHL Mortgage Loans or to perform any of its other obligations under this Agreement or any Subsequent Transfer Agreement in accordance with the terms hereof or thereof.

(6) No consent, approval, authorization or order of any court or governmental agency or body is required for the execution, delivery and performance by CHL of, or compliance by CHL with, this Agreement or any Subsequent Transfer

Agreement or the consummation of the transactions contemplated hereby, or if any such consent, approval, authorization or order is required, CHL has obtained the same.

(7) The information set forth on the Mortgage Loan Schedule with respect to each Initial Mortgage Loan is true and correct in all material respects as of the Closing Date and is true and correct in all material respects as of the Subsequent Transfer Date with respect to the related Subsequent Mortgage Loans.

(8) CHL will treat the transfer of the CHL Mortgage Loans to the Depositor as a sale of the CHL Mortgage Loans for all tax, accounting and regulatory purposes.

(9) None of the Mortgage Loans is 30 days or more delinquent.

(10) No Mortgage Loan had a Combined Loan-to-Value Ratio at origination in excess of 100.00%.

(11) Each Mortgage Loan is secured by a valid and enforceable second lien on the related Mortgaged Property subject only to (1) the lien of non-delinquent current real property taxes and assessments, (2) covenants, conditions and restrictions, rights of way, easements and other matters of public record as of the date of recording of such Mortgage, such exceptions appearing of record being acceptable to mortgage lending institutions generally or specifically reflected in the appraisal made in connection with the origination of the related Mortgage Loan, (3) other matters to which like properties are commonly subject that do not materially interfere with the benefits of the security intended to be provided by such Mortgage (4) any senior mortgage loan secured by such Mortgaged Property and identified in the Mortgage File related to such Mortgage Loan.

(12) Immediately prior to the assignment of each CHL Mortgage Loan to the Depositor, CHL had good title to, and was the sole owner of, such CHL Mortgage Loan free and clear of any pledge, lien, encumbrance or security interest and had full right and authority, subject to no interest or participation of, or agreement with, any other party, to sell and assign the same pursuant to this Agreement.

(13) There is no delinquent tax or assessment lien against any Mortgaged Property.

(14) There is no valid offset, claim, defense or counterclaim to any Mortgage Note or Mortgage, including the obligation of the Mortgagor to pay the unpaid principal of or interest on such Mortgage Note.

(15) There are no mechanics' liens or claims for work, labor or material affecting any Mortgaged Property that are or may be a lien prior to, or equal with, the lien of such Mortgage, except those that are insured against by the title insurance policy referred to in item (18) below.

(16) As of the Closing Date in the case of the Initial Mortgage Loans and as of the related Subsequent Transfer Date in the case of the Subsequent Mortgage Loans, to the best of CHL's knowledge, each Mortgaged Property is free of material damage and is in good repair.

(17) As of the Closing Date in the case of the Initial Mortgage Loans and as of the related Subsequent Transfer Date in the case of the Subsequent Mortgage Loans, neither CHL nor any prior holder of any Mortgage has modified the Mortgage in any material respect (except that a Mortgage Loan may have been modified by a written instrument that has been recorded or submitted for recordation, if necessary, to protect the interests of the Certificateholders and the Certificate Insurer and the original or a copy of which has been delivered to the Trustee); satisfied, cancelled or subordinated such Mortgage in whole or in part; released the related Mortgaged Property in whole or in part from the lien of such Mortgage; or executed any instrument of release, cancellation, modification (except as expressly permitted above) or satisfaction with respect thereto.

(18) A lender's policy of title insurance together with a condominium endorsement and extended coverage endorsement, if applicable, in an amount at least equal to the Cut-off Date Principal Balance of each such Mortgage Loan or a commitment (binder) to issue the same was effective on the date of the origination of each Mortgage Loan, each such policy is valid and remains in full force and effect, and each such policy was issued by a title insurer qualified to do business in the jurisdiction where the Mortgaged Property is located and acceptable to Fannie Mae and Freddie Mac and is in a form acceptable to Fannie Mae and Freddie Mac, which policy insures the Sellers and successor owners of indebtedness secured by the insured Mortgage, as to the second priority lien, of the Mortgage subject to the exceptions set forth in paragraph (11) above; to the best of CHL's knowledge, no claims have been made under such mortgage title insurance policy and no prior holder of the related Mortgage, including any Seller, has done, by act or omission, anything that would impair the coverage of such mortgage title insurance policy.

(19) No Initial Mortgage Loan was the subject of a Principal Prepayment in full between the Initial Cut-off Date and the Closing Date. No Subsequent Mortgage Loan was the subject of a Principal Prepayment in full between the Subsequent Cut-off Date and the Subsequent Transfer Date.

(20) To the best of CHL's knowledge, all of the improvements that were included for the purpose of determining the Appraised Value of the Mortgaged Property lie wholly within the boundaries and building restriction lines of such property, and no improvements on adjoining properties encroach upon the Mortgaged Property.

(21) To the best of CHL's knowledge, no improvement located on or being part of the Mortgaged Property is in violation of any applicable zoning law or regulation. To the best of CHL's knowledge, all inspections, licenses and certificates required to be made or issued with respect to all occupied portions of the Mortgaged Property and, with respect to the use and occupancy of the same, including but not limited to certificates of occupancy and fire underwriting certificates, have been made or

obtained from the appropriate authorities, unless the lack thereof would not have a material adverse effect on the value of such Mortgaged Property, and the Mortgaged Property is lawfully occupied under applicable law.

(22) The Mortgage Note and the related Mortgage are genuine, and each is the legal, valid and binding obligation of the maker thereof, enforceable in accordance with its terms and under applicable law, except that (a) the enforceability thereof may be limited by bankruptcy, insolvency, moratorium, receivership and other similar laws relating to creditors' rights generally and (b) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought. To the best of CHL's knowledge, all parties to the Mortgage Note and the Mortgage had legal capacity to execute the Mortgage Note and the Mortgage and each Mortgage Note and Mortgage have been duly and properly executed by such parties.

(23) The proceeds of the Mortgage Loan have been fully disbursed, there is no requirement for future advances thereunder, and any and all requirements as to completion of any on-site or off-site improvements and as to disbursements of any escrow funds therefor have been complied with. All costs, fees and expenses incurred in making, or closing or recording the Mortgage Loan were paid.

(24) The related Mortgage contains customary and enforceable provisions that render the rights and remedies of the holder thereof adequate for the realization against the Mortgaged Property of the benefits of the security, including, (i) in the case of a Mortgage designated as a deed of trust, by trustee's sale, and (ii) otherwise by judicial foreclosure.

(25) With respect to each Mortgage constituting a deed of trust, a trustee, duly qualified under applicable law to serve as such, has been properly designated and currently so serves and is named in such Mortgage, and no fees or expenses are or will become payable by the Certificateholders or the Trust Fund to the trustee under the deed of trust, except in connection with a trustee's sale after default by the Mortgagor.

(26) [Reserved].

(27) There exist no deficiencies with respect to escrow deposits and payments, if such are required, for which customary arrangements for repayment thereof have not been made, and no escrow deposits or payments of other charges or payments due the Sellers have been capitalized under the Mortgage or the related Mortgage Note.

(28) The origination, underwriting, servicing and collection practices with respect to each Mortgage Loan have been in all respects legal, proper, prudent and customary in the mortgage lending and servicing business, as conducted by prudent lending institutions which service mortgage loans of the same type in the jurisdiction in which the Mortgaged Property is located.

(29) There is no pledged account or other security other than real estate securing the Mortgagor's obligations.

(30) No Mortgage Loan has a shared appreciation feature, or other contingent interest feature.

(31) Each Mortgage Loan contains a customary "due on sale" clause.

(32) No less than approximately the percentage specified in the Collateral Schedule of the Initial Mortgage Loans are secured by single family detached dwellings. No more than approximately the percentage specified in the Collateral Schedule of the Initial Mortgage Loans are secured by two- to four-family dwellings. No more than approximately the percentage specified in the Collateral Schedule of the Initial Mortgage Loans are secured by low-rise condominium units. No more than approximately the percentage specified in the Collateral Schedule of the Initial Mortgage Loans are secured by high-rise condominium units. No more than approximately the percentage specified in the Collateral Schedule of the Initial Mortgage Loans are secured by manufactured housing. No more than approximately the percentage specified in the Collateral Schedule of the Initial Mortgage Loans are secured by PUDs.

(33) Each Initial Mortgage Loan was originated on or after the date specified in the Collateral Schedule.

(34) [Reserved];

(35) Approximately the percentage specified in the Collateral Schedule of the Initial Mortgage Loans provide for a Prepayment Charge.

(36) On the basis of representations made by the Mortgagors in their loan applications, no more than approximately the percentage specified in the Collateral Schedule of the Initial Mortgage Loans, respectively, are secured by investor properties, and no less than approximately the percentage specified in the Collateral Schedule of the Initial Mortgage Loans respectively, are secured by owner-occupied Mortgaged Properties that are primary residences.

(37) At the Cut-off Date, the improvements upon each Mortgaged Property are covered by a valid and existing hazard insurance policy with a generally acceptable carrier that provides for fire and extended coverage and coverage for such other hazards as are customary in the area where the Mortgaged Property is located in an amount that is at least equal to the lesser of (i) the maximum insurable value of the improvements securing such Mortgage Loan or (ii) the greater of (a) the outstanding principal balance of the Mortgage Loan and (b) an amount such that the proceeds of such policy shall be sufficient to prevent the Mortgagor and/or the mortgagee from becoming a co-insurer. If the Mortgaged Property is a condominium unit, it is included under the coverage afforded by a blanket policy for the condominium unit. All such individual insurance policies and all flood policies referred to in item (38) below contain a standard mortgagee clause naming the applicable Seller or the original mortgagee, and its successors in interest, as mortgagee, and the applicable Seller has received no notice that

any premiums due and payable thereon have not been paid; the Mortgage obligates the Mortgagor thereunder to maintain all such insurance, including flood insurance, at the Mortgagor's cost and expense, and upon the Mortgagor's failure to do so, authorizes the holder of the Mortgage to obtain and maintain such insurance at the Mortgagor's cost and expense and to seek reimbursement therefor from the Mortgagor.

(38) If the Mortgaged Property is in an area identified in the Federal Register by the Federal Emergency Management Agency as having special flood hazards, a flood insurance policy in a form meeting the requirements of the current guidelines of the Flood Insurance Administration is in effect with respect to such Mortgaged Property with a generally acceptable carrier in an amount representing coverage not less than the least of (A) the original outstanding principal balance of the Mortgage Loan, (B) the minimum amount required to compensate for damage or loss on a replacement cost basis, or (C) the maximum amount of insurance that is available under the Flood Disaster Protection Act of 1973, as amended.

(39) To the best of CHL's knowledge, there is no proceeding occurring, pending or threatened for the total or partial condemnation of the Mortgaged Property.

(40) There is no material monetary default existing under any Mortgage or the related Mortgage Note and, to the best of CHL's knowledge, there is no material event that, 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 of acceleration under the Mortgage or the related Mortgage Note; and no Seller has waived any default, breach, violation or event of acceleration or received notice of default of any senior mortgage loan related to a Mortgaged Property that has not been cured by a party other than the Sellers or the Master Servicer.

(41) Each Mortgaged Property is improved by a one- to four-family residential dwelling, including condominium units and dwelling units in PUDs. To the best of CHL's knowledge, no improvement to a Mortgaged Property includes a cooperative or a mobile home or constitutes other than real property under state law.

(42) Each Mortgage Loan is being serviced by the Master Servicer.

(43) Any future advances made prior to the Cut-off Date have been consolidated with the outstanding principal amount secured by the Mortgage, and the secured principal amount, as consolidated, bears a single interest rate and single repayment term reflected on the Mortgage Loan Schedule. The consolidated principal amount does not exceed the original principal amount of the Mortgage Loan. The Mortgage Note does not permit or obligate the Master Servicer to make future advances to the Mortgagor at the option of the Mortgagor.

(44) All taxes, governmental assessments, insurance premiums, water, sewer and municipal charges, leasehold payments or ground rents that previously became due and owing have been paid, or an escrow of funds has been established in an amount sufficient to pay for every such item that remains unpaid and that has been assessed, but

is not yet due and payable. Except for (A) payments in the nature of escrow payments, and (B) interest accruing from the date of the Mortgage Note or date of disbursement of the Mortgage proceeds, whichever is later, to the day that precedes by one month the Due Date of the first installment of principal and interest, including without limitation, taxes and insurance payments, the Master Servicer has not advanced funds, or induced, solicited or knowingly received any advance of funds by a party other than the Mortgagor, directly or indirectly, for the payment of any amount required by the Mortgage.

(45) The Mortgage Loans originated by CHL were underwritten in all material respects in accordance with CHL's underwriting guidelines for closed-end second lien mortgage loans or, with respect to Mortgage Loans purchased by CHL were underwritten in all material respects in accordance with customary and prudent underwriting guidelines generally used by originators of closed-end second lien mortgage loans.

(46) Prior to the approval of the Mortgage Loan application, an appraisal of the related Mortgaged Property was obtained from a qualified appraiser, duly appointed by the originator, who had no interest, direct or indirect, in the Mortgaged Property or in any loan made on the security thereof, and whose compensation is not affected by the approval or disapproval of the Mortgage Loan; such appraisal is in a form acceptable to Fannie Mae and Freddie Mac.

(47) None of the Mortgage Loans is a graduated payment mortgage loan or a growing equity mortgage loan, and no Mortgage Loan is subject to a buydown or similar arrangement.

(48) The Mortgage Rates borne by the Initial Mortgage Loans as of the Cut-off Date ranged between the approximate per annum percentages specified on the Collateral Schedule and the weighted average Mortgage Rate of the Initial Mortgage Loans as of the Cut-off Date was approximately the per annum rate specified on the Collateral Schedule.

(49) The Mortgage Loans were selected from among the outstanding one- to four-family mortgage loans in the applicable Seller's portfolio at the Closing Date as to which the representations and warranties made as to the Mortgage Loans set forth in this Section 2.03(b) and Sections 2.03(c), 2.03(d) and 2.03(e) can be made. No selection was made in a manner that would adversely affect the interests of Certificateholders or the Certificate Insurer.

(50) [Reserved].

(51) Each of the Initial Mortgage Loans in the Mortgage Pool has a Due Date on or before the date specified in the Collateral Schedule.

(52) The Mortgage Loans, individually and in the aggregate, conform in all material respects to the descriptions thereof in the Prospectus Supplement.

(53) There is no obligation on the part of any Seller under the terms of the Mortgage or related Mortgage Note to make payments in addition to those made by the Mortgagor.

(54) Any leasehold estate securing a Mortgage Loan has a term of not less than five years in excess of the term of the related Mortgage Loan.

(55) Each Mortgage Loan represents a "qualified mortgage" within the meaning of Section 860(a)(3) of the Code (but without regard to the rule in Treasury Regulation § 1.860G-2(f)(2) that treats a defective obligation as a qualified mortgage, or any substantially similar successor provision) and applicable Treasury regulations promulgated thereunder.

(56) No Mortgage Loan was either a "consumer credit contract" or a "purchase money loan" as such terms are defined in 16 C.F.R. § 433 nor is any Mortgage Loan a "mortgage" as defined in 15 U.S.C. § 1602(aa).

(57) Each Mortgage Loan, at the time it was originated and as of the Closing Date or the related Subsequent Transfer Date, as applicable, complied in all material respects with applicable local, state and federal laws, including, but not limited to, all predatory and abusive lending laws.

(58) None of the Mortgage Loans is a "high cost" mortgage loan as defined by applicable federal, state and local predatory and abusive lending laws.

(59) Each Prepayment Charge is enforceable and was originated in compliance with all applicable federal, state and local laws.

(60) None of the Mortgage Loans that are secured by property located in the State of Illinois are in violation of the provisions of the Illinois Interest Act; 815 Ill. Comp. Stat. 205/0.01 (2004).

(61) There is no Mortgage Loan in the Trust Fund that was originated on or after March 7, 2003, which is a "high cost home loan" as defined under the Georgia Fair Lending Act.

(62) No Mortgage Loan in the Trust Fund is a High Cost Loan or Covered Loan, as applicable (as such terms are defined in the then-current Standard & Poor's LEVELS® Glossary which is now Version 5.7, Appendix E) and no Mortgage Loan originated on or after October 1, 2002 through March 6, 2003 is governed by the Georgia Fair Lending Act.

(63) Each Mortgage Loan is secured by a "single family residence" within the meaning of Section 25(e)(10) of the Internal Revenue Code of 1986 (as amended) (the "Code"). The fair market value of the manufactured home securing each Mortgage Loan was at least equal to 80% of the adjusted issue price of the contract at either (i) the time the contract was originated (determined pursuant to the REMIC

Provisions) or (ii) the time the contract is transferred to the purchaser. Each Mortgage Loan is a "qualified mortgage" under Section 860G(a)(3) of the Code.

(64) No Mortgage Loan in the Trust Fund is a "high cost home," "covered" (excluding home loans defined as "covered home loans" in the New Jersey Home Ownership Security Act of 2002 that were originated between November 26, 2003 and July 7, 2004), "high risk home" or "predatory" loan under any applicable state, federal or local law (or a similarly classified loan using different terminology under a law imposing heightened regulatory scrutiny or additional legal liability for residential mortgage loans having high interest rates, points and/or fees).

(65) There is no Mortgage Loan in the Trust Fund that was originated on or after October 1, 2002 and before March 7, 2003, which is secured by property located in the State of Georgia.

(66) The representations in Section 2.03(c)(1)-(6), 2.03(d)(1)-(6) and 2.03(e)(1)-(6) are true and correct.

(c) Park Granada hereby represents and warrants to the Depositor, the Certificate Insurer and the Trustee as follows, as of the Cut-off Date:

(1) Park Granada is duly organized as a Delaware corporation and is validly existing and in good standing under the laws of the State of Delaware and is duly authorized and qualified to transact any and all business contemplated by this Agreement and each Subsequent Transfer Agreement to be conducted by Park Granada in any state in which a Mortgaged Property securing a Park Granada Mortgage Loan is located or is otherwise not required under applicable law to effect such qualification and, in any event, is in compliance with the doing business laws of any such state, to the extent necessary to ensure its ability to enforce each Park Granada Mortgage Loan, to sell the Park Granada Mortgage Loans in accordance with the terms of this Agreement and each Subsequent Transfer Agreement and to perform any of its other obligations under this Agreement in accordance with the terms hereof.

(2) Park Granada has the full company power and authority to sell each Park Granada Mortgage Loan, and to execute, deliver and perform, and to enter into and consummate the transactions contemplated by this Agreement and each Subsequent Transfer Agreement and has duly authorized by all necessary corporate action on the part of Park Granada the execution, delivery and performance of this Agreement and each Subsequent Transfer Agreement; and this Agreement and each Subsequent Transfer Agreement, assuming the due authorization, execution and delivery hereof by the other parties hereto, constitutes a legal, valid and binding obligation of Park Granada, enforceable against Park Granada in accordance with its terms, except that (a) the enforceability hereof may be limited by bankruptcy, insolvency, moratorium, receivership and other similar laws relating to creditors' rights generally and (b) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

(3) The execution and delivery of this Agreement and each Subsequent Transfer Agreement by Park Granada, the sale of the Park Granada Mortgage Loans by Park Granada under this Agreement and each Subsequent Transfer Agreement, the consummation of any other of the transactions contemplated by this Agreement and each Subsequent Transfer Agreement, and the fulfillment of or compliance with the terms hereof are in the ordinary course of business of Park Granada and will not (A) result in a material breach of any term or provision of the certificate of incorporation or by-laws of Park Granada or (B) materially conflict with, result in a material breach, violation or acceleration of, or result in a material default under, the terms of any other material agreement or instrument to which Park Granada is a party or by which it may be bound, or (C) constitute a material violation of any statute, order or regulation applicable to Park Granada of any court, regulatory body, administrative agency or governmental body having jurisdiction over Park Granada; and Park Granada is not in breach or violation of any material indenture or other material agreement or instrument, or in violation of any statute, order or regulation of any court, regulatory body, administrative agency or governmental body having jurisdiction over it which breach or violation may materially impair Park Granada's ability to perform or meet any of its obligations under this Agreement.

(4) No litigation is pending or, to the best of Park Granada's knowledge, threatened, against Park Granada that would materially and adversely affect the execution, delivery or enforceability of this Agreement or any Subsequent Transfer Agreement or the ability of Park Granada to sell the Park Granada Mortgage Loans or to perform any of its other obligations under this Agreement or any Subsequent Transfer Agreement in accordance with the terms hereof or thereof.

(5) No consent, approval, authorization or order of any court or governmental agency or body is required for the execution, delivery and performance by Park Granada of, or compliance by Park Granada with, this Agreement or any Subsequent Transfer Agreement or the consummation of the transactions contemplated hereby, or if any such consent, approval, authorization or order is required, Park Granada has obtained the same.

(6) Park Granada will treat the transfer of the Park Granada Mortgage Loans to the Depositor as a sale of the Park Granada Mortgage Loans for all tax, accounting and regulatory purposes.

(7) Immediately prior to the assignment of each Park Granada Mortgage Loan to the Depositor, Park Granada had good title to, and was the sole owner of, such Park Granada Mortgage Loan free and clear of any pledge, lien, encumbrance or security interest and had full right and authority, subject to no interest or participation of, or agreement with, any other party, to sell and assign the same pursuant to this Agreement.

(d) Park Monaco hereby represents and warrants to the Depositor, the Certificate Insurer and the Trustee as follows, as of the Cut-off Date:

(1) Park Monaco is duly organized as a Delaware corporation and is validly existing and in good standing under the laws of the State of Delaware and is duly authorized and qualified to transact any and all business contemplated by this Agreement and each Subsequent Transfer Agreement to be conducted by Park Monaco in any state in which a Mortgaged Property securing a Park Monaco Mortgage Loan is located or is otherwise not required under applicable law to effect such qualification and, in any event, is in compliance with the doing business laws of any such state, to the extent necessary to ensure its ability to enforce each Park Monaco Mortgage Loan, to sell the Park Monaco Mortgage Loans in accordance with the terms of this Agreement and each Subsequent Transfer Agreement and to perform any of its other obligations under this Agreement in accordance with the terms hereof.

(2) Park Monaco has the full company power and authority to sell each Park Monaco Mortgage Loan, and to execute, deliver and perform, and to enter into and consummate the transactions contemplated by this Agreement and each Subsequent Transfer Agreement and has duly authorized by all necessary corporate action on the part of Park Monaco the execution, delivery and performance of this Agreement and each Subsequent Transfer Agreement; and this Agreement and each Subsequent Transfer Agreement, assuming the due authorization, execution and delivery hereof by the other parties hereto, constitutes a legal, valid and binding obligation of Park Monaco, enforceable against Park Monaco in accordance with its terms, except that (a) the enforceability hereof may be limited by bankruptcy, insolvency, moratorium, receivership and other similar laws relating to creditors' rights generally and (b) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

(3) The execution and delivery of this Agreement and each Subsequent Transfer Agreement by Park Monaco, the sale of the Park Monaco Mortgage Loans by Park Monaco under this Agreement and each Subsequent Transfer Agreement, the consummation of any other of the transactions contemplated by this Agreement and each Subsequent Transfer Agreement, and the fulfillment of or compliance with the terms hereof are in the ordinary course of business of Park Monaco and will not (A) result in a material breach of any term or provision of the certificate of incorporation or by-laws of Park Monaco or (B) materially conflict with, result in a material breach, violation or acceleration of, or result in a material default under, the terms of any other material agreement or instrument to which Park Monaco is a party or by which it may be bound, or (C) constitute a material violation of any statute, order or regulation applicable to Park Monaco of any court, regulatory body, administrative agency or governmental body having jurisdiction over Park Monaco; and Park Monaco is not in breach or violation of any material indenture or other material agreement or instrument, or in violation of any statute, order or regulation of any court, regulatory body, administrative agency or governmental body having jurisdiction over it which breach or violation may materially

impair Park Monaco's ability to perform or meet any of its obligations under this Agreement.

(4) No litigation is pending or, to the best of Park Monaco's knowledge, threatened, against Park Monaco that would materially and adversely affect the execution, delivery or enforceability of this Agreement or any Subsequent Transfer Agreement or the ability of Park Monaco to sell the Park Monaco Mortgage Loans or to perform any of its other obligations under this Agreement or any Subsequent Transfer Agreement in accordance with the terms hereof or thereof.

(5) No consent, approval, authorization or order of any court or governmental agency or body is required for the execution, delivery and performance by Park Monaco of, or compliance by Park Monaco with, this Agreement or any Subsequent Transfer Agreement or the consummation of the transactions contemplated hereby, or if any such consent, approval, authorization or order is required, Park Monaco has obtained the same.

(6) Park Monaco will treat the transfer of the Park Monaco Mortgage Loans to the Depositor as a sale of the Park Monaco Mortgage Loans for all tax, accounting and regulatory purposes.

(7) Immediately prior to the assignment of each Park Monaco Mortgage Loan to the Depositor, Park Monaco had good title to, and was the sole owner of, such Park Monaco Mortgage Loan free and clear of any pledge, lien, encumbrance or security interest and had full right and authority, subject to no interest or participation of, or agreement with, any other party, to sell and assign the same pursuant to this Agreement.

(c) Park Sienna hereby represents and warrants to the Depositor, the Certificate Insurer and the Trustee as follows, as of the Cut-off Date:

(1) Park Sienna is duly organized as a Delaware limited liability company and is validly existing and in good standing under the laws of the State of Delaware and is duly authorized and qualified to transact any and all business contemplated by this Agreement and each Subsequent Transfer Agreement to be conducted by Park Sienna in any state in which a Mortgaged Property securing a Park Sienna Mortgage Loan is located or is otherwise not required under applicable law to effect such qualification and, in any event, is in compliance with the doing business laws of any such state, to the extent necessary to ensure its ability to enforce each Park Sienna Mortgage Loan, to sell the Park Sienna Mortgage Loans in accordance with the terms of this Agreement and each Subsequent Transfer Agreement and to perform any of its other obligations under this Agreement in accordance with the terms hereof.

(2) Park Sienna has the full company power and authority to sell each Park Sienna Mortgage Loan, and to execute, deliver and perform, and to enter into and consummate the transactions contemplated by this Agreement and each Subsequent Transfer Agreement and has duly authorized by all necessary company action on the part of Park Sienna the execution, delivery and performance of this Agreement and each

Subsequent Transfer Agreement; and this Agreement and each Subsequent Transfer Agreement, assuming the due authorization, execution and delivery hereof by the other parties hereto, constitutes a legal, valid and binding obligation of Park Sienna, enforceable against Park Sienna in accordance with its terms, except that (a) the enforceability hereof may be limited by bankruptcy, insolvency, moratorium, receivership and other similar laws relating to creditors' rights generally and (b) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

(3) The execution and delivery of this Agreement and each Subsequent Transfer Agreement by Park Sienna, the sale of the Park Sienna Mortgage Loans by Park Sienna under this Agreement and each Subsequent Transfer Agreement, the consummation of any other of the transactions contemplated by this Agreement and each Subsequent Transfer Agreement and the fulfillment of or compliance with the terms hereof are in the ordinary course of business of Park Sienna and will not (A) result in a material breach of any term or provision of the certificate of formation or limited liability company agreement of Park Sienna or (B) materially conflict with, result in a material breach, violation or acceleration of, or result in a material default under, the terms of any other material agreement or instrument to which Park Sienna is a party or by which it may be bound, or (C) constitute a material violation of any statute, order or regulation applicable to Park Sienna of any court, regulatory body, administrative agency or governmental body having jurisdiction over Park Sienna; and Park Sienna is not in breach or violation of any material indenture or other material agreement or instrument, or in violation of any statute, order or regulation of any court, regulatory body, administrative agency or governmental body having jurisdiction over it which breach or violation may materially impair Park Sienna's ability to perform or meet any of its obligations under this Agreement.

(4) No litigation is pending or, to the best of Park Sienna's knowledge, threatened, against Park Sienna that would materially and adversely affect the execution, delivery or enforceability of this Agreement or any Subsequent Transfer Agreement or the ability of Park Sienna to sell the Park Sienna Mortgage Loans or to perform any of its other obligations under this Agreement or any Subsequent Transfer Agreement in accordance with the terms hereof or thereof.

(5) No consent, approval, authorization or order of any court or governmental agency or body is required for the execution, delivery and performance by Park Sienna of, or compliance by Park Sienna with, this Agreement or any Subsequent Transfer Agreement or the consummation of the transactions contemplated hereby, or if any such consent, approval, authorization or order is required, Park Sienna has obtained the same.

(6) Park Sienna will treat the transfer of the Park Sienna Mortgage Loans to the Depositor as a sale of the Park Sienna Mortgage Loans for all tax, accounting and regulatory purposes.

(7) Immediately prior to the assignment of each Park Sienna Mortgage Loan to the Depositor, Park Sienna had good title to, and was the sole owner of, such the

Park Sienna Mortgage Loan free and clear of any pledge, lien, encumbrance or security interest and had full right and authority, subject to no interest or participation of, or agreement with, any other party, to sell and assign the same pursuant to this Agreement.

(f) Upon discovery by any of the parties hereto of a breach of a representation or warranty set forth in Section 2.03(a) through (e) that materially and adversely affects the interests of the Certificateholders or the Certificate Insurer in any Mortgage Loan, the party discovering such breach shall give prompt notice thereof to the other parties, the NIM Insurer and the Certificate Insurer. Each of the Master Servicer and the Sellers (each, a "Representing Party") hereby covenants with respect to the representations and warranties set forth in Sections 2.03(a) through (e) that within 90 days of the earlier of the discovery by such Representing Party or receipt of written notice by such Representing Party from any party of a breach of any representation or warranty set forth herein made that materially and adversely affects the interests of the Certificateholders in any Mortgage Loan or the Certificate Insurer, it shall cure such breach in all material respects and, if such breach is not so cured, shall, (i) if such 90-day period expires prior to the second anniversary of the Closing Date, remove such Mortgage Loan (a "Deleted Mortgage Loan") from the Trust Fund and substitute in its place a Replacement Mortgage Loan, in the manner and subject to the conditions set forth in this Section; or (ii) repurchase the affected Mortgage Loan or Mortgage Loans from the Trustee at the Purchase Price in the manner set forth below; provided that (a) any such substitution pursuant to (i) above or repurchase pursuant to (ii) above shall not be effected prior to the delivery to the Trustee of the Opinion of Counsel required by Section 2.05 hereof, (b) any such substitution pursuant to (i) above shall not be effected prior to the additional delivery to the Trustee of a Request for File Release and (c) any such substitution pursuant to (i) above shall include a payment by the applicable Representing Party of any amount as calculated under item (iii) of the definition of "Purchase Price". Any Representing Party liable for a breach under this Section 2.03 shall promptly reimburse the Master Servicer or the Trustee for any expenses reasonably incurred by the Master Servicer or the Trustee in respect of enforcing the remedies for such breach. To enable the Master Servicer to amend the Mortgage Loan Schedule, any Representing Party liable for a breach under this Section 2.03 shall, unless it cures such breach in a timely fashion pursuant to this Section 2.03, promptly notify the Master Servicer whether such Representing Party intends either to repurchase, or to substitute for, the Mortgage Loan affected by such breach. With respect to the representations and warranties described in this Section that are made to the best of the Representing Party's knowledge, if it is discovered by any of the Depositor, the Master Servicer, the Sellers, the Certificate Insurer or the Trustee that the substance of such representation and warranty is inaccurate and such inaccuracy materially and adversely affects the value of the related Mortgage Loan, notwithstanding the Representing Party'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.

With respect to any Replacement Mortgage Loan or Loans, the applicable Seller delivering such Replacement Mortgage Loan shall deliver to the Trustee for the benefit of the Certificateholders and the Certificate Insurer the related Mortgage Note, Mortgage and assignment of the Mortgage, and such other documents and agreements as are required by Section 2.01, with the Mortgage Note endorsed and the Mortgage assigned as required by Section 2.01. No substitution will be made in any calendar month after the Determination Date for such month. Scheduled Payments due with respect to Replacement Mortgage Loans in the

Due Period related to the Distribution Date on which such proceeds are to be distributed shall not be part of the Trust Fund and will be retained by the applicable Seller delivering such Replacement Mortgage Loan on such Distribution Date. For the month of substitution, distributions to Certificateholders will include the Scheduled Payment due on any Deleted Mortgage Loan for the related Due Period and thereafter the applicable Seller shall be entitled to retain all amounts received in respect of such Deleted Mortgage Loan. The Master Servicer shall amend the Mortgage Loan Schedule for the benefit of the Certificateholders to reflect the removal of such Deleted Mortgage Loan and the substitution of the Replacement Mortgage Loan or Loans and the Master Servicer shall deliver the amended Mortgage Loan Schedule to the Trustee. Upon such substitution, the Replacement Mortgage Loan or Loans shall be subject to the terms of this Agreement in all respects, and the applicable Seller delivering such Replacement Mortgage Loan shall be deemed to have made with respect to such Replacement Mortgage Loan or Loans, as of the date of substitution, the representations and warranties set forth in Section 2.03(b), (c), (d) or (e) with respect to such Mortgage Loan. Upon any such substitution and the deposit to the Certificate Account of the amount required to be deposited therein in connection with such substitution as described in the following paragraph, the Trustee shall release to the Representing Party the Mortgage File relating to such Deleted Mortgage Loan and held for the benefit of the Certificateholders and shall execute and deliver at the Master Servicer's direction such instruments of transfer or assignment as have been prepared by the Master Servicer, in each case without recourse, as shall be necessary to vest in the applicable Seller, or its respective designee, title to the Trustee's interest in any Deleted Mortgage Loan substituted for pursuant to this Section 2.03.

For any month in which any Seller substitutes one or more Replacement 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 Replacement Mortgage Loans as of the date of substitution is less than the Stated Principal Balance (after application of the principal portion of the Scheduled Payment due in the month of substitution) of all such Deleted Mortgage Loans. An amount equal to the aggregate of the deficiencies described in the preceding sentence (such amount, the "Substitution Adjustment Amount") shall be forwarded by the applicable Seller to the Master Servicer and deposited by the Master Servicer into the Certificate Account not later than the Determination Date for the Distribution Date relating to the Prepayment Period during which the related Mortgage Loan became required to be purchased or replaced hereunder.

In the event that a Seller shall have repurchased a Mortgage Loan, the Purchase Price therefor shall be deposited in the Certificate Account pursuant to Section 3.05 on the Determination Date for the Distribution Date in the month following the month during which such Seller became obligated to repurchase or replace such Mortgage Loan and upon such deposit of the Purchase Price, the delivery of the Opinion of Counsel required by Section 2.05, if any, and the receipt of a Request for File Release, the Trustee shall release the related Mortgage File held for the benefit of the Certificateholders to such Seller, and the Trustee shall execute and deliver at such Person's direction the related instruments of transfer or assignment prepared by such Seller, in each case without recourse, as shall be necessary to transfer title from the Trustee for the benefit of the Certificateholders and transfer the Trustee's interest to such Seller to any Mortgage Loan purchased pursuant to this Section 2.03. It is understood and agreed that the obligation under this Agreement of the Sellers to cure, repurchase or replace any Mortgage Loan

as to which a breach has occurred and is continuing shall constitute the sole remedy against the Sellers respecting such breach available to Certificateholders, the Depositor or the Trustee.

(g) The representations and warranties set forth in this Section 2.03 shall survive delivery of the respective Mortgage Files to the Trustee for the benefit of the Certificateholders and the Certificate Insurer with respect to each Mortgage Loan.

Section 2.04 Representations and Warranties of the Depositor

The Depositor hereby represents and warrants to the Master Servicer, the Certificate Insurer and the Trustee as follows, as of the date hereof and as of each Subsequent Transfer Date:

(1) The Depositor is duly organized and is validly existing as a corporation in good standing under the laws of the State of Delaware and has full power and authority (corporate and other) necessary to own or hold its properties and to conduct its business as now conducted by it and to enter into and perform its obligations under this Agreement and each Subsequent Transfer Agreement.

(2) The Depositor has the full corporate power and authority to execute, deliver and perform, and to enter into and consummate the transactions contemplated by, this Agreement and each Subsequent Transfer Agreement and has duly authorized, by all necessary corporate action on its part, the execution, delivery and performance of this Agreement and each Subsequent Transfer Agreement; and this Agreement and each Subsequent Transfer Agreement, assuming the due authorization, execution and delivery hereof by the other parties hereto, constitutes a legal, valid and binding obligation of the Depositor, enforceable against the Depositor in accordance with its terms, subject, as to enforceability, to (i) bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and (ii) general principles of equity, regardless of whether enforcement is sought in a proceeding in equity or at law.

(3) The execution and delivery of this Agreement and each Subsequent Transfer Agreement by the Depositor, the consummation of the transactions contemplated by this Agreement, and the fulfillment of or compliance with the terms hereof are in the ordinary course of business of the Depositor and will not (A) result in a material breach of any term or provision of the charter or by-laws of the Depositor or (B) materially conflict with, result in a material breach, violation or acceleration of, or result in a material default under, the terms of any other material agreement or instrument to which the Depositor is a party or by which it may be bound or (C) constitute a material violation of any statute, order or regulation applicable to the Depositor of any court, regulatory body, administrative agency or governmental body having jurisdiction over the Depositor; and the Depositor is not in breach or violation of any material indenture or other material agreement or instrument, or in violation of any statute, order or regulation of any court, regulatory body, administrative agency or governmental body having jurisdiction over it which breach or violation may materially impair the Depositor's ability to perform or meet any of its obligations under this Agreement.

(4) No litigation is pending, or, to the best of the Depositor's knowledge, threatened, against the Depositor that would materially and adversely affect the execution, delivery or enforceability of this Agreement or any Subsequent Transfer Agreement or the ability of the Depositor to perform its obligations under this Agreement or any Subsequent Transfer Agreement in accordance with the terms hereof or thereof.

(5) No consent, approval, authorization or order of any court or governmental agency or body is required for the execution, delivery and performance by the Depositor of, or compliance by the Depositor with, this Agreement or any Subsequent Transfer Agreement or the consummation of the transactions contemplated hereby, or if any such consent, approval, authorization or order is required, the Depositor has obtained the same.

The Depositor hereby represents and warrants to the Trustee with respect to each Mortgage Loan, as of the Closing Date or the related Subsequent Transfer Date, as applicable, following the transfer of such Mortgage Loan to it by the Sellers, the Depositor had good title to the Initial Mortgage Loans or related Subsequent Mortgage Loans, as applicable, and the related Mortgage Notes were subject to no offsets, claims, defenses or counterclaims.

It is understood and agreed that the representations and warranties set forth in the two immediately preceding paragraphs shall survive delivery of the Mortgage Files to the Trustee. Upon discovery by the Depositor, the Certificate Insurer or the Trustee, of a breach of any of the foregoing representations and warranties set forth in the immediately preceding paragraph or any representations in Section 10.04(b) hereof (referred to herein as a "breach"), which breach materially and adversely affects the interest of the Certificateholders or the Certificate Insurer, the party discovering such breach shall give prompt written notice to the others and to each Rating Agency and the NIM Insurer. The Depositor hereby covenants with respect to the representations and warranties made by it in this Section 2.04 or any representations in Section 10.04(b) hereof that within 90 days of the earlier of the discovery by it or receipt of written notice by it from any party of a breach of any representation or warranty set forth herein made that materially and adversely affects the interests of the Certificateholders in any Mortgage Loan or the Certificate Insurer, it shall cure such breach in all material respects and, if such breach is not so cured, shall repurchase or replace the affected Mortgage Loan or Loans in accordance with the procedure set forth in Section 2.03(f).

Section 2.05 Delivery of Opinion of Counsel in Connection with Substitutions and Repurchases.

(a) Notwithstanding any contrary provision of this Agreement, with respect to any Mortgage Loan that is not in default or as to which default is not imminent, no repurchase or substitution pursuant to Sections 2.02, 2.03 or 2.04 shall be made unless the Representing Party making such repurchase or substitution delivers to the Trustee and the Certificate Insurer an Opinion of Counsel (which such Representing Party shall use reasonable efforts to obtain), addressed to the Trustee to the effect that such repurchase or substitution would not (i) result in the imposition of the tax on "prohibited transactions" of the Trust Fund or contributions after the Closing Date, as defined in sections 860F(a)(2) and 860G(d) of the Code, respectively or (ii) cause the any REMIC formed hereunder to fail to qualify as a REMIC at any time that any

Certificates are outstanding. Any Mortgage Loan as to which repurchase or substitution was delayed pursuant to this paragraph shall be repurchased or the substitution therefor shall occur (subject to compliance with Sections 2.02, 2.03 or 2.04) upon the earlier of (a) the occurrence of a default or imminent default with respect to such loan and (b) receipt by the Trustee and the Certificate Insurer of an Opinion of Counsel to the effect that such repurchase or substitution, as applicable, will not result in the events described in clause (i) or clause (ii) of the preceding sentence.

(b) Upon discovery by the Depositor, any Seller, the Master Servicer or the Trustee that any Mortgage Loan does not constitute a "qualified mortgage" within the meaning of section 860G(a)(3) of the Code, the party discovering such fact shall promptly (and in any event within five Business Days of discovery) give written notice thereof to the other parties and the NIM Insurer and the Certificate Insurer. In connection therewith, the Trustee shall require CHL, at CHL's option, to either (i) substitute, if the conditions in Section 2.03(f) with respect to substitutions are satisfied, a Replacement Mortgage Loan for the affected Mortgage Loan, or (ii) repurchase the affected Mortgage Loan within 90 days of such discovery in the same manner as it would a Mortgage Loan for a breach of representation or warranty contained in Section 2.03. The Trustee shall reconvey to CHL the Mortgage Loan to be released pursuant hereto in the same manner, and on the same terms and conditions, as it would a Mortgage Loan repurchased for breach of a representation or warranty contained in Section 2.03.

Section 2.06 Authentication and Delivery of Certificates.

The Trustee acknowledges the transfer and assignment to it of the Trust Fund and, concurrently with such transfer and assignment, has executed, authenticated and delivered, to or upon the order of the Depositor, the Certificates in authorized denominations evidencing the entire ownership of the Trust Fund. The Trustee agrees to hold the Trust Fund and exercise the rights referred to above for the benefit of all present and future Holders of the Certificates and the Certificate Insurer and to perform the duties set forth in this Agreement.

Section 2.07 Covenants of the Master Servicer.

The Master Servicer hereby covenants to the Depositor, the Certificate Insurer and the Trustee as follows:

(a) the Master Servicer shall comply in the performance of its obligations under this Agreement with all reasonable rules and requirements of the insurer under each Required Insurance Policy;

(b) no written information, certificate of an officer, statement furnished in writing or written report delivered to the Depositor, any affiliate of the Depositor, the Certificate Insurer or the Trustee and prepared by the Master Servicer pursuant to this Agreement will contain any untrue statement of a material fact or omit to state a material fact necessary to make the information, certificate, statement or report not misleading; and

(c) the Master Servicer shall ensure that the Covered Loans are serviced in accordance with the requirements of the Credit Insurance Policy so as not to cause any of the Covered Loans to be excluded from coverage or have the related coverage reduced under the

Credit Insurance Policy, otherwise the Master Servicer shall be required to repurchase the Mortgage Loan at the related Purchase Price, which shall be the sole remedy in respect of such breach.

Section 2.08 Sponsor Loss Coverage Obligation.

CHL hereby agrees that, for the benefit of the Certificateholders and the Certificate Insurer, on the Business Day immediately preceding each Distribution Date it will remit to the Trustee for deposit into the Distribution Account the amount of any Loss Coverage Payment due for such Distribution Date as specified in the remittance report delivered by the Master Servicer. The obligation of CHL to remit Loss Coverage Payments will terminate when the Sponsor Loss Coverage Amount has been reduced to zero.

ARTICLE III.
ADMINISTRATION AND SERVICING OF MORTGAGE LOANS

Section 3.01 Master Servicer to Service Mortgage Loans.

For and on behalf of the Certificateholders, the Master Servicer shall service and administer the Mortgage Loans in accordance with customary and usual standards of practice of prudent mortgage loan lenders in the respective states in which the Mortgaged Properties are located, including taking all required and appropriate actions under each Required Insurance Policy and taking all required and appropriate actions under the Credit Insurance Policy on behalf of the Trustee, other than the payment of the Credit Insurance Premium. In connection with such servicing and administration, the Master Servicer shall have full power and authority, acting alone and/or through subservicers as provided in Section 3.02 hereof, subject to the terms hereof (i) to execute and deliver, on behalf of the Certificateholders and the Trustee, customary consents or waivers and other instruments and documents, (ii) to consent to transfers of any Mortgaged Property and assumptions of the Mortgage Notes and related Mortgages (but only in the manner provided in this Agreement), (iii) to collect any Insurance Proceeds, other Liquidation Proceeds and Subsequent Recoveries, and (iv) subject to Section 3.12(b), to effectuate foreclosure or other conversion of the ownership of the Mortgaged Property securing any Mortgage Loan; provided that the Master Servicer shall take no action that is inconsistent with or prejudices the interests of the Trustee, the Certificate Insurer or the Certificateholders in any Mortgage Loan or the rights and interests of the Depositor, the Certificate Insurer and the Trustee under this Agreement. The Master Servicer shall represent and protect the interest of the Trustee in the same manner as it currently protects its own interest in mortgage loans in its own portfolio in any claim, proceeding or litigation regarding a Mortgage Loan and shall not make or permit any modification, waiver or amendment of any term of any Mortgage Loan which would (i) cause any REMIC formed hereunder to fail to qualify as a REMIC, (ii) result in the imposition of any tax under section 860(a) or 860(d) of the Code or (iii) cause any Covered Loan to not be covered by the Credit Insurance Policy, but in any case the Master Servicer shall not act in any manner that is a lesser standard than that provided in the first sentence of this Section 3.01. Without limiting the generality of the foregoing, the Master Servicer, in its own name or in the name of the Depositor and the Trustee, is hereby authorized and empowered by the Depositor

and the Trustee, when the Master Servicer believes it appropriate in its reasonable judgment, to execute and deliver, on behalf of the Trustee, the Depositor, the Certificateholders or any of them, any and all instruments of satisfaction or cancellation, or of partial or full release or discharge and all other comparable instruments, with respect to the Mortgage Loans, and with respect to the Mortgaged Properties held for the benefit of the Certificateholders. The Master Servicer shall prepare and deliver to the Depositor and/or the Trustee such documents requiring execution and delivery by any or all of them as are necessary or appropriate to enable the Master Servicer to service and administer the Mortgage Loans. Upon receipt of such documents, the Depositor and/or the Trustee shall execute such documents and deliver them to the Master Servicer. The Master Servicer further is authorized and empowered by the Trustee, on behalf of the Certificateholders and the Trustee, in its own name or in the name of the Subservicer, when the Master Servicer or the Subservicer, as the case may be, believes it appropriate in its best judgment to register any Mortgage Loan on the MERS® System, or cause the removal from the registration of any Mortgage Loan on the MERS® System, to execute and deliver, on behalf of the Trustee and the Certificateholders or any of them, any and all instruments of assignment and other comparable instruments with respect to such assignment or re-recording of a Mortgage in the name of MERS, solely as nominee for the Trustee and its successors and assigns.

In accordance with the standards of the preceding paragraph, the Master Servicer shall advance or cause to be advanced funds as necessary for the purpose of effecting the payment of taxes and assessments on the Mortgaged Properties, which advances shall be reimbursable in the first instance from related collections from the Mortgagors pursuant to Section 3.06, and further as provided in Section 3.08. All costs incurred by the Master Servicer, if any, in effecting the timely payments of taxes and assessments on the Mortgaged Properties and related insurance premiums shall not, for the purpose of calculating monthly distributions to the Certificateholders, be added to the Stated Principal Balance under the related Mortgage Loans, notwithstanding that the terms of such Mortgage Loans so permit.

The Master Servicer shall deliver a list of Servicing Officers to the Trustee by the Closing Date.

In addition, the Master Servicer shall administer the Credit Insurance Policy on behalf of itself, the Sellers, the Depositor, and the Trustee for the benefit of the Certificateholders and the Certificate Insurer, when it is necessary to make claims and receive payments under the Credit Insurance Policy. In connection with its activities as Master Servicer of the Mortgage Loans, the Master Servicer agrees to present, on behalf of itself, the Trustee and the Certificateholders, claims to the insurer under any primary insurance policies and, in this regard, to take any reasonable action necessary to permit recovery under any primary insurance policies respecting defaulted Mortgage Loans. Any amounts collected by the Master Servicer under any primary insurance policies shall be deposited in the Certificate Account.

The Master Servicer shall take whatever action is appropriate to maximize the amounts payable under the Credit Insurance Policy and to service the Covered Loans in the manner required by the Credit Insurance Policy. The Master Servicer shall prepare and submit all claims eligible for submission under the Credit Insurance Policy and shall, except as otherwise specified in this Agreement, perform all of the obligations of the insured under the Credit Insurance Policy.

In the event that a shortfall in any collection on or liability with respect to any Mortgage Loan results from or is attributable to adjustments to Mortgage Rates, Scheduled Payments or Stated Principal Balances that were made by the Master Servicer in a manner not consistent with the terms of the related Mortgage Note and this Agreement, the Master Servicer, upon discovery or receipt of notice thereof, immediately shall deliver to the Trustee for deposit in the Distribution Account from its own funds the amount of any such shortfall and shall indemnify and hold harmless the Trust Fund, the Trustee, the Depositor and any successor master servicer in respect of any such liability. Such indemnities shall survive the termination or discharge of this Agreement. Notwithstanding the foregoing, this Section 3.01 shall not limit the ability of the Master Servicer to seek recovery of any such amounts from the related Mortgagor under the terms of the related Mortgage Note, as permitted by law and shall not be an expense of the Trust.

Section 3.02 Subservicing; Enforcement of the Obligations of Master Servicer.

(a) The Master Servicer may arrange for the subservicing of any Mortgage Loan by a subservicer (each, a "Subservicer") pursuant to a subservicing agreement (each, a "Subservicing Agreement"); provided that (i) such subservicing arrangement and the terms of the related subservicing agreement must provide for the servicing of such Mortgage Loans in a manner consistent with the servicing arrangements contemplated hereunder, (ii) that such subservicing agreements would not result in a withdrawal or a downgrading by any Rating Agency of the ratings on any Class of Certificates (without regard to the Certificate Insurance Policy in the case of the Class A Certificates), as evidenced by a letter to that effect delivered by each Rating Agency to the Depositor, the Certificate Insurer and the NIM Insurer and (iii) the NIM Insurer shall have consented to such subservicing agreements (which consent shall not be unreasonably withheld) with Subservicers, for the servicing and administration of the Mortgage Loans. The Master Servicer shall deliver to the Trustee copies of all Sub-Servicing Agreements, and any amendments or modifications thereof, promptly upon the Master Servicer's execution and delivery of such instruments. The Master Servicer, with the written consent of the NIM Insurer (which consent shall not be unreasonably withheld), shall be entitled to terminate any Subservicing Agreement and the rights and obligations of any Subservicer pursuant to any Subservicing Agreement in accordance with the terms and conditions of such Subservicing Agreement. Notwithstanding the provisions of any subservicing agreement, any of the provisions of this Agreement relating to agreements or arrangements between the Master Servicer or a subservicer or reference to actions taken through a subservicer or otherwise, the Master Servicer shall remain obligated and liable to the Depositor, the Trustee, the Certificate Insurer and the Certificateholders for the servicing and administration of the Mortgage Loans in accordance with the provisions of this Agreement without diminution of such obligation or liability by virtue of such subservicing agreements or arrangements or by virtue of indemnification from the subservicer and to the same extent and under the same terms and conditions as if the Master Servicer alone were servicing and administering the Mortgage Loans. Every subservicing agreement entered into by the Master Servicer shall contain a provision giving the successor Master Servicer the option to terminate such agreement without cost in the event a successor Master Servicer is appointed. All actions of each subservicer performed pursuant to the related subservicing agreement shall be performed as an agent of the Master Servicer with the same force and effect as if performed directly by the Master Servicer.

(b) For purposes of this Agreement, the Master Servicer shall be deemed to have received any collections, recoveries or payments with respect to the Mortgage Loans that are received by a subservicer regardless of whether such payments are remitted by the subservicer to the Master Servicer.

Section 3.03 Rights of the Depositor, the Sellers, the Certificateholders, the NIM Insurer, the Certificate Insurer and the Trustee in Respect of the Master Servicer.

None of the Trustee, the Sellers, the Certificateholders, the NIM Insurer, the Certificate Insurer or the Depositor shall have any responsibility or liability for any action or failure to act by the Master Servicer, and none of them is obligated to supervise the performance of the Master Servicer hereunder or otherwise. The Master Servicer shall afford (and any Subservicing Agreement shall provide that each Subservicer shall afford) the Depositor, the NIM Insurer, the Certificate Insurer and the Trustee, upon reasonable notice, during normal business hours, access to all records maintained by the Master Servicer (and any such Subservicer) in respect of the Master Servicer's rights and obligations hereunder and access to officers of the Master Servicer (and those of any such Subservicer) responsible for such obligations. Upon request, the Master Servicer shall furnish to the Depositor, the NIM Insurer, the Certificate Insurer and the Trustee its (and any such Subservicer's) most recent financial statements and such other information relating to the Master Servicer's capacity to perform its obligations under this Agreement that it possesses. To the extent such information is not otherwise available to the public, the Depositor, the NIM Insurer, the Certificate Insurer and the Trustee shall not disseminate any information obtained pursuant to the preceding two sentences without the Master Servicer's (or any such Subservicer's) written consent, except as required pursuant to this Agreement or to the extent that it is necessary to do so (i) in working with legal counsel, auditors, taxing authorities or other governmental agencies, rating agencies or reinsurers or (ii) pursuant to any law, rule, regulation, order, judgment, writ, injunction or decree of any court or governmental authority having jurisdiction over the Depositor, the Trustee, the NIM Insurer, the Certificate Insurer or the Trust Fund, and in either case, the Depositor, the NIM Insurer, the Certificate Insurer or the Trustee, as the case may be, shall use its reasonable best efforts to assure the confidentiality of any such disseminated non-public information. The Depositor may, but is not obligated to, enforce the obligations of the Master Servicer under this Agreement and may, but is not obligated to, perform, or cause a designee to perform, any defaulted obligation of the Master Servicer under this Agreement or exercise the rights of the Master Servicer under this Agreement; provided by virtue of such performance by the Depositor or its designee. The Depositor shall not have any responsibility or liability for any action or failure to act by the Master Servicer and is not obligated to supervise the performance of the Master Servicer under this Agreement or otherwise.

Section 3.04 Trustee to Act as Master Servicer.

In the event that the Master Servicer shall for any reason no longer be the Master Servicer hereunder (including by reason of an Event of Default or termination by the Depositor), the Trustee or its designee shall thereupon assume all of the rights and obligations of the Master Servicer hereunder arising thereafter (except that the Trustee shall not be (i) liable for losses of the Master Servicer pursuant to Section 3.10 hereof or any acts or omissions of the predecessor

Master Servicer hereunder, (ii) obligated to make Advances if it is prohibited from doing so by applicable law, (iii) obligated to effectuate repurchases or substitutions of Mortgage Loans hereunder, including pursuant to Section 2.02 or 2.03 hereof, (iv) responsible for expenses of the Master Servicer pursuant to Section 2.03 or (v) deemed to have made any representations and warranties hereunder, including pursuant to Section 2.03 or the first paragraph of Section 6.02 hereof). If the Master Servicer shall for any reason no longer be the Master Servicer (including by reason of any Event of Default or termination by the Depositor), the Trustee (or any other successor servicer) may, at its option, succeed to any rights and obligations of the Master Servicer under any subservicing agreement in accordance with the terms thereof; provided that the Trustee (or any other successor servicer) shall not incur any liability or have any obligations in its capacity as servicer under a subservicing agreement arising prior to the date of such succession unless it expressly elects to succeed to the rights and obligations of the Master Servicer thereunder; and the Master Servicer shall not thereby be relieved of any liability or obligations under the subservicing agreement arising prior to the date of such succession.

The Master Servicer shall, upon request of the Trustee, but at the expense of the Master Servicer, deliver to the assuming party all documents and records relating to each subservicing agreement and the Mortgage Loans then being serviced thereunder and an accounting of amounts collected held by it and otherwise use its best efforts to effect the orderly and efficient transfer of the subservicing agreement to the assuming party.

Section 3.05 Collection of Mortgage Loan Payments; Certificate Account; Distribution Account; Pre-Funding Account; Capitalized Interest Account; Premium Account.

(a) The Master Servicer shall make reasonable efforts in accordance with customary and usual standards of practice of prudent mortgage lenders in the respective states in which the Mortgaged Properties are located to collect all payments called for under the terms and provisions of the Mortgage Loans to the extent such procedures shall be consistent with this Agreement and the terms and provisions of any related Required Insurance Policy. Consistent with the foregoing, the Master Servicer may in its discretion (i) waive any late payment charge or, subject to Section 3.20, any Prepayment Charge or penalty interest in connection with the prepayment of a Mortgage Loan and (ii) extend the due dates for payments due on a Mortgage Note for a period not greater than 270 days; provided that the Master Servicer will not extend the due date of any such Mortgage Loan past the maturity date for the latest maturing Mortgage Loan as of the Cut-off Date. In the event of any such arrangement, the Master Servicer shall make Advances on the related Mortgage Loan during the scheduled period in accordance with the amortization schedule of such Mortgage Loan without modification thereof by reason of such arrangements. In addition, the NIM Insurer's prior written consent shall be required for any waiver of Prepayment Charges or for the extension of the due dates for the payments due on a Mortgage Note, if the aggregate number of Mortgage Loans that have been granted such waivers or extensions exceeds 5% of the aggregate number of the Mortgage Loans. The Master Servicer shall not be required to institute or join in litigation with respect to collection of any payment (whether under a Mortgage, Mortgage Note or otherwise or against any public or governmental authority with respect to a taking or condemnation) if it reasonably believes that enforcing the provision of the Mortgage or other instrument pursuant to which such payment is required is prohibited by applicable law.

(b) The Master Servicer shall establish and maintain a Certificate Account into which the Master Servicer shall deposit or cause to be deposited on a daily basis within two Business Days of receipt, except as otherwise specifically provided herein, the following payments and collections remitted by Subservicers or received by it in respect of Mortgage Loans subsequent to the Cut-off Date (other than in respect of principal and interest due on the Mortgage Loans on or before the Cut-off Date) and the following amounts required to be deposited hereunder:

- (1) all payments on account of principal, including Principal Prepayments, on the Mortgage Loans;
- (2) all payments on account of interest on the Mortgage Loans (net of the related Servicing Fee and Prepayment Interest Excess permitted under Section 3.15 hereof to the extent not previously paid to or withheld by the Master Servicer);
- (3) all Insurance Proceeds (including proceeds from the Credit Insurance Policy) and Charged-off Loan Proceeds;
- (4) all Liquidation Proceeds and Subsequent Recoveries, other than proceeds to be applied to the restoration or repair of the Mortgaged Property or released to the Mortgagor in accordance with the Master Servicer's normal servicing procedures;
- (5) all Compensating Interest;
- (6) any amount required to be deposited by the Master Servicer pursuant to Section 3.05(f) in connection with any losses on Permitted Investments;
- (7) any amounts required to be deposited by the Master Servicer pursuant to Section 3.10 hereof;
- (8) the Purchase Price and any Substitution Adjustment Amount;
- (9) all Advances made by the Master Servicer or the Trustee pursuant to Section 4.01 hereof;
- (10) all Prepayment Charges and Master Servicer Prepayment Charge Payment Amounts; and
- (11) any other amounts required to be deposited hereunder.

The foregoing requirements for remittance by the Master Servicer into the Certificate Account shall be exclusive, it being understood and agreed that, without limiting the generality of the foregoing, payments in the nature of late payment charges or assumption fees, if collected, need not be remitted by the Master Servicer. In the event that the Master Servicer shall remit any amount not required to be remitted and not otherwise subject to withdrawal pursuant to Section 3.08 hereof, it may at any time withdraw or direct the institution maintaining the Certificate Account, to withdraw such amount from the Certificate Account, any provision herein to the contrary notwithstanding. Such withdrawal or direction may be accomplished by

delivering written notice thereof to the institution maintaining the Certificate Account, that describes the amounts deposited in error in the Certificate Account. The Master Servicer shall maintain adequate records with respect to all withdrawals made pursuant to this Section. All funds deposited in the Certificate Account shall be held in trust for the Certificateholders and the Certificate Insurer until withdrawn in accordance with Section 3.08.

No later than 1:00 p.m. Pacific time on the Business Day prior to the Master Servicer Advance Date, CHL shall remit to the Master Servicer, and the Master Servicer shall deposit in the Certificate Account, the Seller Interest Shortfall Payments (if any) for such Master Servicer Advance Date.

(c) The Trustee shall establish and maintain, on behalf of the Certificateholders and the Certificate Insurer, the Distribution Account. The Trustee shall, promptly upon receipt, deposit in the Distribution Account and retain therein the following:

- (1) the aggregate amount remitted by the Master Servicer pursuant to the second paragraph of Section 3.08(a);
- (2) any Loss Coverage Payment made by CHL pursuant to Section 2.08;
- (3) any amount required to be deposited by the Master Servicer pursuant to Section 3.05(f) in connection with any losses on Permitted Investments; and
- (4) any amount to be deposited by the Trustee in the Distribution Account pursuant to Section 3.05(d) and 3.05(e).

The foregoing requirements for remittance by the Master Servicer and deposit by the Trustee into the Distribution Account shall be exclusive. In the event that the Master Servicer shall remit any amount not required to be remitted and not otherwise subject to withdrawal pursuant to Section 3.08 hereof, it may at any time direct the Trustee to withdraw such amount from the Distribution Account, any provision herein to the contrary notwithstanding. Such direction may be accomplished by delivering a written notice to the Trustee that describes the amounts deposited in error in the Distribution Account. All funds deposited in the Distribution Account shall be held by the Trustee in trust for the Certificateholders and the Certificate Insurer until disbursed in accordance with this Agreement or withdrawn in accordance with Section 3.08. In no event shall the Trustee incur liability for withdrawals from the Distribution Account at the direction of the Master Servicer.

(d) If the Pre-Funded Amount is greater than zero, the Trustee shall establish and maintain, on behalf of the Certificateholders and the Certificate Insurer, the Pre-Funding Account, and on the Closing Date, CHL shall remit the Pre-Funded Amount to the Trustee for deposit in the Pre-Funding Account.

On the Business Day before the Distribution Date following the end of the Funding Period, the Trustee shall (i) withdraw the amount on deposit in the Pre-Funding Account (net of investment income), (ii) promptly deposit such amount in the Distribution

Account, and (iii) distribute each amount to the Certificates on the Distribution Date pursuant to Section 4.04.

(e) If the Capitalized Interest Deposit is greater than zero, the Trustee shall establish and maintain, on behalf of the Certificateholders and the Certificate Insurer, the Capitalized Interest Account. On the Closing Date, CHL shall remit the Capitalized Interest Deposit to the Trustee for deposit in the Capitalized Interest Account. On each Distribution Account Deposit Date related to a Funding Period Distribution Date, the Trustee shall transfer from the Capitalized Interest Account to the Distribution Account an amount equal to the Capitalized Interest Requirement (which, to the extent required, may include investment earnings on amounts on deposit therein) for the related Distribution Date.

If any funds remain in the Capitalized Interest Account at the end of the Distribution Account Deposit Date for the last Funding Period Distribution Date, the Trustee shall distribute any such remaining funds to the order of CHL on the last Funding Period Distribution Date.

(f) Each institution that maintains the Certificate Account, the Distribution Account, the Premium Account, the Pre-Funding Account or the Capitalized Interest Account shall invest the funds in each such account, as directed by the Master Servicer, in Permitted Investments, which shall mature not later than (x) in the case of the Certificate Account, the second Business Day next preceding the related Distribution Account Deposit Date (except that if such Permitted Investment is an obligation of the institution that maintains such Certificate Account, then such Permitted Investment shall mature not later than the Business Day next preceding such Distribution Account Deposit Date) and (y) in the case of the Distribution Account, the Premium Account, the Pre-Funding Account and the Capitalized Interest Account, the Business Day immediately preceding the first Distribution Date that follows the date of such investment (except that if such Permitted Investment is an obligation of the institution that maintains such Distribution Account, the Premium Account or Pre-Funding Account, then such Permitted Investment shall mature not later than such Distribution Date), in each case, shall not be sold or disposed of prior to its maturity. All such Permitted Investments shall be made in the name of the Trustee, for the benefit of the Certificateholders and the Certificate Insurer. In the case of (i) the Certificate Account and the Distribution Account, all income and gain net of any losses realized from any such investment shall be for the benefit of the Master Servicer as servicing compensation and shall be remitted to it monthly as provided herein, (ii) the Pre-Funding Account, all income and gain net of any losses realized from any such investment shall be for the benefit of the Depositor and shall be remitted to the Depositor as provided herein, (iii) the Capitalized Interest Account, all income and gain net of any losses realized from any such investment on deposit therein shall be credited thereto and (iv) the Premium Account, all income and gain net of any losses realized from any such investment shall be for the benefit of the Certificateholders and the Certificate Insurer and shall be remitted to the Premium Account. The amount of any losses incurred in the Certificate Account or the Distribution Account in respect of any such investments shall be deposited by the Master Servicer in the Certificate Account or paid to the Trustee for deposit into the Distribution Account out of the Master Servicer's own funds immediately as realized. The amount of any losses incurred in the Pre-Funding Account or the Capitalized Interest Account in respect of any such investments shall be paid by the Master Servicer to the Trustee for deposit into the Pre-Funding Account or the Capitalized Interest

Account, as applicable, out of the Master Servicer's own funds immediately as realized. The Trustee shall not be liable for the amount of any loss incurred in respect of any investment or lack of investment of funds held in the Certificate Account, the Distribution Account, the Premium Account, the Pre-Funding Account or the Capitalized Interest Account and made in accordance with this Section 3.05 (other than as obligor on any such investment). The Master Servicer shall not be liable for the amount of any loss incurred in respect of any investment or lack of investment of funds held in the Premium Account and made in accordance with this Section 3.05.

(g) The Master Servicer shall give at least 30 days advance notice to the Trustee, each Seller, the Certificate Insurer, each Rating Agency and the Depositor of any proposed change of location of the Certificate Account prior to any change thereof. The Trustee shall give at least 30 days advance notice to the Master Servicer, each Seller, the Certificate Insurer, each Rating Agency and the Depositor of any proposed change of the location of the Distribution Account, the Pre-Funding Account, the Premium Account, the Carryover Reserve Fund or the Capitalized Interest Account prior to any change thereof.

(h) Except as otherwise expressly provided in this Agreement, if any default occurs under any Permitted Investment, the Trustee may and, subject to Sections 8.01 and 8.02(a)(4), at the request of the Holders of Certificates representing more than 50% of the Voting Rights), or the NIM Insurer, shall take any action appropriate to enforce payment or performance, including the institution and prosecution of appropriate proceedings.

(i) Upon its initial receipt of written instructions from the Master Servicer pursuant to Section 3.08(b)(vi) directing the Trustee to deposit an amount in the Premium Account, the Trustee shall establish and maintain, on behalf of the Certificateholders and the Certificate Insurer, the Premium Account.

Section 3.06 Collection of Taxes, Assessments and Similar Items; Escrow Accounts.

To the extent required by the related Mortgage Note, the Master Servicer shall establish and maintain one or more accounts (each, an "Escrow Account") and deposit and retain therein all collections from the Mortgagors (or advances by the Master Servicer) for the payment of taxes, assessments, hazard insurance premiums or comparable items for the account of the Mortgagors. Nothing herein shall require the Master Servicer to compel a Mortgagor to establish an Escrow Account in violation of applicable law.

Withdrawals of amounts so collected from the Escrow Accounts may be made only to effect timely payment of taxes, assessments, hazard insurance premiums, condominium or PUD association dues, or comparable items, to reimburse the Master Servicer out of related collections for any payments made pursuant to Sections 3.01 hereof (with respect to taxes and assessments and insurance premiums) and 3.10 hereof (with respect to hazard insurance), to refund to any Mortgagors any sums as may be determined to be overages, to pay interest, if required by law or the terms of the related Mortgage or Mortgage Note, to Mortgagors on balances in the Escrow Account or to clear and terminate the Escrow Account at the termination

of this Agreement in accordance with Section 9.01 hereof. The Escrow Accounts shall not be a part of the Trust Fund.

Section 3.07 Access to Certain Documentation and Information Regarding the Mortgage Loans.

The Master Servicer shall afford the Depositor, the NIM Insurer, the Trustee and the Certificate Insurer reasonable access to all records and documentation regarding the Mortgage Loans and all accounts, insurance policies and other matters relating to this Agreement, such access being afforded without charge, but only upon reasonable request and during normal business hours at the offices of the Master Servicer designated by it. Upon request, the Master Servicer shall furnish to the Trustee and the NIM Insurer its most recent publicly available financial statements and any other information relating to its capacity to perform its obligations under this Agreement reasonably requested by the NIM Insurer.

Upon reasonable advance notice in writing if required by federal regulation, the Master Servicer will provide to each Certificateholder or Certificate Owner that is a savings and loan association, bank or insurance company certain reports and reasonable access to information and documentation regarding the Mortgage Loans sufficient to permit such Certificateholder or Certificate Owner to comply with applicable regulations of the OTS or other regulatory authorities with respect to investment in the Certificates; provided that the Master Servicer shall be entitled to be reimbursed by each such Certificateholder or Certificate Owner for actual expenses incurred by the Master Servicer in providing such reports and access.

Section 3.08 Permitted Withdrawals from the Certificate Account, Distribution Account, Carryover Reserve Fund and the Principal Reserve Fund.

(a) The Master Servicer may from time to time make withdrawals from the Certificate Account for the following purposes.

(i) to pay to the Master Servicer (to the extent not previously paid to or withheld by the Master Servicer), as servicing compensation in accordance with Section 3.15, that portion of any payment of interest that equals the Servicing Fee for the period with respect to which such interest payment was made, and, as additional servicing compensation to the Master Servicer, those other amounts set forth in Section 3.15;

(ii) to reimburse each of the Master Servicer and the Trustee for Advances made by it with respect to the Mortgage Loans, such right of reimbursement pursuant to this subclause (ii) being limited to amounts received on particular Mortgage Loan(s) (including, for this purpose, Liquidation Proceeds, Insurance Proceeds and Subsequent Recoveries (other than proceeds of the Credit Insurance Policy) but not Charged-off Loan Proceeds) that represent late recoveries of payments of principal and/or interest on such particular Mortgage Loan(s) in respect of which any such Advance was made;

(iii) [Reserved];

(iv) to reimburse each of the Master Servicer and the Trustee for any Nonrecoverable Advance previously made;

(v) to reimburse the Master Servicer from Insurance Proceeds (other than proceeds of the Credit Insurance Policy) for Insured Expenses covered by the related Insurance Policy;

(vi) to pay the Master Servicer any unpaid Servicing Fees and to reimburse it for any unreimbursed Servicing Advances, the Master Servicer's right to reimbursement of Servicing Advances pursuant to this subclause (vi) with respect to any Mortgage Loan being limited to amounts received on particular Mortgage Loan(s) (including, for this purpose, Liquidation Proceeds, Insurance Proceeds and Subsequent Recoveries, Charged-off Loan Proceeds and purchase and repurchase proceeds) that represent late recoveries of the payments for which such advances were made pursuant to Section 3.01 or Section 3.06;

(vii) to pay to the applicable Seller, the Depositor or the Master Servicer, as applicable, with respect to each Mortgage Loan or property acquired in respect thereof that has been purchased pursuant to Section 2.02, 2.03, 2.04 or 3.12, all amounts received thereon and not taken into account in determining the related Purchase Price of such repurchased Mortgage Loan;

(viii) to reimburse the applicable Seller, the Master Servicer, the NIM Insurer or the Depositor for expenses incurred by any of them in connection with the Mortgage Loans or Certificates and reimbursable pursuant to Section 6.03 hereof; provided that such amount shall only be withdrawn following the withdrawal from the Certificate Account for deposit into the Distribution Account pursuant to the following paragraph;

(ix) to pay any lender-paid primary mortgage insurance premiums (other than the Credit Insurance Premium);

(x) to withdraw any amount deposited in the Certificate Account and not required to be deposited therein; and

(xi) to clear and terminate the Certificate Account upon termination of this Agreement pursuant to Section 9.01 hereof.

In addition, no later than 1:00 p.m. Pacific time on the Distribution Account Deposit Date, the Master Servicer shall withdraw from the Certificate Account and remit to the Trustee the Interest Remittance Amount, the Principal Remittance Amount, Prepayment Charges collected and the Master Servicer Prepayment Charge Payment Amount, and the Trustee shall deposit such amount in the Distribution Account.

The Trustee shall establish and maintain, on behalf of the Certificateholders, a Principal Reserve Fund in the name of the Trustee. On the Closing Date, CHL shall deposit into the Principal Reserve Fund \$200.00. Funds on deposit in the Principal Reserve Fund shall not be invested. The Principal Reserve Fund shall be treated as an "outside reserve fund" under

applicable Treasury regulations and shall not be part of any REMIC created under this Agreement.

On the Business Day before the first Distribution Date, the Trustee shall transfer \$100.00 from the Principal Reserve Fund to the Distribution Account, and on the first Distribution Date, the Trustee shall withdraw \$100 and distribute such amount to the Class A-R Certificates in reduction of the Certificate Principal Balance thereof.

On the Business Day before the Class P Principal Distribution Date, the Trustee shall transfer from the Principal Reserve Fund to the Distribution Account \$100.00 and shall distribute such amount to the Class P Certificates on the Class P Principal Distribution Date. Following the distribution to be made in accordance with the preceding sentence, the Trustee shall then terminate the Principal Reserve Fund.

The Master Servicer shall keep and maintain separate accounting, on a Mortgage Loan by Mortgage Loan basis, for the purpose of justifying any withdrawal from the Certificate Account pursuant to subclauses (i), (ii), (iv), (v), (vi), (vii), (viii), (ix) and (x) above. Prior to making any withdrawal from the Certificate Account pursuant to subclause (iv), the Master Servicer shall deliver to the Trustee and the Certificate Insurer an Officer's Certificate of a Servicing Officer indicating the amount of any previous Advance determined by the Master Servicer to be a Nonrecoverable Advance and identifying the related Mortgage Loan(s), and their respective portions of such Nonrecoverable Advance.

(b) The Trustee shall withdraw funds from the Distribution Account for distribution to the Certificateholders, the Certificate Insurer and the Swap Account in the manner specified in this Agreement (and to withhold from the amounts so withdrawn, the amount of any taxes that it is authorized to retain pursuant to the third paragraph of Section 8.11). On each Distribution Date, the Trustee shall pay (or cause to be paid) the applicable Credit Insurance Premium to the Credit Insurer from funds on deposit in the Distribution Account. To the extent the Trustee receives any payments under the Credit Insurance Policy, it shall notify the Master Servicer and promptly deposit such amounts into the Certificate Account. Payments to the Credit Insurer shall be made by the Trustee by wire transfer of immediately available funds to the following account, unless the Credit Insurer notifies the Trustee in writing: ABA#071000521, DDA#198002383687, Bank Name: US Bank, Re: Policy No. V29, [include reporting month here] In addition, the Trustee may from time to time make withdrawals from the Distribution Account for the following purposes:

- (i) to pay the Trustee the Trustee Fee on each Distribution Date;
- (ii) to pay to the Master Servicer, as additional servicing compensation, earnings on or investment income with respect to funds in or credited to the Distribution Account;
- (iii) to withdraw pursuant to Section 3.05 any amount deposited in the Distribution Account and not required to be deposited therein;
- (iv) to reimburse the Trustee for any unreimbursed Advances made by it pursuant to Section 4.01(d) hereof, such right of reimbursement pursuant to this

subclause (iv) being limited to (x) amounts received on the related Mortgage Loan(s) in respect of which any such Advance was made and (y) amounts not otherwise reimbursed to the Trustee pursuant to Section 3.08(a)(ii) hereof;

(v) to reimburse the Trustee (other than from amounts representing Charged-off Loan Proceeds) for any Nonrecoverable Advance previously made by the Trustee pursuant to Section 4.01(d) hereof, such right of reimbursement pursuant to this subclause (v) being limited to amounts not otherwise reimbursed to the Trustee pursuant to Section 3.08(a)(iv) hereof;

(vi) upon receipt with written instructions by the Master Servicer, deposit all or a portion of the Credit Insurance Premium into the Premium Account; and

(vii) to clear and terminate the Distribution Account upon termination of the Agreement pursuant to Section 9.01 hereof.

(c) The Trustee shall withdraw funds from the Carryover Reserve Fund for distribution to the Certificateholders in the manner specified in this Agreement (and to withhold from the amounts so withdrawn, the amount of any taxes that it is authorized to retain pursuant to the third paragraph of Section 8.11). In addition, the Trustee may from time to time make withdrawals from the Carryover Reserve Fund for the following purposes:

(1) to withdraw any amount deposited in the Carryover Reserve Fund and not required to be deposited therein; and

(2) to clear and terminate the Carryover Reserve Fund upon termination of the Agreement pursuant to Section 9.01 hereof.

Section 3.09 [Reserved].

Section 3.10 Maintenance of Hazard Insurance.

The Master Servicer shall cause to be maintained, for each Mortgage Loan, hazard insurance with extended coverage in an amount that is at least equal to the lesser of (i) the maximum insurable value of the improvements securing such Mortgage Loan and (ii) the greater of (a) the outstanding principal balance of the Mortgage Loan and (b) an amount such that the proceeds of such policy shall be sufficient to prevent the related Mortgagor and/or mortgagee from becoming a co-insurer. Each such policy of standard hazard insurance shall contain, or have an accompanying endorsement that contains, a standard mortgagee clause. The Master Servicer shall also cause flood insurance to be maintained on property acquired upon foreclosure or deed in lieu of foreclosure of any Mortgage Loan, to the extent described below. Pursuant to Section 3.05 hereof, any amounts collected by the Master Servicer under any such policies (other than the amounts to be applied to the restoration or repair of the related Mortgaged Property or property thus acquired or amounts released to the Mortgagor in accordance with the Master Servicer's normal servicing procedures) shall be deposited in the Certificate Account. Any cost incurred by the Master Servicer in maintaining any such insurance shall not, for the purpose of calculating monthly distributions to the Certificateholders or remittances to the Trustee for their

benefit, be added to the principal balance of the Mortgage Loan, notwithstanding that the terms of the Mortgage Loan so permit. Such costs shall be recoverable by the Master Servicer out of late payments by the related Mortgagor or out of Liquidation Proceeds or Subsequent Recoveries to the extent permitted by Section 3.08 hereof. It is understood and agreed that no earthquake or other additional insurance is to be required of any Mortgagor or maintained on property acquired in respect of a Mortgage other than pursuant to such applicable laws and regulations as shall at any time be in force and as shall require such additional insurance. If the Mortgaged Property is located at the time of origination of the Mortgage Loan in a federally designated special flood hazard area and such area is participating in the national flood insurance program, the Master Servicer shall cause flood insurance to be maintained with respect to such Mortgage Loan. Such flood insurance shall be in an amount equal to the lesser of (i) the original principal balance of the related Mortgage Loan, (ii) the replacement value of the improvements that are part of such Mortgaged Property, or (iii) the maximum amount of such insurance available for the related Mortgaged Property under the Flood Disaster Protection Act of 1973, as amended. If the hazard policy contains a deductible clause, the Master Servicer will be required to deposit from its own funds into the Certificate Account the amounts that would have been deposited therein but for the deductible clause.

Section 3.11 Enforcement of Due-On-Sale Clauses; Assumption Agreements.

(a) Except as otherwise provided in this Section 3.11(a), when any property subject to a Mortgage has been or is about to be conveyed by the Mortgagor, the Master Servicer shall to the extent that it has knowledge of such conveyance, enforce any due-on-sale clause contained in any Mortgage Note or Mortgage, to the extent permitted under applicable law and governmental regulations, but only to the extent that such enforcement will not adversely affect or jeopardize coverage under any Required Insurance Policy. Notwithstanding the foregoing, the Master Servicer is not required to exercise such rights with respect to a Mortgage Loan if the Person to whom the related Mortgaged Property has been conveyed or is proposed to be conveyed satisfies the terms and conditions contained in the Mortgage Note and Mortgage related thereto and the consent of the mortgagee under such Mortgage Note or Mortgage is not otherwise so required under such Mortgage Note or Mortgage as a condition to such transfer. In the event that the Master Servicer is prohibited by law from enforcing any such due-on-sale clause, or if coverage under any Required Insurance Policy would be adversely affected, or if nonenforcement is otherwise permitted hereunder, the Master Servicer is authorized, subject to Section 3.11(b), to take or enter into an assumption and modification agreement from or with the person to whom such property has been or is about to be conveyed, pursuant to which such person becomes liable under the Mortgage Note and, unless prohibited by applicable state law, the Mortgagor remains liable thereon, provided that the Mortgage Loan shall continue to be covered (if so covered before the Master Servicer enters such agreement) by the applicable Required Insurance Policies. The Master Servicer, subject to Section 3.11(b), is also authorized with the prior approval of the insurers under any Required Insurance Policies to enter into a substitution of liability agreement with such Person, pursuant to which the original Mortgagor is released from liability and such Person is substituted as Mortgagor and becomes liable under the Mortgage Note. The Master Servicer shall notify the Trustee that any such substitution, modification or assumption agreement has been completed by forwarding to the Trustee the executed original of such substitution or assumption agreement, which document shall be added

to the related Mortgage File and shall, for all purposes, be considered a part of such Mortgage File to the same extent as all other documents and instruments constituting a part thereof.

(b) Subject to the Master Servicer's duty to enforce any due-on-sale clause to the extent set forth in Section 3.11(a) hereof, in any case in which a Mortgaged Property has been conveyed to a Person by a Mortgagor, and such Person is to enter into an assumption agreement or modification agreement or supplement to the Mortgage Note or Mortgage that requires the signature of the Trustee, or if an instrument of release signed by the Trustee is required releasing the Mortgagor from liability on the Mortgage Loan, the Master Servicer shall prepare and deliver or cause to be prepared and delivered to the Trustee for signature and shall direct, in writing, the Trustee to execute the assumption agreement with the Person to whom the Mortgaged Property is to be conveyed and such modification agreement or supplement to the Mortgage Note or Mortgage or other instruments as are reasonable or necessary to carry out the terms of the Mortgage Note or Mortgage or otherwise to comply with any applicable laws regarding assumptions or the transfer of the Mortgaged Property to such Person. In connection with any such assumption, no material term of the Mortgage Note (including, but not limited to, the Mortgage Rate, the amount of the Scheduled Payment and any other term affecting the amount or timing of payment on the Mortgage Loan) may be changed. In addition, the substitute Mortgagor and the Mortgaged Property must be acceptable to the Master Servicer in accordance with its underwriting standards as then in effect. The Master Servicer shall notify the Trustee that any such substitution or assumption agreement has been completed by forwarding to the Trustee the original of such substitution or assumption agreement, which in the case of the original shall be added to the related Mortgage File and shall, for all purposes, be considered a part of such Mortgage File to the same extent as all other documents and instruments constituting a part thereof. Any fee collected by the Master Servicer for entering into an assumption or substitution of liability agreement will be retained by the Master Servicer as additional servicing compensation.

Section 3.12 Realization Upon Defaulted Mortgage Loans; Determination of Excess Proceeds and Realized Losses; Repurchase of Certain Mortgage Loans; Auction of Charged-off Mortgage Loans.

(a) Notwithstanding the first sentence of Section 3.01, the Master Servicer may agree to any modification of any Mortgage Loan (the "Modified Mortgage Loan") if (i) CHL purchases the Modified Mortgage Loan from the Trust Fund immediately following the modification as described below and (ii) the Stated Principal Balance of such Mortgage Loan, when taken together with the aggregate of the Stated Principal Balances of all other Mortgage Loans that have been so modified since the Closing Date at the time of those modifications, does not exceed an amount equal to 5% of the aggregate Certificate Principal Balance of the related Certificates. Effective immediately after the modification, and, in any event, on the same Business Day on which the modification occurs, all interest of the Trustee in the Modified Mortgage Loan shall automatically be deemed transferred and assigned to CHL and all benefits and burdens of ownership thereof, including the right to accrued interest thereon from the date of modification and the risk of default thereon, shall pass to CHL. The Master Servicer shall promptly deliver to the Trustee a certification of a Servicing Officer to the effect that all requirements of this paragraph have been satisfied with respect to the Modified Mortgage Loan. For federal income tax purposes, the Trustee shall account for such purchase as a prepayment in

full of the Modified Mortgage Loan. CHL shall remit the Purchase Price to the Master Servicer for deposit into the Certificate Account pursuant to Section 3.05 within one Business Day after the purchase of the Modified Mortgage Loan. Upon receipt by the Trustee of written notification of any such deposit signed by a Servicing Officer, the Trustee shall release to CHL or its designee the related Mortgage File and shall execute and deliver such instruments of transfer or assignment, in each case without recourse, as shall be necessary to vest in CHL any Modified Mortgage Loan previously transferred and assigned pursuant hereto. CHL covenants and agrees to indemnify the Trust Fund against any liability for any "prohibited transaction" taxes and any related interest, additions, and penalties imposed on the Trust Fund established hereunder as a result of any modification of a Mortgage Loan effected pursuant to this subsection (a), any holding of a Modified Mortgage Loan by the Trust Fund or any purchase of a Modified Mortgage Loan by CHL (but such obligation shall not prevent CHL or any other appropriate Person from in good faith contesting any such tax in appropriate proceedings and shall not prevent CHL from withholding payment of such tax, if permitted by law, pending the outcome of such proceedings). CHL shall have no right of reimbursement for any amount paid pursuant to the foregoing indemnification, except to the extent that the amount of any tax, interest, and penalties, together with interest thereon, is refunded to the Trust Fund or CHL. If the Master Servicer agrees to a modification of any Mortgage Loan pursuant to this Section 3.12(a), and if such Mortgage Loan carries a Prepayment Charge provision, CHL shall deliver to the Trustee the amount of the Prepayment Charge, if any, that would have been due had such Mortgage Loan been prepaid at the time of such modification, for deposit into the Certificate Account (not later than 1:00 p.m. Pacific time on the Master Servicer Advance Date immediately succeeding the date of such modification) for distribution in accordance with the terms of this Agreement.

(b) The Master Servicer shall use reasonable efforts to foreclose upon or otherwise comparably convert the ownership of properties securing such of the Mortgage Loans as come into and continue in default and as to which no satisfactory arrangements can be made for collection of delinquent payments. In connection with such foreclosure or other conversion, the Master Servicer shall follow such practices and procedures as it shall deem necessary or advisable and as shall be normal and usual in its general mortgage servicing activities and the requirements of the insurer under any Required Insurance Policy; provided that the Master Servicer shall not be required to expend its own funds in connection with any foreclosure or towards the restoration of any property unless it shall determine (i) that such restoration and/or foreclosure will increase the proceeds of liquidation of the Mortgage Loan after reimbursement to itself of such expenses and (ii) that such expenses will be recoverable to it through Liquidation Proceeds (respecting which it shall have priority for purposes of withdrawals from the Certificate Account pursuant to Section 3.08 hereof). The Master Servicer shall be responsible for all other costs and expenses incurred by it in any such proceedings; provided that it shall be entitled to reimbursement thereof from the proceeds of liquidation of the related Mortgaged Property and any related Subsequent Recoveries, as contemplated in Section 3.08 hereof. If the Master Servicer has knowledge that a Mortgaged Property that the Master Servicer is contemplating acquiring in foreclosure or by deed-in-lieu of foreclosure is located within a one-mile radius of any site with environmental or hazardous waste risks known to the Master Servicer, the Master Servicer will, prior to acquiring the Mortgaged Property, consider such risks and only take action in accordance with its established environmental review procedures.

With respect to any REO Property, the deed or certificate of sale shall be taken in the name of the Trustee for the benefit of the Certificateholders (or the Trustee's nominee on behalf of the Certificateholders). The Trustee's name shall be placed on the title to such REO Property solely as the Trustee hereunder and not in its individual capacity. The Master Servicer shall ensure that the title to such REO Property references this Agreement and the Trustee's capacity thereunder. Pursuant to its efforts to sell such REO Property, the Master Servicer shall either itself or through an agent selected by the Master Servicer protect and conserve such REO Property in the same manner and to such extent as is customary in the locality where such REO Property is located and may, incident to its conservation and protection of the interests of the Certificateholders, rent the same, or any part thereof, as the Master Servicer deems to be in the best interest of the Master Servicer and the Certificateholders for the period prior to the sale of such REO Property. The Master Servicer shall prepare for and deliver to the Trustee a statement with respect to each REO Property that has been rented showing the aggregate rental income received and all expenses incurred in connection with the management and maintenance of such REO Property at such times as is necessary to enable the Trustee to comply with the reporting requirements of the REMIC Provisions. The net monthly rental income, if any, from such REO Property shall be deposited in the Certificate Account no later than the close of business on each Determination Date. The Master Servicer shall perform the tax reporting and withholding related to foreclosures, abandonments and cancellation of indebtedness income as specified by Sections 1445, 6050J and 6050P of the Code by preparing and filing such tax and information returns, as may be required.

In the event that the Trust Fund acquires any Mortgaged Property as aforesaid or otherwise in connection with a default or imminent default on a Mortgage Loan, the Master Servicer shall dispose of such Mortgaged Property as soon as practicable in a manner that maximizes the Liquidation Proceeds, but in no event later than three years after its acquisition by the Trust Fund or, at the expense of the Trust Fund, the Master Servicer shall request, more than 60 days prior to the day on which such three-year period would otherwise expire, an extension of the three-year grace period. In the event the Trustee shall have been supplied with an Opinion of Counsel (such opinion not to be an expense of the Trustee) to the effect that the holding by the Trust Fund of such Mortgaged Property subsequent to such three-year period will not result in the imposition of taxes on "prohibited transactions" of the Trust Fund as defined in section 860F of the Code or cause any REMIC formed hereunder to fail to qualify as a REMIC at any time that any Certificates are outstanding, and the Trust Fund may continue to hold such Mortgaged Property (subject to any conditions contained in such Opinion of Counsel) after the expiration of such three-year period. Notwithstanding any other provision of this Agreement, no Mortgaged Property acquired by the Trust Fund shall be rented (or allowed to continue to be rented) or otherwise used for the production of income by or on behalf of the Trust Fund in such a manner or pursuant to any terms that would (i) cause such Mortgaged Property to fail to qualify as "foreclosure property" within the meaning of section 860G(a)(8) of the Code or (ii) subject the Trust Fund to the imposition of any federal, state or local income taxes on the income earned from such Mortgaged Property under section 860G(c) of the Code or otherwise, unless the Master Servicer has agreed to indemnify and hold harmless the Trust Fund with respect to the imposition of any such taxes.

The decision of the Master Servicer to foreclose on a defaulted Mortgage Loan shall be subject to a determination by the Master Servicer that the proceeds of such foreclosure

would exceed the costs and expenses of bringing such a proceeding. The income earned from the management of any Mortgaged Properties acquired through foreclosure or other judicial proceeding, net of reimbursement to the Master Servicer for expenses incurred (including any property or other taxes) in connection with such management and net of unreimbursed Servicing Fees, Advances, Servicing Advances and any management fee paid or to be paid with respect to the management of such Mortgaged Property, shall be applied to the payment of principal of, and interest on, the related defaulted Mortgage Loans (with interest accruing as though such Mortgage Loans were still current) and all such income shall be deemed, for all purposes in this Agreement, to be payments on account of principal and interest on the related Mortgage Notes and shall be deposited into the Certificate Account. To the extent the income received during a Prepayment Period is in excess of the amount attributable to amortizing principal and accrued interest at the related Mortgage Rate on the related Mortgage Loan, such excess shall be considered to be a partial Principal Prepayment for all purposes hereof.

The Liquidation Proceeds from any liquidation of a Mortgage Loan and any Subsequent Recoveries, net of any payment to the Master Servicer as provided above, shall be deposited in the Certificate Account as provided in Section 3.05 for distribution on the related Distribution Date, except that any Excess Proceeds shall be retained by the Master Servicer as additional servicing compensation.

The proceeds of any Liquidated Mortgage Loan, as well as any recovery resulting from a partial collection of Liquidation Proceeds or any income from an REO Property, will be applied in the following order of priority: first, to reimburse the Master Servicer for any related unreimbursed Servicing Advances and Servicing Fees, pursuant to Section 3.08(a)(vi) or this Section 3.12; second, to reimburse the Master Servicer for any unreimbursed Advances, pursuant to Section 3.08(a)(ii) or this Section 3.12; third, to accrued and unpaid interest (to the extent no Advance has been made for such amount) on the Mortgage Loan or related REO Property, at the Net Mortgage Rate to the Due Date occurring in the month in which such amounts are required to be distributed; and fourth, as a recovery of principal of the Mortgage Loan.

(c) [Reserved].

(d) The Master Servicer, in its sole discretion, shall have the right to elect (by written notice sent to the Trustee) to purchase for its own account from the Trust Fund any Mortgage Loan that is 150 days or more delinquent at a price equal to the Purchase Price; provided, however, that the Master Servicer may only exercise this right on or before the last day of the calendar month in which such Mortgage Loan became 150 days delinquent (such month, the "Eligible Repurchase Month"); provided further, that any such Mortgage Loan which becomes current but thereafter becomes delinquent may be purchased by the Master Servicer pursuant to this Section in any ensuing Eligible Repurchase Month. The Purchase Price for any Mortgage Loan purchased hereunder shall be deposited in the Certificate Account. Any purchase of a Mortgage Loan pursuant to this Section 3.12(d) shall be accomplished by remittance to the Master Servicer for deposit in the Certificate Account of the Purchase Price. The Trustee, upon receipt of certification from the Master Servicer of such deposit and a Request for File Release from the Master Servicer, shall release or cause to be released to the purchaser of such Mortgage Loan the related Mortgage File and shall execute and deliver such instruments of transfer or assignment prepared by the purchaser of such Mortgage Loan, in each case without

recourse, as shall be necessary to vest in the purchaser of such Mortgage Loan any Mortgage Loan released pursuant hereto and the purchaser of such Mortgage Loan shall succeed to all the Trustee's right, title and interest in and to such Mortgage Loan and all security and documents related thereto. Such assignment shall be an assignment outright and not for security. The purchaser of such Mortgage Loan shall thereupon own such Mortgage Loan, and all security and documents, free of any further obligation to the Trustee or the Certificateholders with respect thereto.

(e) The Master Servicer shall use reasonable efforts to solicit bids on a quarterly basis from at least two unaffiliated third parties for the purchase of a Charged-off Mortgage Loan during the related Auction Period. If more than one Charged-off Mortgage Loan exists, the Master Servicer may solicit bids for a single Charged-off Mortgage Loan, a portion of the outstanding Charged-off Mortgage Loans or all of the outstanding Charged-off Mortgage Loans. If fewer than two bids with respect to a Charged-off Mortgage Loan are received during the related Auction Period, the Master Servicer shall, in accordance with Section 3.12(b), use reasonable efforts to foreclose the Mortgaged Property securing the related Charged-off Mortgage Loan to the extent that the Master Servicer determines that the proceeds of such foreclosure would exceed the costs and expenses of bringing such a proceeding. If two or more bids with respect to a Charged-off Mortgage Loan are received during the related Auction Period, the Master Servicer shall arrange for the sale of the Charged-off Mortgage Loan to the highest bidder. The Master Servicer shall prepare any necessary documentation required to transfer title to the Charged-off Mortgage Loans to the related purchaser. The Master Servicer shall deduct from the proceeds of the sale or foreclosure of such Charged-off Mortgage Loan the related Charged-off Mortgage Loan Disposition Fee and any unreimbursed Servicing Advances with respect to such Charged-off Mortgage Loan in accordance with Section 3.08. The Master Servicer and its affiliates shall not purchase Charged-off Mortgage Loans in any auction described in this subsection.

Section 3.13 Trustee to Cooperate; Release of Mortgage Files

Upon the payment in full of any Mortgage Loan, or the receipt by the Master Servicer of a notification that payment in full will be escrowed in a manner customary for such purposes, the Master Servicer will promptly notify the Trustee by delivering a Request for File Release. Upon receipt of such request, the Trustee shall promptly release the related Mortgage File to the Master Servicer, and the Trustee shall at the Master Servicer's direction execute and deliver to the Master Servicer the request for reconveyance, deed of reconveyance or release or satisfaction of mortgage or such instrument releasing the lien of the Mortgage in each case provided by the Master Servicer, together with the Mortgage Note with written evidence of cancellation thereon. The Master Servicer is authorized to cause the removal from the registration on the MERS® System of such Mortgage and to execute and deliver, on behalf of the Trust Fund and the Certificateholders or any of them, any and all instruments of satisfaction or cancellation or of partial or full release. No expenses incurred in connection with any instrument of satisfaction or deed of reconveyance shall be chargeable to the Certificate Account, the Distribution Account, the Carryover Reserve Fund or the related subservicing account. From time to time and as shall be appropriate for the servicing or foreclosure of any Mortgage Loan, including for such purpose, collection under any policy of flood insurance any fidelity bond or errors or omissions policy, or for the purposes of effecting a partial release of any Mortgaged

Property from the lien of the Mortgage or the making of any corrections to the Mortgage Note or the Mortgage or any of the other documents included in the Mortgage File, the Trustee shall, upon delivery to the Trustee of a Request for Document Release or a Request for File Release, as applicable, release the documents specified in such request or the Mortgage File, as the case may be, to the Master Servicer. Subject to the further limitations set forth below, the Master Servicer shall cause the Mortgage File or documents so released to be returned to the Trustee when the need therefor by the Master Servicer no longer exists, unless the Mortgage Loan is liquidated and the proceeds thereof are deposited in the Certificate Account, in which case the Master Servicer shall deliver to the Trustee a Request for File Release for any remaining documents in the Mortgage File not in the possession of the Master Servicer.

If the Master Servicer at any time seeks to initiate a foreclosure proceeding in respect of any Mortgaged Property as authorized by this Agreement, the Master Servicer shall deliver or cause to be delivered to the Trustee, for signature, as appropriate, any court pleadings, requests for trustee's sale or other documents necessary to effectuate such foreclosure or any legal action brought to obtain judgment against the Mortgagor on the Mortgage Note or the Mortgage or to obtain a deficiency judgment or to enforce any other remedies or rights provided by the Mortgage Note or the Mortgage or otherwise available at law or in equity. Notwithstanding the foregoing, the Master Servicer shall cause possession of any Mortgage File or of the documents therein that shall have been released by the Trustee to be returned to the Trustee within 21 calendar days after possession thereof shall have been released by the Trustee unless (i) the Mortgage Loan has been liquidated and the Liquidation Proceeds relating to the Mortgage Loan have been deposited in the Certificate Account, and the Master Servicer shall have delivered to the Trustee a Request for File Release or (ii) the Mortgage File or document shall have been delivered to an attorney or to a public trustee or other public official as required by law for purposes of initiating or pursuing legal action or other proceedings for the foreclosure of the Mortgaged Property and the Master Servicer shall have delivered to the Trustee an Officer's Certificate of a Servicing Officer certifying as to the name and address of the Person to which the Mortgage File or the documents therein were delivered and the purpose or purposes of such delivery.

Section 3.14 Documents, Records and Funds in Possession of Master Servicer to be Held for the Trustee.

Notwithstanding any other provisions of this Agreement, the Master Servicer shall transmit to the Trustee as required by this Agreement all documents and instruments in respect of a Mortgage Loan coming into the possession of the Master Servicer from time to time and shall account fully to the Trustee for any funds received by the Master Servicer or that otherwise are collected by the Master Servicer as Liquidation Proceeds, Insurance Proceeds or Subsequent Recoveries in respect of any Mortgage Loan. All Mortgage Files and funds collected or held by, or under the control of, the Master Servicer in respect of any Mortgage Loans, whether from the collection of principal and interest payments or from Liquidation Proceeds or Subsequent Recoveries including but not limited to, any funds on deposit in the Certificate Account, shall be held by the Master Servicer for and on behalf of the Trust Fund and shall be and remain the sole and exclusive property of the Trust Fund, subject to the applicable provisions of this Agreement. The Master Servicer also agrees that it shall not create, incur or subject any Mortgage File or any funds that are deposited in the Certificate Account, the

Distribution Account, the Pre-Funding Account, the Premium Account, the Carryover Reserve Fund or in any Escrow Account (as defined in Section 3.06), or any funds that otherwise are or may become due or payable to the Trustee for the benefit of the Certificateholders and the Certificate Insurer, to any claim, lien, security interest, judgment, levy, writ of attachment or other encumbrance, or assert by legal action or otherwise any claim or right of set off against any Mortgage File or any funds collected on, or in connection with, a Mortgage Loan, except, however, that the Master Servicer shall be entitled to set off against and deduct from any such funds any amounts that are properly due and payable to the Master Servicer under this Agreement.

Section 3.15 Servicing Compensation.

As compensation for its activities hereunder, the Master Servicer shall be entitled to retain or withdraw from the Certificate Account out of each payment of interest on a Mortgage Loan included in the Trust Fund an amount equal to interest at the applicable Servicing Fee Rate on the Stated Principal Balance of the related Mortgage Loan for the period covered by such interest payment.

Additional servicing compensation in the form of any Excess Proceeds, assumption fees, late payment charges, Prepayment Interest Excess, and all income and gain net of any losses realized from Permitted Investments shall be retained by the Master Servicer to the extent not required to be deposited in the Certificate Account pursuant to Section 3.05 or 3.12(b) hereof. The Master Servicer shall be required to pay all expenses incurred by it in connection with its servicing activities hereunder (including payment of any premiums for hazard insurance, as required by Section 3.10 hereof and maintenance of the other forms of insurance coverage required by Section 3.10 hereof) and shall not be entitled to reimbursement therefor except as specifically provided in Sections 3.08 and 3.12 hereof.

Section 3.16 Access to Certain Documentation.

The Master Servicer shall provide to the OTS and the FDIC and to comparable regulatory authorities supervising Holders of the Certificates and Certificate Owners and the examiners and supervisory agents of the OTS, the FDIC and such other authorities, access to the documentation regarding the Mortgage Loans required by applicable regulations of the OTS and the FDIC. Such access shall be afforded without charge, but only upon reasonable and prior written request and during normal business hours at the offices of the Master Servicer designated by it. Nothing in this Section shall limit the obligation of the Master Servicer to observe any applicable law prohibiting disclosure of information regarding the Mortgagors and the failure of the Master Servicer to provide access as provided in this Section as a result of such obligation shall not constitute a breach of this Section.

Section 3.17 Annual Statement as to Compliance.

(a) The Master Servicer shall deliver to the Depositor, the Certificate Insurer and the Trustee on or before March 15 of each year, commencing with its 2008 fiscal year, an Officer's Certificate stating, as to the signer thereof, that (i) a review of the activities of the Master Servicer during the preceding calendar year (or applicable portion thereof) and of the

performance of the Master Servicer under this Agreement, has been made under such officer's supervision and (ii) to the best of such officer's knowledge, based on such review, the Master Servicer has fulfilled all its obligations under this Agreement, in all material respects throughout such year (or applicable portion thereof), or, if there has been a failure to fulfill any such obligation in any material respect, specifying each such failure known to such officer and the nature and status thereof and (iii) to the best of such officer's knowledge, each Subservicer has fulfilled all its obligations under its Subservicing Agreement in all material respects throughout such year, or, if there has been a failure to fulfill any such obligation in any material respect specifying each such failure known to such officer and the nature and status thereof.

(b) The Master Servicer shall cause each Subservicer to deliver to the Depositor, the Certificate Insurer and the Trustee on or before March 15 of each year, commencing with its 2008 fiscal year, an Officer's Certificate stating, as to the signer thereof, that (i) a review of the activities of such Subservicer during the preceding calendar year (or applicable portion thereof) and of the performance of the Subservicer under the applicable Subservicing Agreement or primary servicing agreement, has been made under such officer's supervision and (ii) to the best of such officer's knowledge, based on such review, such Subservicer has fulfilled all its obligations under the applicable Subservicing Agreement or primary servicing agreement, in all material respects throughout such year (or applicable portion thereof), or, if there has been a failure to fulfill any such obligation in any material respect, specifying each such failure known to such officer and the nature and status thereof.

(c) The Trustee shall forward a copy of each such statement to each Rating Agency. Copies of such statement shall be provided by the Trustee to any Certificateholder or Certificate Owner upon request at the Master Servicer's expense, provided such statement is delivered by the Master Servicer to the Trustee.

Section 3.18 The Corridor Contract

CHL shall cause The Bank of New York to enter into the Corridor Contract Administration Agreement and shall assign all of its right, title and interest in and to the interest rate corridor transaction evidenced by the Corridor Contract to, and shall cause all of its obligations in respect of such transaction to be assumed by, the Corridor Contract Administrator, on the terms and conditions set forth in the Corridor Contract Assignment Agreement. The Trustee's rights to receive certain proceeds of the Corridor Contract as provided in the Corridor Contract Administration Agreement will be an asset of the Trust Fund but will not be an asset of any REMIC. The Trustee shall deposit any amounts received from time to time with respect to the Corridor Contract into the Carryover Reserve Fund. The Master Servicer shall deposit any amounts received on behalf of the Trustee from time to time with respect to the Corridor Contract into the Carryover Reserve Fund.

No later than two Business Days following each Distribution Date, the Trustee shall provide the Corridor Contract Administrator with information regarding the Certificate Principal Balance of the Class A-1 Certificates after all distributions on such Distribution Date.

The Trustee shall direct the Corridor Contract Administrator to terminate the Corridor Contract upon the occurrence of certain events of default or termination events to the

extent specified thereunder. Upon any such termination, the Corridor Contract Counterparty will be obligated to pay the Corridor Contract Administrator an amount in respect of such termination, and the portion of such amount that is distributable to the Trust Fund pursuant to the Corridor Contract Administration Agreement and received by the Trustee or the Master Servicer for the benefit of the Trust Fund, as the case may be, in respect of such termination shall be deposited and held in the Carryover Reserve Fund to pay Net Rate Carryover for the Class A-1 Certificates as provided in Section 4.04(f) on the Distribution Dates following such termination and including the Corridor Contract Termination Date, and shall not be available for distribution to the Class C Certificates pursuant to Section 4.08(c) until such Corridor Contract Termination Date. On the Corridor Contract Termination Date, after all other distributions on such date, if any such amount in respect of early termination of the Corridor Contract remains in the Carryover Reserve Fund, such amounts shall be distributed by the Trustee to the Class C Certificates.

Section 3.19 [Reserved].

Section 3.20 Prepayment Charges.

(a) Notwithstanding anything in this Agreement to the contrary, in the event of a Principal Prepayment in full or in part of a Mortgage Loan, the Master Servicer may not waive any Prepayment Charge or portion thereof required by the terms of the related Mortgage Note unless (i) such Mortgage Loan is in default or the Master Servicer believes that such a default is imminent, and the Master Servicer determines that such waiver would maximize recovery of Liquidation Proceeds for such Mortgage Loan, taking into account the value of such Prepayment Charge, or (ii) (A) the enforceability thereof is limited (1) by bankruptcy, insolvency, moratorium, receivership, or other similar law relating to creditors' rights generally or (2) due to acceleration in connection with a foreclosure or other involuntary payment, or (B) the enforceability is otherwise limited or prohibited by applicable law. In the event of a Principal Prepayment in full or in part with respect to any Mortgage Loan, the Master Servicer shall deliver to the Trustee an Officer's Certificate substantially in the form of Exhibit T no later than the third Business Day following the immediately succeeding Determination Date with a copy to the Class P Certificateholders. If the Master Servicer has waived or does not collect all or a portion of a Prepayment Charge relating to a Principal Prepayment in full or in part due to any action or omission of the Master Servicer, other than as provided above, the Master Servicer shall deliver to the Trustee, together with the Principal Prepayment in full or in part, the amount of such Prepayment Charge (or such portion thereof as had been waived) for deposit into the Certificate Account (not later than 1:00 p.m. Pacific time on the immediately succeeding Master Servicer Advance Date, in the case of such Prepayment Charge) for distribution in accordance with the terms of this Agreement.

(b) Upon discovery by the Master Servicer or a Responsible Officer of the Trustee of a breach of the foregoing subsection (a), the party discovering the breach shall give prompt written notice to the other parties.

(c) CHL represents and warrants to the Depositor and the Trustee, as of the Closing Date and each Subsequent Transfer Date, that the information in the Prepayment Charge Schedule (including the attached prepayment charge summary) is complete and accurate in all

material respects at the dates as of which the information is furnished and each Prepayment Charge is permissible and enforceable in accordance with its terms under applicable state law, except as the enforceability thereof is limited due to acceleration in connection with a foreclosure or other involuntary payment.

(d) Upon discovery by the Master Servicer or a Responsible Officer of the Trustee of a breach of the foregoing clause (c) that materially and adversely affects right of the Holders of the Class P Certificates to any Prepayment Charge, the party discovering the breach shall give prompt written notice to the other parties hereto. Within 60 days of the earlier of discovery by the Master Servicer or receipt of notice by the Master Servicer of breach, the Master Servicer shall cure the breach in all material respects or shall pay into the Certificate Account the amount of the Prepayment Charge that would otherwise be due from the Mortgagor, less any amount representing such Prepayment Charge previously collected and paid by the Master Servicer into the Certificate Account.

Section 3.21 Swap Contract.

The Trustee's rights to receive certain proceeds of the Swap Contract as provided in the Swap Contract Administration Agreement shall be rights of the Trustee as Swap Trustee hereunder, shall be an asset of the Swap Trust and shall not be an asset of the Trust Fund or of any REMIC. The Swap Trustee shall deposit any amounts received from time to time from the Swap Contract Administrator with respect to the Swap Contract into the Swap Account. The Master Servicer shall deposit any amounts received on behalf of the Swap Trustee from time to time with respect to the Swap Contract into the Swap Account.

On the Business Day preceding each Distribution Date, the Swap Trustee shall notify the Swap Contract Administrator of any amounts distributable to the Class A Certificates pursuant to Section 4.04(e)(3) through (7) that will remain unpaid following all distributions to be made on such Distribution Date pursuant to Section 4.04(a) through (d).

No later than two Business Days following each Distribution Date, the Trustee shall provide the Swap Contract Administrator with information regarding the aggregate Certificate Principal Balance of the Class A-2 and Class A-3 Certificates after all distributions on such Distribution Date.

Upon the Swap Contract Administrator obtaining actual knowledge of a Moody's First Level Downgrade or a S&P First Level Downgrade with respect to the Swap Counterparty (each as defined in the Swap Contract) or upon the Swap Contract Administrator obtaining actual knowledge of a Moody's Second Level Downgrade or a S&P Second Level Downgrade with respect to the Swap Counterparty (each as defined in the Swap Contract), the Swap Trustee shall promptly provide written notice thereof to the Certificate Insurer and direct the Swap Contract Administrator to (i) demand payment of the Delivery Amount (as defined in the Swap Contract) from the Swap Counterparty on each Valuation Date (as defined in the Swap Contract) and to perform its other obligations in accordance with the Swap Contract and (ii) take such other action required under the Swap Contract. If a Delivery Amount is demanded, the Swap Contract Administrator, in accordance with the Swap Contract Administration Agreement, shall establish an account to hold cash and other eligible investments pledged under the Swap Contract. Any cash or other Eligible Collateral (as defined in the Swap Contract) pledged under the Swap Contract shall not be part of the Distribution Account or the Swap Account unless remitted to

such accounts by the Swap Contract Administrator in accordance with the Swap Contract Administration Agreement. If Eligible Collateral with a value equal to the Delivery Amount is not delivered to the Swap Contract Administrator by the Swap Counterparty, the Swap Trustee shall promptly provide written notice thereof to the Certificate Insurer and direct the Swap Contract Administrator to notify the Swap Counterparty of such failure.

Upon the Swap Trustee obtaining actual knowledge of an Event of Default (as defined in the Swap Contract) or Termination Event (as defined in the Swap Contract) for which the Swap Contract Administrator has the right to designate an Early Termination Date (as defined in the Swap Contract), the Swap Trustee shall act at the written direction of the Depositor as to whether to direct the Swap Contract Administrator to designate an Early Termination Date; provided, however, that the Swap Trustee shall provide written notice to each Rating Agency and the Certificate Insurer following the Event of Default or Termination Event. Upon the termination of the Swap Contract under the circumstances contemplated by this Section 3.21, the Swap Trustee shall use its reasonable best efforts to enforce the rights of the Swap Contract Administrator as may be permitted by the terms of the Swap Contract and consistent with the terms hereof and CHL shall assist the Swap Contract Administrator in procuring a replacement swap contract with terms approximating those of the original Swap Contract in form and substance acceptable to the Certificate Insurer and with a replacement Swap Counterparty acceptable to the Certificate Insurer.

Any Swap Termination Payment received from the Swap Counterparty shall be used to pay any upfront amount required under any replacement swap contract and any excess shall be distributed to CHL and will not be available to make distributions in respect of any Class of Certificates. In the event that a replacement swap contract cannot be procured, any Swap Termination Payment received from the Swap Counterparty in respect of the termination of the original Swap Contract shall, in accordance with the Swap Contract Administration Agreement, be retained by the Swap Contract Administrator and remitted to the Swap Trustee on subsequent Distribution Dates up to and including the Swap Contract Termination Date to pay any amounts distributable to the Class A Certificates pursuant to Section 4.04(e)(3) through (7) that will remain unpaid following all distributions to be made on such Distribution Date pursuant to Section 4.04(a) through (d). Any portion of such upfront amount remaining after the Swap Contract Termination Date shall be distributed to CHL and will not be available to make distributions in respect of any Class of Certificates.

In the event that the swap counterparty in respect of a replacement swap contract pays any upfront amount to the Swap Contract Administrator in connection with entering into the replacement swap contract and such upfront amount is received by the Swap Contract Administrator prior to the Distribution Date on which any Swap Termination Payment will be payable to the Swap Counterparty in respect of the original Swap Contract, a portion of that upfront amount equal to the lesser of (x) that upfront amount and (y) the amount of the Swap Termination Payment due to the Swap Counterparty in respect of the original Swap Contract (the "Adjusted Replacement Upfront Amount") shall be included in Interest Funds for that Distribution Date and any upfront amount in excess of the Adjusted Replacement Upfront Amount shall be distributed to CHL and will not be available to make distributions in respect of any Class of Certificates. Any upfront amount paid to the Swap Contract Administrator by the Swap Counterparty in respect of a replacement swap contract after the Distribution Date on which any Swap Termination Payment will be payable to the Swap Counterparty in respect of

the original Swap Contract, such upfront amount shall, in accordance with the Swap Contract Administration Agreement, be retained by the Swap Contract Administrator and remitted to the Swap Trustee on subsequent Distribution Dates up to and including the Swap Contract Termination Date to pay any amounts distributable to the Class A Certificates pursuant to Section 4.04(e)(3) through (7) that will remain unpaid following all distributions to be made on such Distribution Date pursuant to Section 4.04(a) through (d).

The Swap Counterparty shall be an express third party beneficiary of this Agreement for the purpose of enforcing the provisions hereof to the extent of the Swap Counterparty's rights explicitly specified herein as if a party hereto.

The Swap Contract Administrator and the Swap Trustee (i) shall not consent to any amendments or modifications of the Swap Contract without the prior written consent of the Certificate Insurer, (ii) shall promptly forward to the Certificate Insurer all notices and other communications received by it or delivered by it relating to the Swap Contract and (iii) shall obtain the Certificate Insurer's consent prior to agreeing to any Replacement Transaction or Permitted Transfer under the Swap Contract as such terms are defined in the Swap Contract. The Certificate Insurer shall have the right in its sole discretion to cure any payment default under the Swap Contract if the Swap Contract Administrator fails to do so, and the Certificate Insurer shall be entitled to reimbursement for such payment, plus interest thereon calculated at the Late Payment Rate.

ARTICLE IV. DISTRIBUTIONS AND ADVANCES BY THE MASTER SERVICER

Section 4.01 Advances; Remittance Reports.

(a) Within two Business Days after each Determination Date, the Master Servicer shall deliver to the Trustee by facsimile or electronic mail (or by such other means as the Master Servicer and the Trustee, as the case may be, may agree from time to time) a Remittance Report with respect to the related Distribution Date. The Trustee shall not be responsible to recompute, recalculate or verify any information provided to it by the Master Servicer.

(b) Subject to the conditions of this Article IV, the Master Servicer, as required below, shall make an Advance and deposit such Advance in the Certificate Account. Each such Advance shall be remitted to the Certificate Account no later than 1:00 p.m. Pacific time on the Master Servicer Advance Date in immediately available funds. The Trustee will provide notice to the Master Servicer by facsimile by the close of business on any Master Servicer Advance Date in the event that the amount remitted by the Master Servicer to the Trustee on the Distribution Account Deposit Date is less than the Advances required to be made by the Master Servicer for such Distribution Date. The Master Servicer shall be obligated to make any such Advance only to the extent that such advance would not be a Nonrecoverable Advance; provided however, that the Master Servicer shall not have the obligation (and shall not) make an Advance with respect to any Charged-off Mortgage Loan after the related Charge-off Date. If the Master Servicer shall have determined that it has made a Nonrecoverable Advance or that a proposed Advance or a lesser portion of such Advance would constitute a

Nonrecoverable Advance, the Master Servicer shall deliver (i) to the Trustee for the benefit of the Certificateholders funds constituting the remaining portion of such Advance, if applicable, and (ii) to the Depositor, each Rating Agency, the Certificate Insurer and the Trustee an Officer's Certificate setting forth the basis for such determination.

(c) In lieu of making all or a portion of such Advance from its own funds, the Master Servicer may (i) cause to be made an appropriate entry in its records relating to the Certificate Account that any Amount Held for Future Distributions has been used by the Master Servicer in discharge of its obligation to make any such Advance and (ii) transfer such funds from the Certificate Account to the Distribution Account. Any funds so applied and transferred shall be replaced by the Master Servicer by deposit in the Certificate Account no later than the close of business on the Business Day immediately preceding the Distribution Date on which such funds are required to be distributed pursuant to this Agreement. The Master Servicer shall be entitled to be reimbursed from the Certificate Account for all Advances of its own funds made pursuant to this Section as provided in Section 3.08. The obligation to make Advances with respect to any Mortgage Loan shall continue until such Mortgage Loan is paid in full or becomes a Liquidated Mortgage Loan or a Charged-off Mortgage Loan or until the purchase or repurchase thereof (or substitution therefor) from the Trustee pursuant to any applicable provision of this Agreement, except as otherwise provided in this Section 4.01.

(d) If the Master Servicer determines that it will be unable to comply with its obligation to make the Advances as and when described in paragraphs (b) and (c) immediately above, it shall use its best efforts to give written notice thereof to the Trustee (each such notice a "Trustee Advance Notice"; and such notice may be given by facsimile), not later than 3:00 p.m., New York time, on the Business Day immediately preceding the related Master Servicer Advance Date, specifying the amount that it will be unable to deposit (each such amount an "Advance Deficiency") and certifying that such Advance Deficiency constitutes an Advance hereunder and is not a Nonrecoverable Advance. If the Trustee receives a Trustee Advance Notice on or before 3:30 p.m., (New York time) on a Master Servicer Advance Date, the Trustee shall, not later than 3:00 p.m., (New York time), on the related Distribution Date, deposit in the Distribution Account an amount equal to the Advance Deficiency identified in such Trustee Advance Notice unless it is prohibited from so doing by applicable law. Notwithstanding the foregoing, the Trustee shall not be required to make such deposit if the Trustee shall have received written notification from the Master Servicer that the Master Servicer has deposited or caused to be deposited in the Certificate Account an amount equal to such Advance Deficiency. All Advances made by the Trustee pursuant to this Section 4.01(d) shall accrue interest on behalf of the Trustee at the Trustee Advance Rate from and including the date such Advances are made to but excluding the date of repayment, with such interest being an obligation of the Master Servicer and not the Trust Fund. The Master Servicer shall reimburse the Trustee for the amount of any Advance made by the Trustee pursuant to this Section 4.01(d) together with accrued interest, not later than 6:00 p.m. (New York time) on the Business Day following the related Distribution Date. In the event that the Master Servicer does not reimburse the Trustee in accordance with the requirements of the preceding sentence, the Trustee shall immediately (i) terminate all of the rights and obligations of the Master Servicer under this Agreement in accordance with Section 7.01 and (ii) subject to the limitations set forth in Section 3.04, assume all of the rights and obligations of the Master Servicer hereunder.

(e) The Master Servicer shall, not later than the close of business on the second Business Day immediately preceding each Distribution Date, deliver to the Trustee a report (in form and substance reasonably satisfactory to the Trustee) that indicates (i) the Mortgage Loans with respect to which the Master Servicer has determined that the related Scheduled Payments should be advanced and (ii) the amount of the related Scheduled Payments. The Master Servicer shall deliver to the Trustee and the Certificate Insurer on the related Master Servicer Advance Date an Officer's Certificate of a Servicing Officer indicating the amount of any proposed Advance determined by the Master Servicer to be a Nonrecoverable Advance.

Section 4.02 Reduction of Servicing Compensation in Connection with Prepayment Interest Shortfalls.

In the event that any Mortgage Loan is the subject of a Prepayment Interest Shortfall, the Master Servicer shall remit any related Compensating Interest as part of the related Interest Remittance Amount as provided in this Agreement. The Master Servicer shall not be entitled to any recovery or reimbursement for Compensating Interest from the Depositor, the Trustee, any Seller, the Trust Fund, the Certificate Insurer or the Certificateholders.

Section 4.03 [Reserved].

Section 4.04 Distributions.

(a) On each Distribution Date, the Interest Funds for such Distribution Date shall be distributed by the Trustee from the Distribution Account in the following order of priority:

(i) to the Swap Account, the amount of any Net Swap Payment and any Swap Termination Payment (other than a Swap Termination Payment due to a Swap Counterparty Trigger Event) payable to the Swap Counterparty with respect to such Distribution Date,

(ii) to the Certificate Insurer, the Certificate Insurance Policy Premium for such Distribution Date;

(iii) concurrently to each Class of Class A Certificates, the Current Interest for each such Class and such Distribution Date, pro rata, based on their respective entitlements;

(iv) to the Certificate Insurer, the Certificate Insurance Reimbursement Amount for such Distribution Date;

(v) concurrently to each Class of Class A Certificates, the Interest Carry Forward Amount for each such Class and such Distribution Date, pro rata, based on their respective entitlements; and

(vi) any remainder as part of the Excess Cashflow.

(b) On each Distribution Date, the Principal Distribution Amount for such Distribution Date shall be distributed by the Trustee from the Distribution Account in the following order of priority (with the Principal Distribution Amount exclusive of the portion thereof consisting of the Extra Principal Distribution Amount being applied first and the Extra Principal Distribution Amount being applied thereafter):

(i) to the Certificate Insurer, any Certificate Insurance Policy Premium for such Distribution Date remaining unpaid after application of Interest Funds on such Distribution Date;

(ii) to the Class A Certificates, in an amount up to the Class A Principal Distribution Amount, sequentially to the Class A-1, Class A-2 and Class A-3 Certificates, in that order, until their respective Certificate Principal Balances are reduced to zero,

(iii) to the Certificate Insurer, any Certificate Insurance Reimbursement Amount for such Distribution Date remaining unpaid after application of Interest Funds on such Distribution Date; and

(iv) any remainder as part of the Excess Cashflow.

(c) On each Distribution Date, the Charged-off Loan Proceeds received during the related Due Period, if any, will be distributed sequentially in the following order (after application of Excess Cashflow on such Distribution Date):

(i) to the Certificate Insurer, any Certificate Insurance Reimbursement Amount for such Distribution Date remaining unpaid after application of Interest Funds, Excess Cashflow and the Principal Distribution Amount on such Distribution Date;

(ii) to the Class or Classes of Class A Certificates then entitled to receive distributions in respect of principal, in an aggregate amount equal to the Overcollateralization Deficiency Amount remaining unpaid after taking into account all distributions on that Distribution Date other than the distribution of Charged-off Loan Proceeds and the payments under the Certificate Insurance Policy, payable in the order set forth in Section 4.04(b) above;

(iii) concurrently, to each Class of Class A Certificates, pro rata based on the Unpaid Realized Loss Amounts for those Classes, in an amount equal to the Unpaid Realized Loss Amount for each such Class (after taking into account all distributions on that Distribution Date other than distribution of Charged-off Loan Proceeds and payments under the Certificate Insurance Policy), provided, however, that to the extent an Applied Realized Loss Amount was covered under the Certificate Insurance Policy and not previously paid as part of the Certificate Insurance Reimbursement Amount, then any related amounts otherwise payable to the Class A Certificates pursuant to this clause (iii) will instead be paid to the Certificate Insurer; and

(iv) to the Class E-P Certificates, any remaining Charged-off Loan Proceeds.

(d) With respect to any Distribution Date, any Excess Cashflow shall be distributed to the Classes of Certificates in the following order of priority:

(1) to the Class or Classes of Class A Certificates then entitled to receive distributions in respect of principal, in an aggregate amount equal to the Extra Principal Distribution Amount, payable as part of the Principal Distribution Amount pursuant to Section 4.04(b) above;

(2) concurrently, to each Class of Class A Certificates, pro rata based on the Unpaid Realized Loss Amounts for each such Classes, in each case in an amount equal to the Unpaid Realized Loss Amount for such Class; provided, however that to the extent an Applied Realized Loss Amount was covered under the Certificate Insurance Policy and not previously paid as part of the Certificate Insurance Reimbursement Amount, then any related amounts otherwise payable to the Class A Certificates pursuant to this clause (2) shall instead be paid to the Certificate Insurer;

(3) to each Class of Class A Certificates (in the case of the Class A-1 Certificates, after application of amounts received by the Trust Fund in respect of the Corridor Contract to cover Net Rate Carryover), pro rata based on the Certificate Principal Balances thereof, to the extent needed to pay any Net Rate Carryover for each such Class; provided that any Excess Cashflow remaining after such allocation to pay Net Rate Carryover based on the Certificate Principal Balances of those Certificates shall be distributed to each Class of Class A Certificates with respect to which there remains any unpaid Net Rate Carryover (after the distribution based on Certificate Principal Balances), pro rata, based on the amount of such unpaid Net Rate Carryover;

(4) to the Carryover Reserve Fund, in an amount equal to the Required Carryover Reserve Fund Deposit (after giving effect to other deposits and withdrawals therefrom on such Distribution Date without regard to any amounts allocated to the Trust Fund in respect of the Corridor Contract not required to cover Net Rate Carryover on the Class A-1 Certificates on such Distribution Date);

(5) to the Swap Account, in an amount equal to any Swap Termination Payment due to the Swap Counterparty as a result of a Swap Counterparty Trigger Event;

(6) to the Class C Certificateholders, the Class C Distributable Amount for such Distribution Date; and

(7) to the Class A-R Certificates, any remaining amount.

(e) On each Distribution Date on or prior to the Swap Contract Termination Date, following the deposits to the Swap Account pursuant to Section 4.04(a)(i) and Section 4.09, the Swap Trustee shall distribute amounts on deposit in the Swap Account and the Swap Reserve Fund in the following amounts and order of priority:

(1) to the Swap Contract Administrator for payment to the Swap Counterparty, any Net Swap Payment payable to the Swap Counterparty with respect to such Distribution Date;

(2) to the Swap Contract Administrator for payment to the Swap Counterparty, any Swap Termination Payment (other than a Swap Termination Payment due to a Swap Counterparty Trigger Event) payable to the Swap Counterparty with respect to such Distribution Date;

(3) concurrently, to the Class A-2 and Class A-3 Certificates, any remaining Current Interest and Interest Carry Forward Amount, pro rata based on their respective entitlements;

(4) concurrently, to the Class A-2 and Class A-3 Certificates, to the extent needed to pay any remaining Net Rate Carryover for each such Class, pro rata, based on the amount of such remaining Net Rate Carryover;

(5) to the Class or Classes of Class A Certificates then entitled to receive distributions in respect of principal, in an aggregate amount up to the Overcollateralization Deficiency Amount remaining unpaid following the distribution of Excess Cashflow pursuant to Section 4.04(d) above, but not exceeding the aggregate amount of Realized Losses on the Mortgage Loans from the Cut-off Date for each Mortgage Loan to (and including) the last day of the related Due Period (reduced by the aggregate amount of any Subsequent Recoveries and Charged-off Loan Proceeds received through the last day of that Due Period) payable in the order of priority set forth in Section 4.04(b)(ii) above;

(6) concurrently, to the Class A-2 and Class A-3 Certificates, pro rata based on the remaining Unpaid Realized Loss Amounts for those Classes, in an amount equal to the remaining Unpaid Realized Loss Amount for each such Class;

(7) to the Swap Reserve Fund, the Swap Reserve Fund O/C Deficiency Amount; and

(8) to the Swap Contract Administrator for payment to the Swap Counterparty, only to the extent necessary to cover any Swap Termination Payment due to a Swap Counterparty Trigger Event payable to the Swap Counterparty with respect to such Distribution Date;

provided that, with respect to each of the foregoing clauses of this Section 4.04(e), amounts otherwise distributable to the Class A-2 and Class A-3 Certificates that were covered by the Certificate Insurance Policy and were not repaid as Certificate Insurance Reimbursement Amounts shall instead be payable to the Certificate Insurer.

(f) On each Distribution Date on or prior to the Corridor Contract Termination Date and prior to the distribution of Excess Cashflow on such Distribution Date, amounts received by the Trustee in respect of the Corridor Contract for such Distribution Date shall be withdrawn from the Carryover Reserve Fund and distributed to the Class A-1

Certificates to the extent needed to pay any Net Rate Carryover with respect to such Class. Any amounts remaining in the Carryover Reserve Fund in respect of the Corridor Contract shall be distributed to the Holders of the Class C Certificates as provided in Section 4.08(c).

(g) To the extent that a Class of Interest-Bearing Certificates receives interest in excess of the applicable Net Rate Cap, if such interest is paid pursuant to Section 4.04(d), then it shall be deemed to have been paid to the Carryover Reserve Fund and then paid by the Carryover Reserve Fund to those Certificateholders, and if such interest is paid pursuant to Section 4.04(e), then such interest shall be deemed to have been paid to the Swap Account and then paid by the Swap Account to those Certificateholders. For purposes of the Code, amounts deemed deposited in the Carryover Reserve Fund shall be deemed to have first been distributed, in the case of any such amounts relating to the Corridor Contract, to the Class C Certificates.

(h) On each Distribution Date, all Prepayment Charges (including amounts deposited in connection with the full or partial waiver of such Prepayment Charges pursuant to Section 3.20) shall be allocated to the Class P Certificates.

(i) On each Distribution Date, the Trustee shall allocate any Applied Realized Loss Amount to reduce the Certificate Principal Balances of the Class A Certificates, pro rata, based on their respective Certificate Principal Balances, until the Certificate Principal Balances of such Classes have been reduced to zero. On each Distribution Date, the Certificate Insurer is obligated to pay to the Class A Certificates an amount equal to the Applied Realized Loss Amount allocated to the Class A Certificates on such Distribution Date; provided, however, if the Premium Account is funded pursuant to Section 3.08(b)(vi), the Certificate Insurer shall only be obligated to pay any Applied Realized Loss Amount to the extent that funds on deposit in the Premium Account (after giving effect to all deposits to be made to the Premium Account on such Distribution Date) are insufficient to cover the Applied Realized Loss Amount for such Distribution Date.

(j) On each Distribution Date, the Trustee shall allocate the amount of the Subsequent Recoveries with respect to the Mortgage Loans, if any, to increase the Certificate Principal Balances of the Class A Certificates to which Applied Realized Loss Amounts have been previously allocated, on a pro rata basis according to their respective Certificate Principal Balances and in each case by not more than the amount of the Unpaid Realized Loss Amount of such Class; provided, however, that to the extent an Applied Realized Loss Amount was covered under the Certificate Insurance Policy and not subsequently reimbursed, then any related Subsequent Recovery otherwise payable to the Class A Certificateholders will instead be paid to the Certificate Insurer and will not increase the Certificate Principal Balances of any Class A Certificates by the amount of any such Subsequent Recoveries.

Holders of Certificates to which any Subsequent Recoveries have been allocated shall not be entitled to any payment in respect of Current Interest on the amount of such increases for any Accrual Period preceding the Distribution Date on which such increase occurs.

(k) On any Distribution Date on which there are any amounts on deposit in the Premium Account (after taking into account any deposit to the Premium Account on such Distribution Date pursuant to Section 3.08(b)(vi)) and (i) any amounts payable to the Class A

Certificates pursuant to Sections 4.04(a)(iii) or 4.04(a)(v) remain unpaid, (ii) Applied Realized Loss Amounts are allocable to the Class A Certificates on such Distribution Date, (iii) Unpaid Realized Loss Amounts are outstanding and/or (iv) on the Final Scheduled Distribution Date, the aggregate Certificate Principal Balance of the Class A Certificates has not been reduced to zero after making all distributions on such Distribution Date but prior to any draw on the Certificate Insurance Policy, the Trustee shall apply the amounts on deposit in the Premium Account in the following amounts and order of priority:

(i) first, concurrently to each Class of Class A Certificates, the unpaid Current Interest for each such Class and such Distribution Date, pro rata, based on their respective entitlements;

(ii) second, concurrently to each Class of Class A Certificates, the unpaid Interest Carry Forward Amount for each such Class and such Distribution Date, pro rata, based on their respective entitlements;

(iii) third, concurrently, to each Class of Class A Certificates, in an amount up to the Applied Realized Loss Amount allocable to such Class pursuant to Section 4.04(i) on such Distribution Date, pro rata, based on the amount of Applied Realized Loss Amounts allocable to each such Class on such Distribution Date;

(iv) fourth, concurrently, to each Class of Class A Certificates, pro rata based on the Unpaid Realized Loss Amounts for such Classes, in each case in an amount up to the Unpaid Realized Loss Amount for such Class; provided, however that to the extent an Applied Realized Loss Amount was covered under the Certificate Insurance Policy and not previously paid as part of the Certificate Insurance Reimbursement Amount, then any related amounts otherwise payable to the Class A Certificates pursuant to this paragraph shall instead be paid to the Certificate Insurer;

(v) fifth, on the Final Scheduled Distribution Date, to each Class of Class A Certificates with an outstanding Certificate Principal Balance, pro rata, until the Certificate Principal Balances thereof are reduced to zero; and

(vi) sixth, to the Certificate Insurer, the amount of any Certificate Insurance Reimbursement Amount remaining unpaid.

(1) Subject to Section 9.02 hereof respecting the final distribution, on each Distribution Date the Trustee shall make distributions to each Certificateholder of record on the preceding Record Date either by wire transfer in immediately available funds to the account of such Holder at a bank or other entity having appropriate facilities therefor, if (i) such Holder has so notified the Trustee at least five Business Days prior to the related Record Date and (ii) such Holder shall hold Regular Certificates with an aggregate initial Certificate Principal Balance of not less than \$1,000,000 or evidencing a Percentage Interest aggregating 10% or more with respect to such Class or, if not, by check mailed by first class mail to such Certificateholder at the address of such Holder appearing in the Certificate Register. Notwithstanding the foregoing,

but subject to Section 9.02 hereof respecting the final distribution, distributions with respect to Certificates registered in the name of a Depository shall be made to such Depository in immediately available funds. Payments to the Certificate Insurer shall be made by wire transfer of immediately available funds to the following account, unless the Certificate Insurer notifies the Trustee in writing: Account Name: MBIA Insurance Corporation, Account Number 910-2-721728, Bank – JPMorgan Chase Bank, ABA Number 021-000-021, Re: CWHEQ 2007-S3, Policy No. 493810 Class A Certificates.

On or before 5:00 p.m. Pacific time on the fifth Business Day following each Defermentation Date (but in no event later than 5:00 p.m. Pacific time on the third Business Day before the related Distribution Date), the Master Servicer shall deliver a report to the Trustee (in the form of a computer readable magnetic tape or by such other means as the Master Servicer and the Trustee may agree from time to time) containing such data and information as agreed to by the Master Servicer and the Trustee such as to permit the Trustee to prepare the Monthly Statement and make the required distributions for the related Distribution Date (the "Remittance Report"). The Trustee shall not be responsible to recompute, recalculate or verify information provided to it by the Master Servicer and shall be permitted to conclusively rely on any information provided to it by the Master Servicer.

Section 4.05 Monthly Statements to Certificateholders.

(a) Concurrently with each distribution on a Distribution Date, the Trustee will forward by mail to each Rating Agency, the Certificate Insurer and the NIM Insurer and make available to Certificateholders and the Certificate Insurer on the Trustee's website (<http://www.bnyinvestorreporting.com>) a statement generally setting forth the information contained in Exhibit W.

(b) The Trustee's responsibility for disbursing the above information to the Certificateholders is limited to the availability, timeliness and accuracy of the information derived from the Master Servicer.

(c) Within a reasonable period of time after the end of each calendar year, the Trustee shall cause to be furnished to each Person who at any time during the calendar year was a Certificateholder, a statement containing the information regarding (i) the amount of distributions to that Certificateholder allocable to principal, separately identifying (A) the aggregate amount of any Principal Prepayments included therein and (B) the aggregate of all scheduled payments of principal included therein, (ii) the amount of distributions to that Certificateholder allocable to interest and (iii) the related amount of the Servicing Fees paid to or retained by the Master Servicer, in each case 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 as from time to time in effect.

(d) Upon filing with the Internal Revenue Service, the Trustee shall furnish to the Holders of the Class A-R Certificates the Form 1066 and each Form 1066Q and shall respond

promptly to written requests made not more frequently than quarterly by any Holder of Class A-R Certificates with respect to the following matters:

(1) . The original projected principal and interest cash flows on the Closing Date on each related Class of regular and residual interests created hereunder and on the Mortgage Loans, based on the Prepayment Assumption;

(2) The projected remaining principal and interest cash flows as of the end of any calendar quarter with respect to each related Class of regular and residual interests created hereunder and the Mortgage Loans, based on the Prepayment Assumption;

(3) The applicable Prepayment Assumption and any interest rate assumptions used in determining the projected principal and interest cash flows described above;

(4) The original issue discount (or, in the case of the Mortgage Loans, market discount) or premium accrued or amortized through the end of such calendar quarter with respect to each related Class of regular or residual interests created hereunder and to the Mortgage Loans, together with each constant yield to maturity used in computing the same;

(5) The treatment of losses realized with respect to the Mortgage Loans or the regular interests created hereunder, including the timing and amount of any cancellation of indebtedness income of the related REMIC with respect to such regular interests or bad debt deductions claimed with respect to the Mortgage Loans;

(6) The amount and timing of any non-interest expenses of the related REMIC; and

(7) Any taxes (including penalties and interest) imposed on the related REMIC, including, without limitation, taxes on "prohibited transactions," "contributions" or "net income from foreclosure property" or state or local income or franchise taxes.

The information pursuant to clauses (1), (2), (3) and (4) above shall be provided by the Depositor pursuant to Section 8.11.

Section 4.06 Certificate Insurance Policy: Rights of the Certificate Insurer.

(a) If, on the third Business Day before any Distribution Date, the Trustee determines that there will be a Deficiency Amount for such Distribution Date, the Trustee shall determine the amount of any such deficiency and shall give notice to the Certificate Insurer by telephone or telecopy of the amount of such deficiency, confirmed in writing by notice substantially in the form of Exhibit A to the Certificate Insurance Policy, by 12:00 p.m., New York time on such third Business Day. The Trustee's responsibility for delivering the notice to the Certificate Insurer as provided in the preceding sentence is limited to the availability, timeliness and accuracy of the information provided by the Master Servicer.

(b) In the event the Trustee receives a certified copy of an order of the appropriate court that any scheduled payment of principal or interest on a Class A Certificate has been voided in whole or in part as a preference payment under applicable bankruptcy law, the Trustee shall (i) promptly notify the Certificate Insurer and (ii) comply with the provisions of the Certificate Insurance Policy, to obtain payment by the Certificate Insurer of such voided scheduled payment. In addition, the Trustee shall mail notice to all Holders of the Class A Certificates so affected that, in the event that any such Holder's scheduled payment is so recovered, such Holder will be entitled to payment pursuant to the terms of the Certificate Insurance Policy, a copy of which shall be made available to such Holders by the Trustee. The Trustee shall furnish to the Certificate Insurer its records listing the payments on the affected Class A Certificates, if any, that have been made by the Trustee and subsequently recovered from the affected Holders, and the dates on which such payments were made by the Trustee.

(c) At the time of the execution hereof, and for the purposes hereof, the Trustee shall establish a special purpose trust account in the name of the Trustee for the benefit of Holders of the Class A Certificates (the "Class A Insurance Payments Account") over which the Trustee shall have exclusive control and sole right of withdrawal. The Class A Insurance Payments Account shall be an Eligible Account. The Trustee shall deposit any amount paid under the Certificate Insurance Policy into the Class A Insurance Payments Account and distribute such amount only for the purposes of making the payments to Holders of the Class A Certificates, in respect of the related Deficiency Amount for which the related claim was made under the Certificate Insurance Policy. Such amounts shall be allocated by the Trustee to Holders of Class A Certificates affected by such shortfalls in the same manner as principal and interest payments are to be allocated with respect to such Certificates pursuant to Section 4.04. It shall not be necessary for such payments to be made by checks or wire transfers separated from the checks or wire transfers used to make regular payments hereunder with funds withdrawn from the Distribution Account. However, any payments made on the Class A Certificates from funds in the Class A Insurance Payments Account shall be noted as provided in subsection (e) below. Funds held in the Class A Insurance Payments Account shall not be invested by the Trustee.

(d) Any funds received from the Certificate Insurer for deposit into the Class A Insurance Payments Account pursuant to the Certificate Insurance Policy in respect of a Distribution Date or otherwise as a result of any claim under the Certificate Insurance Policy shall be applied by the Trustee directly to the payment in full (i) of the related Deficiency Amount on such Distribution Date or (ii) of other amounts payable under the Certificate Insurance Policy. Funds received by the Trustee as a result of any claim under the Certificate Insurance Policy shall be used solely for payment to the Holders of the Class A Certificates and may not be applied for any other purpose, including, without limitation, satisfaction of any costs, expenses or liabilities of the Trustee, the Master Servicer, the Depositor, the NIM Insurer or the Trust Fund. Any funds remaining in the Class A Insurance Payments Account on the first Business Day after each Distribution Date shall be remitted promptly to the Certificate Insurer in accordance with the instructions set forth in Section 4.04(I).

(e) The Trustee shall keep complete and accurate records in respect of (i) all funds remitted to it by the Certificate Insurer and deposited into the Class A Insurance Payments Account and (ii) the allocation of such funds to (A) payments of interest on and principal in

respect of any Class A Certificates and (B) the amount of funds available to make distributions on the Class A Certificates pursuant to Sections 4.04(a), (b), (c), (d), (e), (h), (i), (j) and (k). The Certificate Insurer shall have the right to inspect such records at reasonable times during normal business hours upon three Business Days' prior notice to the Trustee.

(f) The Trustee acknowledges, and each Holder of a Class A Certificate by its acceptance of the Class A Certificate agrees, that, without the need for any further action on the part of the Certificate Insurer or the Trustee, to the extent the Certificate Insurer makes payments, directly or indirectly, on account of principal of or interest on any Class A Certificates, the Certificate Insurer will be fully subrogated to the rights of the Holders of such Class A Certificates to receive such principal and interest from the Trust Fund. The Holders of the Class A Certificates, by acceptance of the Class A Certificates, assign their rights as Holders of the Class A Certificates to the extent of the Certificate Insurer's interest with respect to amounts paid under the Certificate Insurance Policy. Anything herein to the contrary notwithstanding, solely for purposes of determining the Certificate Insurer's rights, as applicable, as subrogee for payments distributable pursuant to Section 4.04, any payment with respect to distributions to the Class A Certificates which is made with funds received pursuant to the terms of the Certificate Insurance Policy shall not be considered payment of the Class A Certificates from the Trust Fund and shall not result in the distribution or the provision for the distribution in reduction of the Certificate Principal Balance of the Class A Certificates within the meaning of Article IV.

(g) Upon its becoming aware of the occurrence of an Event of Default, the Trustee shall promptly notify the Certificate Insurer of such Event of Default.

(h) The Trustee shall promptly notify the Certificate Insurer of either of the following as to which it has actual knowledge: (A) the commencement of any proceeding by or against the Depositor commenced under the United States bankruptcy code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding") and (B) the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer (a "Preference Claim") of any distribution made with respect to the Class A Certificates as to which it has actual knowledge. Each Holder of a Class A Certificate, by its purchase of Class A Certificates, and the Trustee hereby agrees that the Certificate Insurer (so long as no Certificate Insurer Default exists) may at any time during the continuation of any proceeding relating to a Preference Claim direct all matters relating to such Preference Claim, including, without limitation, (i) the direction of any appeal of any order relating to any Preference Claim and (ii) the posting of any surety, supersedes or performance bond pending any such appeal. In addition and without limitation of the foregoing, the Certificate Insurer shall be subrogated to the rights of the Trustee and each Holder of a Class A Certificate in the conduct of any Preference Claim, including, without limitation, all rights of any party to an adversary proceeding action with respect to any court order issued in connection with any such Preference Claim.

(i) The Master Servicer shall designate a Certificate Insurer Contact Person who shall be available to the Certificate Insurer to provide reasonable access to information regarding the Mortgage Loans. The initial Certificate Insurer Contact Person is to the attention of Secondary Marketing.

(j) The Trustee shall surrender the Certificate Insurance Policy to the Certificate Insurer for cancellation upon the reduction of the Certificate Principal Balance of the Class A Certificates to zero.

(k) The Trustee shall send to the Certificate Insurer the reports prepared pursuant to Section 3.17 and the statements prepared pursuant to Section 4.05, as well as any other statements or communications sent to Holders of the Class A Certificates, in each case at the same time such reports, statements and communications are otherwise sent.

(l) For so long as there is no continuing default by the Certificate Insurer under its obligations under the Certificate Insurance Policy (a "Certificate Insurer Default"), each Holder of a Class A Certificate agrees that the Certificate Insurer shall be treated by the Depositor, the Master Servicer and the Trustee as if the Certificate Insurer were the Holder of all of the Class A Certificates, for the purpose (and solely for the purpose) of the giving of any consent, the making of any direction or the exercise of any voting or other control rights otherwise given to the Holders of the Class A Certificates hereunder.

(m) With respect to this Section 4.06, the terms "Receipt" and "Received" shall mean actual delivery to the Certificate Insurer, if any, prior to 12:00 p.m., New York time, on a Business Day; delivery either on a day that is not a Business Day or after 12:00 p.m., New York time, shall be deemed to be Receipt on the next succeeding Business Day. If any notice or certificate given under the Certificate Insurance Policy by the Trustee is not in proper form or is not properly completed, executed or delivered, it shall be deemed not to have been Received. The Certificate Insurer shall promptly so advise the Trustee and the Trustee may submit an amended notice.

(n) All notices, statements, reports, certificates or opinions required by this Agreement to be sent to the Rating Agencies or the Class A Certificateholders shall also be sent at such time to the Certificate Insurer at the notice address set forth in Section 10.05.

(o) The Certificate Insurer shall be an express third party beneficiary of this Agreement for the purpose of enforcing the provisions hereof to the extent of the Certificate Insurer's rights explicitly specified herein as if a party hereto.

(p) All references herein to the ratings assigned to the Certificates and to the interests of any Certificateholders shall be without regard to the Certificate Insurance Policy, in the case of the Class A Certificates.

Section 4.07 Termination of the Credit Insurance Policy.

If the Credit Insurance Policy is terminated for any reason other than the exhaustion of its coverage, or if the claims-paying ability rating of Credit Insurer is reduced to "A+" or below by S&P or "A1" or below by Moody's or if the Credit Insurer fails to make any payment due under the Credit Insurance Policy, the Master Servicer shall use its best efforts to obtain a comparable policy in form and substance acceptable to the Certificate Insurer from an insurer that is acceptable to the Rating Agencies and to the Certificate Insurer. The replacement policy shall provide coverage equal to the then remaining coverage of the Credit Insurance Policy if available. However, if the premium cost of a replacement policy exceeds the premium

cost of the Credit Insurance Policy, the Master Servicer, at the written direction of the Certificate Insurer, will either (i) obtain a replacement credit insurance policy with reduced coverage so that its premium cost will not exceed the premium cost of the Credit Insurance Policy or (ii) from interest collections on the Mortgage Loans for each Due Period, deposit into the Premium Account the amounts that would have been paid as premium on the Credit Insurance Policy had it not been terminated, which amounts will be available to make payments as provided in Section 4.04(k) prior to making any draws on the Certificate Insurance Policy. The amount remaining in the Premium Account after the payment in full of the Class A Certificates and amounts owing to the Certificate Insurer will be paid to the Class C Certificates.

In addition, if during the period which the Depositor is required to file Exchange Act Reports with respect to the Trust Fund, the Credit Insurer shall fail to provide to the Depositor with any information required to comply with the Depositor's reporting obligations under the related Exchange Act Reports, within 5 days of the Depositor's request therefor, then the Trustee shall act at the written direction of the Depositor as to whether to terminate the Credit Insurance Policy (either by not paying the renewal premium or by terminating the Credit Insurance Policy in accordance with its terms); provided, however, that the Depositor shall not direct the Trustee to terminate the Credit Insurance Policy until it has procured one or more replacement credit insurance policies in form and substance acceptable to the Certificate Insurer covering the then-outstanding Covered Loans from an insurer under a policy or policies acceptable to the Certificate Insurer and the Rating Agencies and such credit insurance policy must cover the Covered Loans outstanding as of such date, if available. The Credit Insurance Policy will not be amended in any manner that materially and adversely affects the coverage provided thereby without the prior written consent of the Certificate Insurer.

Section 4.08 Carryover Reserve Fund.

(a) On the Closing Date, the Trustee shall establish and maintain in its name, in trust for the benefit of the Holders of the Certificates, the Carryover Reserve Fund and shall deposit \$1,000 therein. The Carryover Reserve Fund shall be an Eligible Account, and funds on deposit therein shall be held separate and apart from, and shall not be commingled with, any other moneys, including without limitation, other moneys held by the Trustee pursuant to this Agreement.

(b) On each Distribution Date, the Trustee shall deposit all amounts received in respect of the Corridor Contract in the Carryover Reserve Fund. The Trustee shall make withdrawals from the Carryover Reserve Fund to make distributions in respect of Net Rate Carryover as to the extent required by Section 4.04.

(c) Any amounts received in respect of the Corridor Contract with respect to a Distribution Date and remaining after the distributions required pursuant to Section 4.04(f) shall be distributed to the Class C Certificates; provided, however, that if the Corridor Contract is subject to early termination, early termination payments received in respect of the Corridor Contract shall be deposited by the Trustee in the Carryover Reserve Fund and withdrawn from the Carryover Reserve Fund to pay any Net Rate Carryover for the applicable Classes of Certificates as provided in Section 4.04(f) on the Distribution Dates following such termination to and including the Corridor Contract Termination Date, but such early termination payments

shall not be available for distribution to the Class C Certificates on future Distribution Dates until the Corridor Contract Termination Date.

(d) (1) Funds in the Carryover Reserve Fund in respect of amounts received under the Corridor Contract may be invested in Permitted Investments at the written direction of the Majority Holder of the Class C Certificates, which Permitted Investments shall mature not later than the Business Day immediately preceding the first Distribution Date that follows the date of such investment (except that if such Permitted Investment is an obligation of the institution that maintains the Carryover Reserve Fund, then such Permitted Investment shall mature not later than such Distribution Date) and shall not be sold or disposed of prior to maturity. All such Permitted Investments shall be made in the name of the Trustee, for the benefit of the Certificateholders. In the absence of such written direction, all funds in the Carryover Reserve Fund in respect of amounts received under the Corridor Contract shall be invested by the Trustee in The Bank of New York cash reserves. Any net investment earnings on such amounts shall be payable pro rata to the Holders of the Class C Certificates in accordance with their Percentage Interests. Any losses incurred in the Carryover Reserve Fund in respect of any such investments shall be charged against amounts on deposit in the Carryover Reserve Fund (or such investments) immediately as realized.

(2) The Trustee shall not be liable for the amount of any loss incurred in respect of any investment or lack of investment of funds held in the Carryover Reserve Fund and made in accordance with this Section 4.08. The Carryover Reserve Fund shall not constitute an asset of any REMIC created hereunder. The Class C Certificates shall evidence ownership of the Carryover Reserve Fund for federal tax purposes.

Section 4.09 Swap Trust and Swap Account.

On the Closing Date, there is hereby established a separate trust (the "Swap Trust"), the assets of which shall consist of the Trustee's rights and obligations under the Swap Contract Administration Agreement, the Swap Account and the Swap Reserve Fund. The Swap Trust shall be maintained by the Swap Trustee, who initially, shall be the Trustee. The Swap Trustee shall hold the assets of the Swap Trust in trust for the benefit of the Holders of the Interest-Bearing Certificates and the Swap Counterparty. No later than the Closing Date, the Swap Trustee shall establish and maintain a separate, segregated trust account to be held in the Swap Trust, titled, "Swap Account, The Bank of New York, as Swap Trustee, in trust for the Swap Counterparty and the registered holders of CWHEQ, Inc., Asset-Backed Certificates, Series 2007-S3." Such account shall be an Eligible Account and funds on deposit therein shall be held separate and apart from, and shall not be commingled with, any other moneys, including, without limitation, other moneys of the Trustee held pursuant to this Agreement. Amounts therein shall be held uninvested. Funds on deposit in the Swap Account shall be distributed in the amounts and in the order of priority described under Section 4.04(e). For federal income tax purposes, the Swap Trust, including the Swap Account and Swap Reserve Fund, shall be owned by the Class C Certificates.

On each Distribution Date, the Trustee shall make a deposit to the Swap Account pursuant to Section 4.04(a)(i), and to the extent that the amount of such deposit is insufficient to pay any Net Swap Payment and/or Swap Termination Payment (other than a Swap Termination

Payment due to a Swap Counterparty Trigger Event) due to the Swap Counterparty with respect to such Distribution Date, the Trustee shall withdraw, out of amounts on deposit in the Distribution Account in respect of the Principal Remittance Amount, such additional amount as is necessary to cover the remaining portion of any such Net Swap Payment and/or Swap Termination Payment (other than a Swap Termination Payment due to a Swap Counterparty Trigger Event) due to the Swap Counterparty with respect to such Distribution Date.

Section 4.10 Swap Reserve Fund.

On the Closing Date, the Swap Trustee shall establish and maintain in its name, in trust for the benefit of the Holders of the Class A Certificates and the Certificate Insurer, the Swap Reserve Fund and shall deposit \$1,000 therein upon receipt from or on behalf of the Depositor of such amount. The Swap Reserve Fund shall be an Eligible Account, and funds on deposit therein shall be held separate and apart from, and shall not be commingled with, any other moneys, including without limitation, other moneys held by the Trustee pursuant to this Agreement. Amounts therein shall be held uninvested. Funds on deposit in the Swap Account shall be distributed in the amounts and in the order of priority described under Section 4.04(e). The Swap Reserve Fund shall not constitute an asset of the Trust Fund or any REMIC created hereunder.

ARTICLE V.
THE CERTIFICATES

Section 5.01 The Certificates.

The Certificates shall be substantially in the forms attached hereto as Exhibits A-1 through A-5, Exhibit B, Exhibit C, Exhibit D-1, Exhibit D-2 and Exhibit E. The Certificates shall be issuable in registered form, in the minimum dollar denominations, integral dollar multiples in excess thereof and aggregate dollar denominations as set forth in the following table:

Class	Minimum Denomination	Integral Multiples in Excess of Minimum	Original Certificate Principal Balance/ Original Notional Amount
A-1	\$25,000	\$1	\$298,454,000
A-2	\$25,000	\$1	\$242,359,000
A-3	\$25,000	\$1	\$159,187,000
E-P	(2)	(2)	N/A
A-R	\$99.95 ⁽¹⁾	N/A	\$100
C	N/A	N/A	N/A
P	(2)	(2)	\$100

(1) The Tax Matters Person Certificate may be issued in a denomination of \$0.05.

(2) The minimum denomination for the Class P Certificates is a 20% Percentage Interest. Any Percentage Interest in excess of 20% is an authorized denomination.

The Certificates shall be executed by manual or facsimile signature on behalf of the Trustee by an authorized officer. Certificates bearing the manual or facsimile signatures of individuals who were, at the time when such signatures were affixed, authorized to sign on behalf of the Trustee shall bind the Trustee, notwithstanding that such individuals or any of them have ceased to be so authorized prior to the authentication and delivery of such Certificates or did not hold such offices at the date of such authentication and delivery. No Certificate shall be entitled to any benefit under this Agreement, or be valid for any purpose, unless there appears on such Certificate a certificate of authentication substantially in the form set forth as attached hereto executed by the Trustee by manual signature, and such certificate of authentication upon any Certificate shall be conclusive evidence, and the only evidence, that such Certificate has been duly authenticated and delivered hereunder. All Certificates shall be dated the date of their authentication. On the Closing Date, the Trustee shall authenticate the Certificates to be issued at the written direction of the Depositor, or any affiliate thereof.

The Depositor shall provide, or cause to be provided, to the Trustee on a continuous basis, an adequate inventory of Certificates to facilitate transfers.

Section 5.02 Certificate Register; Registration of Transfer and Exchange of Certificates.

(a) The Trustee shall maintain a Certificate Register for the Trust Fund in which, subject to the provisions of subsections (b) and (c) below and to such reasonable

regulations as it may prescribe, the Trustee shall provide for the registration of Certificates and of Transfers and exchanges of Certificates as herein provided. Upon surrender for registration of Transfer of any Certificate, the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Certificates of the same Class and of like aggregate Percentage Interest.

At the option of a Certificateholder, Certificates may be exchanged for other Certificates of the same Class in authorized denominations and evidencing the same aggregate Percentage Interest upon surrender of the Certificates to be exchanged at the office or agency of the Trustee. Whenever any Certificates are so surrendered for exchange, the Trustee shall execute, authenticate, and deliver the Certificates that the Certificateholder making the exchange is entitled to receive. Every Certificate presented or surrendered for registration of Transfer or exchange shall be accompanied by a written instrument of Transfer in form satisfactory to the Trustee duly executed by the Holder thereof or his attorney duly authorized in writing.

No service charge to the Certificateholders shall be made for any registration of Transfer or exchange of Certificates, but payment of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any Transfer or exchange of Certificates may be required.

All Certificates surrendered for registration of Transfer or exchange shall be canceled and subsequently destroyed by the Trustee in accordance with the Trustee's customary procedures.

(b) No Transfer of a Private Certificate shall be made unless such Transfer is made pursuant to an effective registration statement under the Securities Act and any applicable state securities laws or is exempt from the registration requirements under the Securities Act and such state securities laws. In the event that a transfer is to be made in reliance upon an exemption from the Securities Act and such state securities laws, in order to assure compliance with the Securities Act and such state securities laws, the Certificateholder desiring to effect such Transfer and such Certificateholder's prospective transferee shall (except in connection with any transfer of a Private Certificate to an affiliate of the Depositor (either directly or through a nominee) in connection with the initial issuance of the Certificates) each certify to the Trustee in writing the facts surrounding the Transfer in substantially the forms set forth in Exhibit J-2 and, in the case of a Class A-R Certificate, Exhibit J-1 (the "Transferor Certificate") and (i) deliver a letter in substantially the form of either Exhibit K (in the case of the Class P, Class E-P and Class C Certificates only) (the "Investment Letter") or Exhibit L (in the case of any Private Certificate) (the "Rule 144A Letter") or (ii) there shall be delivered to the Trustee at the expense of the Certificateholder desiring to effect such transfer an Opinion of Counsel that such Transfer may be made pursuant to an exemption from the Securities Act; provided, however, that in the case of the delivery of an Investment Letter in connection with the transfer of any Class C, Class E-P or Class P Certificate to a transferee that is formed with the purpose of issuing notes backed by such Class C, Class E-P or Class P Certificate, as the case may be, clause (b) and (c) of the form of Investment Letter shall not be applicable and shall be deleted by such transferee. The Depositor shall provide to any Holder of a Private Certificate and any prospective transferee designated by any such Holder, information regarding the related Certificates and the Mortgage Loans and such other information as shall be necessary to satisfy the condition to eligibility set

forth in Rule 144A(d)(4) for transfer of any such Certificate without registration thereof under the Securities Act pursuant to the registration exemption provided by Rule 144A. The Trustee and the Master Servicer shall cooperate with the Depositor in providing the Rule 144A information referenced in the preceding sentence, including providing to the Depositor such information regarding the Certificates, the Mortgage Loans and other matters regarding the Trust Fund as the Depositor shall reasonably request to meet its obligation under the preceding sentence. Each Holder of a Private Certificate desiring to effect such Transfer shall, and does hereby agree to, indemnify the Trustee, the Depositor, the Trust Fund, each Seller, the Master Servicer, the Certificate Insurer and the NIM Insurer against any liability that may result if the Transfer is not so exempt or is not made in accordance with such federal and state laws.

No Transfer of an ERISA-Restricted Certificate (other than a transfer of an ERISA-Restricted Certificate to an affiliate of the Depositor (either directly or through a nominee) in connection with the initial issuance of the Certificates) shall be made unless the Trustee shall have received either (i) a representation from the transferee of such Certificate acceptable to and in form and substance satisfactory to the Trustee (in the event such Certificate is a Private Certificate, such requirement is satisfied only by the Trustee's receipt of a representation letter from the transferee substantially in the form of Exhibit K or Exhibit L, or in the event such Certificate is a Residual Certificate, such requirement is satisfied only by the Trustee's receipt of a representation letter from the transferee substantially in the form of Exhibit I), to the effect that (x) such transferee is not a Plan, or (y) in the case of an ERISA-Restricted Certificate that has been the subject of an ERISA-Qualifying Underwriting, a representation that the transferee is an insurance company which is purchasing such Certificate with funds contained in an "insurance company general account" (as such term is defined in section V(e) of Prohibited Transaction Class Exemption 95-60 ("PTCE 95-60")) and that the purchase and holding of such Certificate satisfy the requirements for exemptive relief under Sections I and III of PTCE 95-60 or (ii) in the case of any ERISA-Restricted Certificate presented for registration in the name of an employee benefit plan or arrangement subject to ERISA, or a plan or arrangement subject to Section 4975 of the Code (or comparable provisions of any subsequent enactments), or a trustee of any such plan or arrangement or any other person acting on behalf of any such plan or arrangement, an Opinion of Counsel satisfactory to the Trustee, addressed to the Trustee and the Master Servicer, to the effect that the purchase or holding of such ERISA-Restricted Certificate will not result in a non-exempt prohibited transaction under ERISA or the Code and will not subject the Trustee or the Master Servicer to any obligation in addition to those expressly undertaken in this Agreement, which Opinion of Counsel shall not be an expense of the Trustee, the Certificate Insurer, the Master Servicer, or the Trust Fund. For purposes of the preceding sentence, one of such representations, as appropriate, shall be deemed to have been made to the Trustee by the transferee's acceptance of an ERISA-Restricted Certificate (or the acceptance by a Certificate Owner of the beneficial interest in any such Class of ERISA-Restricted Certificates) unless the Trustee shall have received from the transferee an Opinion of Counsel as described in clause (ii) or a representation letter acceptable in form and substance to the Trustee. Notwithstanding anything else to the contrary herein, any purported transfer of an ERISA-Restricted Certificate to or on behalf of an employee benefit plan subject to Section 406 of ERISA or a plan subject to Section 4975 of the Code without the delivery to the Trustee of an Opinion of Counsel satisfactory to the Trustee meeting the requirements of clause (i) of the first sentence of this paragraph as described above shall be void and of no effect. The Trustee shall be under no liability to any Person for any registration of transfer of any ERISA-Restricted

Certificate that is in fact not permitted by this Section 5.02(b) or for making any payments due on such Certificate to the Holder thereof or taking any other action with respect to such Holder under the provisions of this Agreement so long as the Trustee, with respect to the transfer of such Classes of Certificates, required delivery of such certificates and other documentation or evidence as are expressly required by the terms of this Agreement and examined such certificates and other documentation or evidence to determine compliance as to form with the express requirements hereof. The Trustee shall be entitled, but not obligated, to recover from any Holder of any ERISA-Restricted Certificate that was in fact an employee benefit plan or arrangement subject to Section 406 of ERISA or a plan or arrangement subject to Section 4975 of the Code or a Person acting on behalf of any such plan or arrangement at the time it became a Holder or, at such subsequent time as it became such a plan or arrangement or Person acting on behalf of such a plan or arrangement, all payments made on such ERISA-Restricted Certificate at and after either such time. Any such payments so recovered by the Trustee shall be paid and delivered by the Trustee to the last preceding Holder of such Certificate that is not such a plan or arrangement or Person acting on behalf of a plan or arrangement.

Until the Swap Trust terminates, no transfer of an Interest-Bearing Certificate (other than a transfer of an Interest-Bearing Certificate to an affiliate of the Depositor (either directly or through a nominee) in connection with the initial issuance of the Certificates) shall be made unless the Trustee shall have received either (i) a written representation from the transferee of such Interest-Bearing Certificate acceptable to and in form and substance satisfactory to the Trustee to the effect that such transferee is not a Plan, or (ii) a written representation that the purchase and holding of the Interest-Bearing Certificate satisfy the requirements for exemptive relief under PTCE 84-14, PTCE 90-1, PTCE 91-38, PTCE 95-60, PTCE 96-23, the service provider exemption provided under Section 408 (b)(17) of ERISA and Section 4975 (d)(20) of the Code or a similar exemption. In the event that such representation is not delivered, one of the foregoing representations, as appropriate, shall be deemed to have been made by the transferee's (including an initial acquiror's) acceptance of the Interest-Bearing Certificate. In the event that such representation is violated, such transfer or acquisition shall be void and of no effect.

(c) Each Person who has or who acquires any Ownership Interest in a Class A-R Certificate shall be deemed by the acceptance or acquisition of such Ownership Interest to have agreed to be bound by the following provisions, and the rights of each Person acquiring any Ownership Interest in a Class A-R Certificate are expressly subject to the following provisions:

(1) Each Person holding or acquiring any Ownership Interest in a Class A-R Certificate shall be a Permitted Transferee and shall promptly notify the Trustee of any change or impending change in its status as a Permitted Transferee.

(2) Except in connection with (i) the registration of the Tax Matters Person Certificate in the name of the Trustee or (ii) any registration in the name of, or transfer of a Class A-R Certificate to, an affiliate of the Depositor (either directly or through a nominee) in connection with the initial issuance of the Certificates, no Ownership Interest in a Class A-R Certificate may be registered or transferred, and the Trustee shall not register the Transfer of any Class A-R Certificate, unless the Trustee

shall have been furnished with an affidavit (a "Transfer Affidavit") of the initial owner or the proposed transferee in the form attached hereto as Exhibit I.

(3) Each Person holding or acquiring any Ownership Interest in a Class A-R Certificate shall agree (A) to obtain a Transfer Affidavit from any other Person to whom such Person attempts to Transfer its Ownership Interest in a Class A-R Certificate, (B) to obtain a Transfer Affidavit from any Person for whom such Person is acting as nominee, trustee or agent in connection with any Transfer of a Class A-R Certificate and (C) not to Transfer its Ownership Interest in a Class A-R Certificate, or to cause the Transfer of an Ownership Interest in a Class A-R Certificate to any other Person, if it has actual knowledge that such Person is not a Permitted Transferee or that such Transfer Affidavit is false.

(4) Any attempted or purported Transfer of any Ownership Interest in a Class A-R Certificate in violation of the provisions of this Section 5.02(c) shall be absolutely null and void and shall vest no rights in the purported Transferee. If any purported transferee shall become a Holder of a Class A-R Certificate in violation of the provisions of this Section 5.02(c), then the last preceding Permitted Transferee shall be restored to all rights as Holder thereof retroactive to the date of registration of Transfer of such Class A-R Certificate. The Trustee shall be under no liability to any Person for any registration of Transfer of a Class A-R Certificate that is in fact not permitted by Section 5.02(b) and this Section 5.02(c) or for making any payments due on such Certificate to the Holder thereof or taking any other action with respect to such Holder under the provisions of this Agreement so long as the Transfer was registered after receipt of the related Transfer Affidavit and Transferor Certificate. The Trustee shall be entitled but not obligated to recover from any Holder of a Class A-R Certificate that was in fact not a Permitted Transferee at the time it became a Holder or, at such subsequent time as it became other than a Permitted Transferee, all payments made on such Class A-R Certificate at and after either such time. Any such payments so recovered by the Trustee shall be paid and delivered by the Trustee to the last preceding Permitted Transferee of such Certificate.

(5) The Master Servicer shall use its best efforts to make available, upon receipt of written request from the Trustee, all information necessary to compute any tax imposed under section 860E(e) of the Code as a result of a Transfer of an Ownership Interest in a Class A-R Certificate to any Holder who is not a Permitted Transferee.

The restrictions on Transfers of a Class A-R Certificate set forth in this Section 5.02(c) shall cease to apply (and the applicable portions of the legend on a Class A-R Certificate may be deleted) with respect to Transfers occurring after delivery to the Trustee of an Opinion of Counsel, which Opinion of Counsel shall not be an expense of the Trustee, any Seller or the Master Servicer, to the effect that the elimination of such restrictions will not cause any REMIC formed hereunder to fail to qualify as a REMIC at any time that the Certificates are outstanding or result in the imposition of any tax on the Trust Fund, a Certificateholder or another Person. Each Person holding or acquiring any Ownership Interest in a Class A-R Certificate, by acceptance of its Ownership Interest, shall be deemed to consent to any amendment of this

Agreement that, based on an Opinion of Counsel furnished to the Trustee, is reasonably necessary (a) to ensure that the record ownership of, or any beneficial interest in, a Class A-R Certificate is not transferred, directly or indirectly, to a Person that is not a Permitted Transferee and (b) to provide for a means to compel the Transfer of a Class A-R Certificate that is held by a Person that is not a Permitted Transferee to a Holder that is a Permitted Transferee.

(d) The preparation and delivery of all affidavits, certifications and opinions referred to above in this Section 5.02 shall not be an expense of the Trust Fund, the Trustee, the Depositor, any Seller or the Master Servicer.

Section 5.03 Mutilated, Destroyed, Lost or Stolen Certificates.

If (a) any mutilated Certificate is surrendered to the Trustee, or the Trustee receives evidence to its satisfaction of the destruction, loss or theft of any Certificate and of the ownership thereof and (b) there is delivered to the Master Servicer and the Trustee (and with respect to the Class A Certificates, the Certificate Insurer) such security or indemnity as may be required by them to save each of them harmless, then, in the absence of notice to the Trustee that such Certificate has been acquired by a bona fide purchaser, the Trustee shall execute, authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Certificate, a new Certificate of like Class, tenor and Percentage Interest. In connection with the issuance of any new Certificate under this Section 5.03, the Trustee may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith. Any replacement Certificate issued pursuant to this Section 5.03 shall constitute complete and indefeasible evidence of ownership in the Trust Fund, as if originally issued, whether or not the lost, stolen or destroyed Certificate shall be found at any time. All Certificates surrendered to the Trustee under the terms of this Section 5.03 shall be canceled and destroyed by the Trustee in accordance with its standard procedures without liability on its part.

Section 5.04 Persons Deemed Owners.

The Master Servicer, the Trustee, the NIM Insurer, the Certificate Insurer and any agent of the Master Servicer, the Trustee, the NIM Insurer or the Certificate Insurer may treat the person in whose name any Certificate is registered as the owner of such Certificate for the purpose of receiving distributions as provided in this Agreement and for all other purposes whatsoever, and none of the Master Servicer, the Trustee, the NIM Insurer, the Certificate Insurer or any agent of the Master Servicer, the Trustee, the NIM Insurer or the Certificate Insurer shall be affected by any notice to the contrary.

Section 5.05 Access to List of Certificateholders' Names and Addresses.

If three or more Certificateholders or Certificate Owners (a) request such information in writing from the Trustee, (b) state that such Certificateholders or Certificate Owners desire to communicate with other Certificateholders or Certificate Owners with respect to their rights under this Agreement or under the Certificates and (c) provide a copy of the communication that such Certificateholders or Certificate Owners propose to transmit or if the Depositor or Master Servicer shall request such information in writing from the Trustee, then the

Trustee shall, within ten Business Days after the receipt of such request, provide the Depositor, the Master Servicer or such Certificateholders or Certificate Owners at such recipients' expense the most recent list of the Certificateholders of the Trust Fund held by the Trustee, if any. The Depositor and every Certificateholder or Certificate Owner, by receiving and holding a Certificate, agree that the Trustee shall not be held accountable by reason of the disclosure of any such information as to the list of the Certificateholders hereunder, regardless of the source from which such information was derived.

Section 5.06 Book-Entry Certificates.

The Book-Entry Certificates, upon original issuance, shall be issued in the form of one typewritten Certificate (or more than one, if required by the Depository) for each Class of such Certificates, to be delivered to the Depository by or on behalf of the Depositor. Such Certificates shall initially be registered on the Certificate Register in the name of the Depository or its nominee, and no Certificate Owner of such Certificates will receive a definitive certificate representing such Certificate Owner's interest in such Certificates, except as provided in Section 5.08. Unless and until definitive, fully registered Certificates ("Definitive Certificates") have been issued to the Certificate Owners of such Certificates pursuant to Section 5.08:

- (a) the provisions of this Section shall be in full force and effect;
- (b) the Depositor, the Sellers, the Master Servicer and the Trustee may deal with the Depository and the Depository Participants for all purposes (including the making of distributions) as the authorized representative of the respective Certificate Owners of such Certificates;
- (c) registration of the Book-Entry Certificates may not be transferred by the Trustee except to another Depository;
- (d) the rights of the respective Certificate Owners of such Certificates shall be exercised only through the Depository and the Depository Participants and shall be limited to those established by law and agreements between the Owners of such Certificates and the Depository and/or the Depository Participants. Pursuant to the Depository Agreement, unless and until Definitive Certificates are issued pursuant to Section 5.08, the Depository will make book-entry transfers among the Depository Participants and receive and transmit distributions of principal and interest on the related Certificates to such Depository Participants;
- (e) the Depository may collect its usual and customary fees, charges and expenses from its Depository Participants;
- (f) the Trustee may rely and shall be fully protected in relying upon information furnished by the Depository with respect to its Depository Participants; and
- (g) to the extent the provisions of this Section conflict with any other provisions of this Agreement, the provisions of this Section shall control.

For purposes of any provision of this Agreement requiring or permitting actions with the consent of, or at the direction of, Certificateholders evidencing a specified percentage of

the aggregate unpaid principal amount of any Class of Certificates, such direction or consent may be given by Certificate Owners (acting through the Depository and the Depository Participants) owning Book-Entry Certificates evidencing the requisite percentage of principal amount of such Class of Certificates.

Section 5.07 Notices to Depository.

Whenever any notice or other communication is required to be given to Certificateholders of the Class with respect to which Book-Entry Certificates have been issued, unless and until Definitive Certificates shall have been issued to the related Certificate Owners, the Trustee shall give all such notices and communications to the Depository.

Section 5.08 Definitive Certificates.

If, after Book-Entry Certificates have been issued with respect to any Certificates, (a) the Depositor advises the Trustee that the Depository is no longer willing or able to discharge properly its responsibilities under the Depository Agreement with respect to such Certificates and the Trustee or the Depositor is unable to locate a qualified successor or (b) after the occurrence and continuation of an Event of Default, Certificate Owners of such Book-Entry Certificates having not less than 51% of the Voting Rights evidenced by any Class of Book-Entry Certificates advise the Trustee and the Depository in writing through the Depository Participants that the continuation of a book-entry system with respect to Certificates of such Class through the Depository (or its successor) is no longer in the best interests of the Certificate Owners of such Class, then the Trustee shall notify all Certificate Owners of such Certificates, through the Depository, of the occurrence of any such event and of the availability of Definitive Certificates to Certificate Owners of such Class requesting the same. The Depositor shall provide the Trustee with an adequate inventory of Certificates to facilitate the issuance and transfer of Definitive Certificates. Upon surrender to the Trustee of any such Certificates by the Depository, accompanied by registration instructions from the Depository for registration, the Trustee shall authenticate and deliver such Definitive Certificates. Neither the Depositor nor the Trustee shall be liable for any delay in delivery of such instructions and each may conclusively rely on, and shall be protected in relying on, such instructions. Upon the issuance of such Definitive Certificates, all references herein to obligations imposed upon or to be performed by the Depository shall be deemed to be imposed upon and performed by the Trustee, to the extent applicable with respect to such Definitive Certificates and the Trustee shall recognize the Holders of such Definitive Certificates as Certificateholders hereunder.

Section 5.09 Maintenance of Office or Agency.

The Trustee will maintain or cause to be maintained at its expense an office or offices or agency or agencies in New York City where Certificates may be surrendered for registration of transfer or exchange. The Trustee initially designates its offices at 101 Barclay Street, 4W, New York, New York 10286, Attention: Corporate Trust MBS Administration, as offices for such purposes. The Trustee will give prompt written notice to the Certificateholders and the Certificate Insurer of any change in such location of any such office or agency.

ARTICLE VI.
THE DEPOSITOR, THE MASTER SERVICER AND THE SELLERS

Section 6.01 Respective Liabilities of the Depositor, the Master Servicer and the Sellers.

The Depositor, the Master Servicer and each Seller shall each be liable in accordance herewith only to the extent of the obligations specifically and respectively imposed upon and undertaken by them herein.

Section 6.02 Merger or Consolidation of the Depositor, the Master Servicer or the Sellers.

The Depositor will keep in full effect its existence, rights and franchises as a corporation under the laws of the United States or under the laws of one of the states thereof and will each obtain and preserve its qualification to do business as a foreign corporation in each jurisdiction in which such qualification is or shall be necessary to protect the validity and enforceability of this Agreement, or any of the Mortgage Loans and to perform its duties under this Agreement. The Master Servicer will keep in effect its existence, rights and franchises as a limited partnership under the laws of the United States or under the laws of one of the states thereof and will obtain and preserve its qualification or registration to do business as a foreign partnership in each jurisdiction in which such qualification or registration is or shall be necessary to protect the validity and enforceability of this Agreement or any of the Mortgage Loans and to perform its duties under this Agreement.

Any Person into which the Depositor, the Master Servicer or any Seller may be merged or consolidated, or any Person resulting from any merger or consolidation to which the Depositor, the Master Servicer or any Seller shall be a party, or any person succeeding to the business of the Depositor, the Master Servicer or any Seller, shall be the successor of the Depositor, the Master Servicer or such Seller, as the case may be, hereunder, without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding; provided that the successor or surviving Person to the Master Servicer shall be qualified to service mortgage loans on behalf of Fannie Mae and Freddie Mac.

As a condition to the effectiveness of any merger or consolidation, at least 15 calendar days prior to the effective date of any merger or consolidation of the Master Servicer, the Master Servicer shall provide (x) written notice to the Depositor of any successor pursuant to this Section and (y) in writing and in form and substance reasonably satisfactory to the Depositor, all information reasonably requested by the Depositor in order to comply with its reporting obligation under Item 6.02 of Form 8-K with respect to a replacement Master Servicer.

Section 6.03 Limitation on Liability of the Depositor, the Sellers, the Master Servicer, the NIM Insurer and Others.

None of the Depositor, the Sellers, the NIM Insurer or the Master Servicer or any of the directors, officers, employees or agents of the Depositor, the Sellers, the NIM Insurer or the Master Servicer shall be under any liability to the Trustee (except as provided in Section

8.05), the Trust Fund or the Certificateholders for any action taken or for refraining from the taking of any action in good faith pursuant to this Agreement, or for errors in judgment; provided that this provision shall not protect the Depositor, the Sellers, the Master Servicer or any such Person against any breach of representations or warranties made by it herein or protect the Depositor, the Sellers, the Master Servicer or any such Person from any liability that would otherwise be imposed by reasons of willful misfeasance, bad faith or gross negligence in the performance of duties or by reason of reckless disregard of obligations and duties hereunder. The Depositor, the Sellers, the NIM Insurer, the Master Servicer and any director, officer, employee or agent of the Depositor, the Sellers, the NIM Insurer or the Master Servicer may rely in good faith on any document of any kind prima facie properly executed and submitted by any Person respecting any matters arising hereunder. The Depositor, the Sellers, the NIM Insurer, the Master Servicer and any director, officer, employee or agent of the Depositor, the Sellers, the NIM Insurer or the Master Servicer shall be indemnified by the Trust Fund and held harmless against any loss, liability or expense incurred in connection with any audit, controversy or judicial proceeding relating to a governmental taxing authority or any legal action relating to this Agreement or the Certificates, other than any loss, liability or expense related to any specific Mortgage Loan or Mortgage Loans (except as any such loss, liability or expense shall be otherwise reimbursable pursuant to this Agreement) and any loss, liability or expense incurred by reason of willful misfeasance, bad faith or gross negligence in the performance of duties hereunder or by reason of reckless disregard of obligations and duties hereunder. None of the Depositor, the Sellers, the NIM Insurer or the Master Servicer shall be under any obligation to appear in, prosecute or defend any legal action that is not incidental to its respective duties hereunder and that in its opinion may involve it in any expense or liability; provided that any of the Depositor, the Sellers, the NIM Insurer or the Master Servicer may, in its discretion undertake any such action that it may deem necessary or desirable in respect of this Agreement and the rights and duties of the parties hereto and interests of the Trustee and the Certificateholders hereunder. In such event, the legal expenses and costs of such action and any liability resulting therefrom shall be, expenses, costs and liabilities of the Trust Fund, and the Depositor, the Sellers, the NIM Insurer and the Master Servicer shall be entitled to be reimbursed therefor out of the Certificate Account as provided by Section 3.08 hereof.

Section 6.04 Limitation on Resignation of Master Servicer.

The Master Servicer shall not resign from the obligations and duties hereby imposed on it except (i) upon determination that its duties hereunder are no longer permissible under applicable law or (ii) upon appointment of a successor servicer that is reasonably acceptable to the Trustee, the Certificate Insurer and the NIM Insurer and the written confirmation from each Rating Agency (which confirmation shall be furnished to the Depositor, the Trustee, the Certificate Insurer and the NIM Insurer) that such resignation will not cause such Rating Agency to reduce the then-current rating of the Certificates (such determination to be made without regard to the Certificate Insurance Policy). Any such determination pursuant to clause (i) of the preceding sentence permitting the resignation of the Master Servicer shall be evidenced by an Opinion of Counsel to such effect delivered to the Trustee and the Certificate Insurer. No resignation of the Master Servicer shall become effective until the Trustee shall have assumed the Master Servicer's responsibilities, duties, liabilities (other than those liabilities arising prior to the appointment of such successor) and obligations under this Agreement and the Depositor shall have received the information described in the following sentence. As a

condition to the effectiveness of any such resignation, at least 15 calendar days prior to the effective date of such resignation, the Master Servicer shall provide (x) written notice to the Depositor of any successor pursuant to this Section and (y) in writing and in form and substance reasonably satisfactory to the Depositor, all information reasonably requested by the Depositor in order to comply with its reporting obligation under Item 6.02 of Form 8-K with respect to the resignation of the Master Servicer.

Section 6.05 Errors and Omissions Insurance; Fidelity Bonds.

The Master Servicer shall, for so long as it acts as servicer under this Agreement, obtain and maintain in force (a) a policy or policies of insurance covering errors and omissions in the performance of its obligations as servicer hereunder, and (b) a fidelity bond in respect of its officers, employees and agents. Each such policy or policies and bond shall, together, comply with the requirements from time to time of Fannie Mae and Freddie Mac for persons performing servicing for mortgage loans purchased by Fannie Mae and Freddie Mac. In the event that any such policy or bond ceases to be in effect, the Master Servicer shall use its reasonable best efforts to obtain a comparable replacement policy or bond from an insurer or issuer, meeting the requirements set forth above as of the date of such replacement.

The Master Servicer shall provide the Trustee, the Certificate Insurer and the NIM Insurer (upon such party's reasonable request) with copies of any such insurance policies and fidelity bond. The Master Servicer shall be deemed to have complied with this provision if an Affiliate of the Master Servicer has such errors and omissions and fidelity bond coverage and, by the terms of such insurance policy or fidelity bond, the coverage afforded thereunder extends to the Master Servicer.

ARTICLE VII.
DEFAULT; TERMINATION OF MASTER SERVICER

Section 7.01 Events of Default.

"Event of Default," wherever used herein, means any one of the following events:

(1) any failure by the Master Servicer to deposit in the Certificate Account or the Distribution Account or remit to the Trustee any payment (excluding a payment required to be made under Section 4.01 hereof) required to be made under the terms of this Agreement, which failure shall continue unremedied for the earlier of the related Distribution Date or five calendar days and, with respect to a payment required to be made under Section 4.01(b) or (c) hereof, for one Business Day, in each case, after the date on which written notice of such failure shall have been given to the Master Servicer by the Trustee, the NIM Insurer, the Certificate Insurer or the Depositor, or to the Trustee, the NIM Insurer, the Certificate Insurer and the Master Servicer by the Holders of Certificates evidencing not less than 25% of the Voting Rights; or

(2) any failure by the Master Servicer to observe or perform in any material respect any other of the covenants or agreements on the part of the Master Servicer contained in this Agreement (except with respect to a failure related to a Limited Exchange Act Reporting Obligation) or any representation or warranty shall prove to be

untrue, which failure or breach shall continue unremedied for a period of 60 days after the date on which written notice of such failure shall have been given to the Master Servicer by the Trustee, the NIM Insurer, the Certificate Insurer or the Depositor, or to the Trustee by the Holders of Certificates evidencing not less than 25% of the Voting Rights; provided, that the sixty-day cure period shall not apply to the initial delivery of the Mortgage File for Delay Delivery Mortgage Loans or the failure to repurchase or substitute in lieu thereof; or

(3) a decree or order of a court or agency or supervisory authority having jurisdiction in the premises for the appointment of a receiver or liquidator in any insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceedings, or for the winding-up or liquidation of its affairs, shall have been entered against the Master Servicer and such decree or order shall have remained in force undischarged or unstayed for a period of 60 consecutive days; or

(4) the Master Servicer shall consent to the appointment of a receiver or liquidator in any insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceedings of or relating to the Master Servicer or all or substantially all of the property of the Master Servicer; or

(5) the Master Servicer shall admit in writing its inability to pay its debts generally as they become due, file a petition to take advantage of, or commence a voluntary case under, any applicable insolvency or reorganization statute, make an assignment for the benefit of its creditors, or voluntarily suspend payment of its obligations; or

(6) the Master Servicer shall fail to reimburse in full the Trustee not later than 6:00 p.m. (New York time) on the Business Day following the related Distribution Date for any Advance made by the Trustee pursuant to Section 4.01(d) together with accrued and unpaid interest.

If an Event of Default shall occur, then, and in each and every such case, so long as such Event of Default shall not have been remedied, the Trustee shall, but only at the direction of either the NIM Insurer, or the Holders of Certificates evidencing not less than 25% of the Voting Rights (subject to the consent of the Certificate Insurer, which consent shall not be unreasonably withheld) or at the direction of the Certificate Insurer (so long as no Certificate Insurer Default is continuing), by notice in writing to the Master Servicer (with a copy to each Rating Agency and the Depositor), terminate all of the rights and obligations of the Master Servicer under this Agreement and in and to the Mortgage Loans and the proceeds thereof, other than its rights as a Certificateholder hereunder. In addition, if during the period that the Depositor is required to file Exchange Act Reports with respect to the Trust Fund, the Master Servicer shall fail to observe or perform any of the obligations that constitute a Limited Exchange Act Reporting Obligation or the obligations set forth in Section 3.17(a) or Section 11.07(a)(1) and (2), and such failure continues for the lesser of 10 calendar days or such period in which the applicable Exchange Act Report can be filed timely (without taking into account any extensions), so long as such failure shall not have been remedied, the Trustee shall, but only at the direction of the Depositor, terminate all of the rights and obligations of the Master Servicer

under this Agreement and in and to the Mortgage Loans and the proceeds thereof, other than its rights as a Certificateholder hereunder. The Depositor shall not be entitled to terminate the rights and obligations of the Master Servicer if a failure of the Master Servicer to identify a Subcontractor "participating in the servicing function" within the meaning of Item 1122 of Regulation AB was attributable solely to the role or functions of such Subcontractor with respect to mortgage loans other than the Mortgage Loans.

On or after the receipt by the Master Servicer of such written notice, all authority and power of the Master Servicer hereunder, whether with respect to the Mortgage Loans or otherwise, shall pass to and be vested in the Trustee. The Trustee shall thereupon make any Advance described in Section 4.01 hereof subject to Section 3.04 hereof. The Trustee is hereby authorized and empowered to execute and deliver, on behalf of the Master Servicer, as attorney-in-fact or otherwise, any and all documents and other instruments, and to do or accomplish all other acts or things necessary or appropriate to effect the purposes of such notice of termination, whether to complete the transfer and endorsement or assignment of the Mortgage Loans and related documents, or otherwise. Unless expressly provided in such written notice, no such termination shall affect any obligation of the Master Servicer to pay amounts owed pursuant to Article VIII. The Master Servicer agrees to cooperate with the Trustee in effecting the termination of the Master Servicer's responsibilities and rights hereunder, including, without limitation, the transfer to the Trustee of all cash amounts which shall at the time be credited to the Certificate Account, or thereafter be received with respect to the Mortgage Loans. The Trustee shall promptly notify the Rating Agencies, the Certificate Insurer and the Depositor of the occurrence of an Event of Default.

Notwithstanding any termination of the activities of a Master Servicer hereunder, such Master Servicer shall be entitled to receive, out of any late collection of a Scheduled Payment on a Mortgage Loan that was due prior to the notice terminating such Master Servicer's rights and obligations as Master Servicer hereunder and received after such notice, that portion thereof to which such Master Servicer would have been entitled pursuant to Sections 3.08(a)(i) through (viii), and any other amounts payable to such Master Servicer hereunder the entitlement to which arose prior to the termination of its activities hereunder.

If the Master Servicer is terminated, the Trustee shall provide the Depositor in writing and in form and substance reasonably satisfactory to the Depositor, all information reasonably requested by the Depositor in order to comply with its reporting obligation under Item 6.02 of Form 8-K with respect to a successor master servicer in the event the Trustee should succeed to the duties of the Master Servicer as set forth herein.

Section 7.02 Trustee to Act; Appointment of Successor.

On and after the time the Master Servicer receives a notice of termination pursuant to Section 7.01 hereof, the Trustee shall, to the extent provided in Section 3.04, be the successor to the Master Servicer in its capacity as servicer under this Agreement and the transactions set forth or provided for herein and shall be subject to all the responsibilities, duties and liabilities relating thereto placed on the Master Servicer by the terms and provisions hereof and applicable law including the obligation to make advances pursuant to Section 4.01. As compensation therefor, the Trustee shall be entitled to all fees, costs and expenses relating to the

Mortgage Loans that the Master Servicer would have been entitled to if the Master Servicer had continued to act hereunder. Notwithstanding the foregoing, if the Trustee has become the successor to the Master Servicer in accordance with Section 7.01 hereof, the Trustee may, if it shall be unwilling to so act, or shall, if it is prohibited by applicable law from making Advances pursuant to Section 4.01 hereof or if it is otherwise unable to so act, (i) appoint any established mortgage loan servicing institution acceptable to the NIM Insurer and the Certificate Insurer (as evidenced by the prior written consent of the NIM Insurer and the Certificate Insurer (which consent shall not be unreasonably withheld by the Certificate Insurer)), or (ii) if it is unable for 60 days to appoint a successor servicer acceptable to the NIM Insurer, petition a court of competent jurisdiction to appoint any established mortgage loan servicing institution, the appointment of which does not adversely affect the then-current rating of the Certificates (without regard to the Certificate Insurance Policy, in the case of the Class A Certificates) and the NIM Insurer guaranteed notes (without giving any effect to any policy or guaranty provided by the NIM Insurer) by each Rating Agency as the successor to the Master Servicer hereunder in the assumption of all or any part of the responsibilities, duties or liabilities of the Master Servicer hereunder. Any successor Master Servicer shall be an institution that is a Fannie Mae and Freddie Mac approved seller/servicer in good standing, that has a net worth of at least \$15,000,000 and that is willing to service the Mortgage Loans and executes and delivers to the Depositor and the Trustee an agreement accepting such delegation and assignment, that contains an assumption by such Person of the rights, powers, duties, responsibilities, obligations and liabilities of the Master Servicer (other than liabilities and indemnities of the Master Servicer under Section 6.03 hereof incurred prior to termination of the Master Servicer under Section 7.01), with like effect as if originally named as a party to this Agreement; and provided further that each Rating Agency acknowledges in writing delivered to the Trustee and the Certificate Insurer that its rating of the Certificates in effect immediately prior to such assignment and delegation will not be qualified or reduced as a result of such assignment and delegation (without regard to the Certificate Insurance Policy, in the case of the Class A Certificates). No appointment of a successor to the Master Servicer hereunder shall be effective until (i) the Trustee and the Certificate Insurer shall have consented thereto (which consent shall not be unreasonably withheld by the Certificate Insurer), (ii) written notice of such proposed appointment shall have been provided by the Trustee to each Certificateholder and the Certificate Insurer and (iii) at least 15 calendar days prior to the effective date of such appointment, (x) the Trustee shall provide written notice to the Depositor of such successor pursuant to this Section 7.02 and (y) such successor Master Servicer shall provide to the Depositor in writing and in form and substance reasonably satisfactory to the Depositor, all information reasonably requested by the Depositor in order to comply with its reporting obligation under Item 6.02 of Form 8-K with respect to a replacement master servicer. The Trustee shall not resign as servicer until a successor servicer has been appointed and has accepted such appointment. Pending appointment of a successor to the Master Servicer hereunder, the Trustee, unless the Trustee is prohibited by law from so acting, shall, subject to Section 3.04 hereof, act in such capacity as herein above provided. In connection with such appointment and assumption, the Trustee may make such arrangements for the compensation of such successor out of payments on Mortgage Loans as it and such successor shall agree; provided that no such compensation shall be in excess of that permitted the Master Servicer hereunder. The Trustee and such successor shall take such action, consistent with this Agreement, as shall be necessary to effectuate any such succession. Neither the Trustee nor any other successor servicer shall be deemed to be in default hereunder by reason

of any failure to make, or any delay in making, any distribution hereunder or any portion thereof or any failure to perform, or any delay in performing, any duties or responsibilities hereunder, in either case caused by the failure of the Master Servicer to deliver or provide, or any delay in delivering or providing, any cash, information, documents or records to it.

Any successor to the Master Servicer as servicer shall give notice to the NIM Insurer and the Mortgagors of such change of servicer and shall, during the term of its service as servicer maintain in force the policy or policies that the Master Servicer is required to maintain pursuant to Section 6.05.

In connection with the termination or resignation of the Master Servicer hereunder, either (i) the successor Master Servicer, including the Trustee if the Trustee is acting as successor Master Servicer, shall represent and warrant that it is a member of MERS in good standing and shall agree to 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, or (ii) the predecessor Master Servicer shall cooperate with the successor Master Servicer in causing MERS to execute and deliver an assignment of Mortgage in recordable form to transfer the Mortgage from MERS to the Trustee and to execute and deliver such other notices, documents and other instruments as may be necessary or desirable to effect a transfer of such Mortgage Loan or servicing of such Mortgage Loan on the MERS® System to the successor Master Servicer. The predecessor Master Servicer shall file or cause to be filed any such assignment in the appropriate recording office. The successor Master Servicer shall cause such assignment to be delivered to the Trustee promptly upon receipt of the original with evidence of recording thereon or a copy certified by the public recording office in which such assignment was recorded.

Section 7.03 Notification to Certificateholders.

(a) Upon any termination of or appointment of a successor to the Master Servicer, the Trustee shall give prompt written notice thereof to Certificateholders, to the Certificate Insurer and to each Rating Agency.

(b) Within 60 days after the occurrence of any Event of Default, the Trustee shall transmit by mail to all Certificateholders notice of each such Event of Default hereunder known to the Trustee, unless such Event of Default shall have been cured or waived.

ARTICLE VIII. CONCERNING THE TRUSTEE

Section 8.01 Duties of Trustee.

The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default that may have occurred, shall undertake to perform such duties and only such duties as are specifically set forth in this Agreement. In case an Event of Default has occurred and remains uncured, the Trustee shall exercise such of the rights and powers vested in it by this Agreement, and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

The Trustee, upon receipt of all resolutions, certificates, statements, opinions, reports, documents, orders or other instruments furnished to the Trustee that are specifically required to be furnished pursuant to any provision of this Agreement shall examine them to determine whether they conform to the requirements of this Agreement, to the extent provided in this Agreement. If any such instrument is found not to conform to the requirements of this Agreement in a material manner, the Trustee shall take action as it deems appropriate to have the instrument corrected.

No provision of this Agreement shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act or its own misconduct, its negligent failure to perform its obligations in compliance with this Agreement, or any liability that would be imposed by reason of its willful misfeasance or bad faith; provided that:

(1) prior to the occurrence of an Event of Default, and after the curing of all such Events of Default that may have occurred, the duties and obligations of the Trustee shall be determined solely by the express provisions of this Agreement, the Trustee shall not be liable, individually or as Trustee, except for the performance of such duties and obligations as are specifically set forth in this Agreement, no implied covenants or obligations shall be read into this Agreement against the Trustee and the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Trustee and conforming to the requirements of this Agreement that it reasonably believed in good faith to be genuine and to have been duly executed by the proper authorities respecting any matters arising hereunder;

(2) the Trustee shall not be liable, individually or as Trustee, for an error of judgment made in good faith by a Responsible Officer or Responsible Officers of the Trustee, unless the Trustee was negligent or acted in bad faith or with willful misfeasance;

(3) the Trustee shall not be liable, individually or as Trustee, with respect to any action taken, suffered or omitted to be taken by it in good faith in accordance with the direction of the Holders of each Class of Certificates evidencing not less than 25% of the Voting Rights of such Class relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Agreement; and

(4) without in any way limiting the provisions of this Section 8.01 or Section 8.02 hereof, the Trustee shall be entitled to rely conclusively on the information delivered to it by the Master Servicer in a Trustee Advance Notice in determining whether or not it is required to make an Advance under Section 4.01(d), shall have no responsibility to ascertain or confirm any information contained in any Trustee Advance Notice, and shall have no obligation to make any Advance under Section 4.01(d) in the absence of a Trustee Advance Notice or actual knowledge by a Responsible Officer that (A) a required Advance was not made and (B) such required Advance was not a Nonrecoverable Advance.

The Trustee hereby represents, warrants, covenants and agrees that, except as permitted by Article IX hereof, it shall not cause the Trust Fund to consolidate or amalgamate with, or merge with or into, or transfer all or substantially all of the Trust Fund to, another Person.

Section 8.02 Certain Matters Affecting the Trustee.

(a) Except as otherwise provided in Section 8.01:

(1) the Trustee may request and rely upon and shall be protected in acting or refraining from acting upon any resolution, Officer's Certificate, certificate of auditors or any other certificate, statement, instrument, opinion, report, notice, request, consent, order, appraisal, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(2) the Trustee may consult with counsel and any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken or suffered or omitted by it hereunder in good faith and in accordance with such Opinion of Counsel;

(3) the Trustee shall not be liable, individually or as Trustee, for any action taken, suffered or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Agreement;

(4) prior to the occurrence of an Event of Default hereunder and after the curing of all Events of Default that may have occurred, the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, bond or other paper or document, unless requested in writing so to do by the NIM Insurer, the Certificate Insurer or the Holders of each Class of Certificates evidencing not less than 25% of the Voting Rights of such Class; provided, however, that if the payment within a reasonable time to the Trustee of the costs, expenses or liabilities likely to be incurred by it in the making of such investigation is, in the opinion of the Trustee not reasonably assured to the Trustee by the NIM Insurer or such Certificateholders, the Trustee may require reasonable indemnity against such expense, or liability from the NIM Insurer or such Certificateholders as a condition to taking any such action;

(5) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, accountants or attorneys;

(6) the Trustee shall not be required to expend its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such liability is not assured to it;

(7) the Trustee shall not be liable, individually or as Trustee, for any loss on any investment of funds pursuant to this Agreement (other than as issuer of the investment security);

(8) the Trustee shall not be deemed to have knowledge of an Event of Default until a Responsible Officer of the Trustee shall have received written notice thereof; and

(9) the Trustee shall be under no obligation to exercise any of the trusts or powers vested in it by this Agreement or to make any investigation of matters arising hereunder or to institute, conduct or defend any litigation hereunder or in relation hereto at the request, order or direction of the NIM Insurer or any of the Certificateholders, pursuant to the provisions of this Agreement, unless the NIM Insurer or such Certificateholders, as applicable, shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities that may be incurred therein or thereby.

(b) All rights of action under this Agreement or under any of the Certificates, enforceable by the Trustee, may be enforced by the Trustee without the possession of any of the Certificates, or the production thereof at the trial or other proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name for the benefit of all the Holders of the Certificates, subject to the provisions of this Agreement.

The Depositor hereby directs the Trustee to execute, deliver and perform its obligations under the Swap Contract Administration Agreement (in its capacity as Swap Trustee). The Sellers, the Depositor, the Master Servicer and the Holders of the Interest-Bearing Certificates by their acceptance of such Certificates acknowledge and agree that the Trustee shall execute, deliver and perform its obligations under the Swap Contract Administration Agreement and shall do so solely in its capacity as Swap Trustee and not in its individual capacity. Every provision of this Agreement relating to the conduct or affecting the liability of or affording protection to the Trustee shall apply to the Trustee's execution of the Swap Contract Administration Agreement in its capacity as Swap Trustee, and the performance of its duties and satisfaction of its obligations thereunder.

Section 8.03 Trustee Not Liable for Mortgage Loans.

The recitals contained herein shall be taken as the statements of the Depositor or the Master Servicer, as the case may be, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Agreement or of any Mortgage Loan or related document or of MERS or the MERS® System other than with respect to the Trustee's execution and authentication of the Certificates. The Trustee shall not be accountable for the use or application by the Depositor or the Master Servicer of any funds paid to the Depositor or the Master Servicer in respect of the Mortgage Loans or deposited in or withdrawn from the Certificate Account by the Depositor or the Master Servicer.

Section 8.04 Trustee May Own Certificates.

The Trustee in its individual or any other capacity may become the owner or pledgee of Certificates with the same rights as it would have if it were not the Trustee.

Section 8.05 Master Servicer to Pay Trustee's Fees and Expenses.

The Master Servicer covenants and agrees to pay or reimburse the Trustee, upon its request, for all reasonable expenses, disbursements and advances incurred or made by the Trustee on behalf of the Trust Fund in accordance with any of the provisions of this Agreement (including, without limitation: (A) the reasonable compensation and the expenses and disbursements of its counsel, but only for representation of the Trustee acting in their capacities as trustees hereunder and (B) to the extent that the Trustee must engage persons not regularly in its employ to perform acts or services on behalf of the Trust Fund, which acts or services are not in the ordinary course of the duties of a trustee, paying agent or certificate registrar, in the absence of a breach or default by any party hereto, the reasonable compensation, expenses and disbursements of such persons, except any such expense, disbursement or advance as may arise from its negligence, bad faith or willful misconduct). The Trustee and any director, officer, employee or agent of the Trustee shall be indemnified by the Master Servicer and held harmless against any loss, liability or expense (i) incurred in connection with any legal action relating to this Agreement or the Certificates, or in connection with the performance of any of the Trustee's duties hereunder, other than any loss, liability or expense incurred by reason of willful misfeasance, bad faith or negligence in the performance of any of the Trustee's duties hereunder or by reason of reckless disregard of the Trustee's obligations and duties hereunder or (ii) resulting from any error in any tax or information return prepared by the Master Servicer. Such indemnity shall survive the termination of this Agreement or the resignation or removal of the Trustee hereunder.

Section 8.06 Eligibility Requirements for Trustee.

The Trustee hereunder shall, at all times, be a corporation or association organized and doing business under the laws of a state or the United States of America, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$50,000,000, subject to supervision or examination by federal or state authority and with a credit rating that would not cause any of the Rating Agencies to reduce their respective ratings of any Class of Certificates (without regard to the Certificate Insurance Policy, in the case of the Class A Certificates) below the ratings issued on the Closing Date (or having provided such security from time to time as is sufficient to avoid such reduction). If such corporation or association publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section 8.06 the combined capital and surplus of such corporation or association shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 8.06, the Trustee shall resign immediately in the manner and with the effect specified in Section 8.07 hereof. The corporation or national banking association serving as Trustee may have normal banking and trust relationships with the Depositor, the Sellers and the Master Servicer and their respective affiliates; provided that such corporation cannot be an

affiliate of the Master Servicer other than the Trustee in its role as successor to the Master Servicer.

Section 8.07 Resignation and Removal of Trustee.

The Trustee may at any time resign and be discharged from the trusts hereby created by (1) giving written notice of resignation to the Depositor and the Master Servicer and by mailing notice of resignation by first class mail, postage prepaid, to the Certificateholders at their addresses appearing on the Certificate Register, the Certificate Insurer and each Rating Agency, not less than 60 days before the date specified in such notice when, subject to Section 8.08, such resignation is to take effect, and (2) acceptance of appointment by a successor trustee in accordance with Section 8.08 and meeting the qualifications set forth in Section 8.06. If no successor trustee shall have been so appointed and have accepted appointment within 30 days after the giving of such notice or resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor trustee.

As a condition to the effectiveness of any such resignation, at least 15 calendar days prior to the effective date of such resignation, the Trustee shall provide (x) written notice to the Depositor of any successor pursuant to this Section and (y) in writing and in form and substance reasonably satisfactory to the Depositor, all information reasonably requested by the Depositor in order to comply with its reporting obligation under Item 6.02 of Form 8-K with respect to the resignation of the Trustee.

If at any time (i) the Trustee shall cease to be eligible in accordance with the provisions of Section 8.06 hereof and shall fail to resign after written request thereto by the NIM Insurer, the Certificate Insurer or the Depositor, (ii) the Trustee shall become incapable of acting, or shall be adjudged as bankrupt or insolvent, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, (iii)(A) a tax is imposed with respect to the Trust Fund by any state in which the Trustee or the Trust Fund is located, (B) the imposition of such tax would be avoided by the appointment of a different trustee and (C) the Trustee fails to indemnify the Trust Fund against such tax, or (iv) during the period which the Depositor is required to file Exchange Act Reports with respect to the Trust Fund, the Trustee fails to comply with its obligations under the last sentence of Section 7.01, the preceding paragraph, Section 8.09 or Article XI and such failure is not remedied within the lesser of 10 calendar days or such period in which the applicable Exchange Act Report can be filed timely (without taking into account any extensions), then, in the case of clauses (i) through (iii), the Depositor, the NIM Insurer or the Master Servicer, or in the case of clause (iv), the Depositor, may remove the Trustee and appoint a successor trustee, reasonably acceptable to the Certificate Insurer, the Certificate Insurer and the NIM Insurer, by written instrument, in triplicate, one copy of which instrument shall be delivered to the Trustee, one copy of which shall be delivered to the Master Servicer and one copy of which shall be delivered to the successor trustee.

The Certificate Insurer (so long as no Certificate Insurer Default is continuing) or Holders evidencing at least 51% of the Voting Rights of each Class of Certificates may at any time remove the Trustee and appoint a successor trustee by written instrument or instruments, in triplicate, signed by such Holders or their attorneys-in-fact duly authorized, one complete set of

which instruments shall be delivered by the successor Trustee to the Master Servicer one complete set to the Trustee so removed, one complete set to the successor so appointed and one complete set to the Depositor, together with a written description of the basis for such removal. Notice of any removal of the Trustee shall be given to each Rating Agency and the Certificate Insurer by the successor Trustee.

Any resignation or removal of the Trustee and appointment of a successor trustee pursuant to any of the provisions of this Section 8.07 shall become effective upon acceptance of appointment by the successor trustee as provided in Section 8.08 hereof which successor trustee shall be reasonably acceptable to the Certificate Insurer.

Section 8.08 Successor Trustee.

Any successor trustee appointed as provided in Section 8.07 hereof shall execute, acknowledge and deliver to the Depositor, its predecessor trustee and the Master Servicer an instrument accepting such appointment hereunder and thereupon the resignation or removal of the predecessor trustee shall become effective and such successor trustee, without any further act, deed or conveyance, shall become fully vested with all the rights, powers, duties and obligations of its predecessor hereunder, with the like effect as if originally named as trustee herein. In addition, if the Corridor Contract is still outstanding, the Person appointed as successor trustee shall execute, acknowledge and deliver to the predecessor trustee, CHL and the Master Servicer an instrument accepting the appointment as successor Corridor Contract Administrator under the Corridor Contract Administration Agreement. Similarly, if the Swap Contract is still outstanding, the Person appointed as successor trustee shall execute, acknowledge and deliver to the predecessor trustee, CHL and the Master Servicer an instrument accepting the appointment as successor Swap Trustee and as Swap Contract Administrator under the Swap Contract Administration Agreement.

No successor trustee shall accept appointment as provided in this Section 8.08 unless at the time of such acceptance such successor trustee shall be eligible under the provisions of Section 8.06 hereof, is reasonably acceptable to the Certificate Insurer and the NIM Insurer, its appointment shall not adversely affect the then-current ratings of the Certificates (without regard to the Certificate Insurance Policy, in the case of the Class A Certificates) and has provided to the Depositor in writing and in form and substance reasonably satisfactory to the Depositor, all information reasonably requested by the Depositor in order to comply with its reporting obligation under Item 6.02 of Form 8-K with respect to a replacement Trustee.

Upon acceptance of appointment by a successor trustee as provided in this Section 8.08, the Depositor shall mail notice of the succession of such trustee hereunder to the Certificate Insurer, the NIM Insurer and all Holders of Certificates. If the Depositor fails to mail such notice within ten days after acceptance of appointment by the successor trustee, the successor trustee shall cause such notice to be mailed at the expense of the Depositor.

Section 8.09 Merger or Consolidation of Trustee.

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated or any corporation resulting from any merger, conversion or

consolidation to which the Trustee shall be a party, or any corporation succeeding to substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided that such corporation shall be eligible under the provisions of Section 8.06 hereof without the execution or filing of any paper or further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

As a condition to the effectiveness of any merger or consolidation, at least 15 calendar days prior to the effective date of any merger or consolidation of the Trustee, the Trustee shall provide (x) written notice to the Depositor of any successor pursuant to this Section and (y) in writing and in form and substance reasonably satisfactory to the Depositor, all information reasonably requested by the Depositor in order to comply with its reporting obligation under Item 6.02 of Form 8-K with respect to a replacement Trustee.

Section 8.10 Appointment of Co-Trustee or Separate Trustee.

Notwithstanding any other provisions of this Agreement, at any time, for the purpose of meeting any legal requirements of any jurisdiction in which any part of the Trust Fund or property securing any Mortgage Note may at the time be located, the Master Servicer and the Trustee acting jointly shall have the power and shall execute and deliver all instruments to appoint one or more Persons approved by the Trustee and reasonably acceptable to the NIM Insurer and the Certificate Insurer to act as co-trustee or co-trustees jointly with the Trustee, or separate trustee or separate trustees, of all or any part of the Trust Fund, and to vest in such Person or Persons, in such capacity and for the benefit of the Certificateholders and the Certificate Insurer, such title to the Trust Fund or any part thereof, whichever is applicable, and, subject to the other provisions of this Section 8.10, such powers, duties, obligations, rights and trusts as the Master Servicer and the Trustee may consider necessary or desirable. If the Master Servicer shall not have joined in such appointment, or the NIM Insurer shall not have approved such appointment, within 15 days after receipt by it of a request to do so, or in the case an Event of Default shall have occurred and be continuing, the Trustee shall have the power to make such appointment. No co-trustee or separate trustee hereunder shall be required to meet the terms of eligibility as a successor trustee under Section 8.06 and no notice to Certificateholders of the appointment of any co-trustee or separate trustee shall be required under Section 8.08.

Every separate trustee and co-trustee shall, to the extent permitted by law, be appointed and act subject to the following provisions and conditions:

(1) All rights, powers, duties and obligations conferred or imposed upon the Trustee, except for the obligation of the Trustee under this Agreement to advance funds on behalf of the Master Servicer, shall be conferred or imposed upon and exercised or performed by the Trustee and such separate trustee or co-trustee jointly (it being understood that such separate trustee or co-trustee is not authorized to act separately without the Trustee joining in such act), except to the extent that under any law of any jurisdiction in which any particular act or acts are to be performed (whether as Trustee hereunder or as successor to the Master Servicer hereunder), the Trustee shall be incompetent or unqualified to perform such act or acts, in which event such rights, powers, duties and obligations (including the holding of title to the Trust Fund or any

portion thereof in any such jurisdiction) shall be exercised and performed singly by such separate trustee or co-trustee, but solely at the direction of the Trustee;

(2) No trustee hereunder shall be held personally liable by reason of any act or omission of any other trustee hereunder; and

(3) The Trustee may at any time accept the resignation of or remove any separate trustee or co-trustee.

Any notice, request or other writing given to the Trustee shall be deemed to have been given to each of the then separate trustees and co-trustees, as effectively as if given to each of them. Every instrument appointing any separate trustee or co-trustee shall refer to this Agreement and the conditions of this Article VIII. Each separate trustee and co-trustee upon its acceptance of the trusts conferred, shall be vested with the estates or property specified in its instrument of appointment, either jointly with the Trustee or separately, as may be provided therein, subject to all the provisions of this Agreement, specifically including every provision of this Agreement relating to the conduct of, affecting the liability of, or affording protection to, the Trustee. Every such instrument shall be filed with the Trustee and a copy thereof given to the Master Servicer and the Depositor.

Any separate trustee or co-trustee may, at any time, constitute the Trustee its agent or attorney-in-fact, with full power and authority, to the extent not prohibited by law, to do any lawful act under or in respect of this Agreement on its behalf and in its name. If any separate trustee or co-trustee shall die, become incapable of acting, resign or be removed, all of its estates, properties, rights, remedies and trusts shall vest in and be exercised by the Trustee, to the extent permitted by law, without the appointment of a new or successor trustee.

Section 8.11 Tax Matters.

It is intended that the Trust Fund shall constitute, and that the affairs of the Trust Fund shall be conducted so that each REMIC created pursuant to the Preliminary Statement qualifies as, a "real estate mortgage investment conduit" as defined in and in accordance with the REMIC Provisions. In furtherance of such intention, the Trustee covenants and agrees that it shall act as agent (and the Trustee is hereby appointed to act as agent) on behalf of the Trust Fund and that in such capacity it shall: (a) prepare and file, or cause to be prepared and filed, in a timely manner, a U.S. Real Estate Mortgage Investment Conduit Income Tax Returns (Form 1066 or any successor form adopted by the Internal Revenue Service) and prepare and file or cause to be prepared and filed with the Internal Revenue Service and applicable state or local tax authorities income tax or information returns for each taxable year with respect to each REMIC created hereunder containing such information and at the times and in the manner as may be required by the Code or state or local tax laws, regulations, or rules, and furnish or cause to be furnished to Certificateholders the schedules, statements or information at such times and in such manner as may be required thereby; (b) within thirty days of the Closing Date, furnish or cause to be furnished to the Internal Revenue Service, on Forms 8811 or as otherwise may be required by the Code, the name, title, address, and telephone number of the person that the Holders of the Certificates may contact for tax information relating thereto, together with such additional information as may be required by such Form, and update such information at the time or times

in the manner required by the Code for the Trust Fund; (c) make or cause to be made elections, on behalf of each REMIC created hereunder to be treated as a REMIC on the federal tax return of each such REMIC for its first taxable year (and, if necessary, under applicable state law); (d) prepare and forward, or cause to be prepared and forwarded, to the Certificateholders and to the Internal Revenue Service and, if necessary, state tax authorities, all information returns and reports as and when required to be provided to them in accordance with the REMIC Provisions, including without limitation, the calculation of any original issue discount using the Prepayment Assumption; (e) provide information necessary for the computation of tax imposed on the transfer of a Class A-R Certificate to a Person that is not a Permitted Transferee, or an agent (including a broker, nominee or other middleman) of a Non-Permitted Transferee, or a pass-through entity in which a Non-Permitted Transferee is the record holder of an interest (the reasonable cost of computing and furnishing such information may be charged to the Person liable for such tax); (f) to the extent that they are under its control conduct the affairs of the Trust Fund at all times that any Certificates are outstanding so as to maintain the status of each REMIC created hereunder as a REMIC under the REMIC Provisions; (g) not knowingly or intentionally take any action or omit to take any action that would cause the termination of the REMIC status of any REMIC created hereunder; (h) pay, from the sources specified in the third paragraph of this Section 8.11, the amount of any federal, state and local taxes, including prohibited transaction taxes as described below, imposed on any REMIC created hereunder prior to the termination of the Trust Fund when and as the same shall be due and payable (but such obligation shall not prevent the Trustee or any other appropriate Person from contesting any such tax in appropriate proceedings and shall not prevent the Trustee from withholding payment of such tax, if permitted by law, pending the outcome of such proceedings); (i) sign or cause to be signed federal, state or local income tax or information returns; (j) maintain records relating to each REMIC created hereunder, including but not limited to the income, expenses, assets and liabilities of each such REMIC, and the fair market value and adjusted basis of the Trust Fund property determined at such intervals as may be required by the Code, as may be necessary to prepare the foregoing returns, schedules, statements or information; and (k) as and when necessary and appropriate, represent the Trust Fund in any administrative or judicial proceedings relating to an examination or audit by any governmental taxing authority, request an administrative adjustment as to any taxable year of any REMIC created hereunder, enter into settlement agreements with any governmental taxing agency, extend any statute of limitations relating to any tax item of the Trust Fund, and otherwise act on behalf of any REMIC created hereunder in relation to any tax matter involving any such REMIC.

In order to enable the Trustee to perform its duties as set forth herein, the Depositor shall provide, or cause to be provided, to the Trustee within ten days after the Closing Date all information or data that the Trustee requests in writing and determines to be relevant for tax purposes to the valuations and offering prices of the Certificates, including, without limitation, the price, yield, prepayment assumption and projected cash flows of the Certificates and the Mortgage Loans (and, to the extent not part of the aforementioned, the information referred to in paragraphs (1), (2), (3) and (4) of Section 4.05(d)). Thereafter, the Depositor shall provide to the Trustee promptly upon written request therefor, any such additional information or data that the Trustee may, from time to time, request in order to enable the Trustee to perform its duties as set forth herein. The Depositor hereby indemnifies the Trustee for any losses, liabilities, damages, claims or expenses of the Trustee arising from any errors or miscalculations

of the Trustee that result from any failure of the Depositor to provide, or to cause to be provided, accurate information or data to the Trustee on a timely basis.

In the event that any tax is imposed on "prohibited transactions" of the Trust Fund as defined in section 860F(a)(2) of the Code, on the "net income from foreclosure property" of the Trust Fund as defined in section 860G(c) of the Code, on any contribution to the Trust Fund after the startup day pursuant to section 860G(d) of the Code, or any other tax is imposed, including, without limitation, any federal, state or local tax or minimum tax imposed upon the Trust Fund pursuant to sections 23153 and 24872 of the California Revenue and Taxation Code if not paid as otherwise provided for herein, such tax shall be paid by (i) the Trustee, if any such other tax arises out of or results from a breach by the Trustee of any of its obligations under this Agreement, (ii) (x) the Master Servicer, in the case of any such minimum tax, and (y) any party hereto (other than the Trustee) to the extent any such other tax arises out of or results from a breach by such other party of any of its obligations under this Agreement or (iii) in all other cases, or in the event that any liable party here fails to honor its obligations under the preceding clauses (i) or (ii), any such tax will be paid first with amounts otherwise to be distributed to the Class A-R Certificateholders, and second with amounts otherwise to be distributed to all other Certificateholders in the same manner as if such tax were a Realized Loss. Notwithstanding anything to the contrary contained herein, to the extent that such tax is payable by the Class A-R Certificates, the Trustee is hereby authorized to retain on any Distribution Date, from the Holders of the Class A-R Certificates (and, if necessary, second, from the Holders of the other Certificates in the priority specified in the preceding sentence), funds otherwise distributable to such Holders in an amount sufficient to pay such tax. The Trustee agrees to promptly notify in writing the party liable for any such tax of the amount thereof and the due date for the payment thereof.

The Trustee shall treat the Carryover Reserve Fund and the Swap Trust, including the Swap Account and the Swap Reserve Fund, as outside reserve funds within the meaning of Treasury Regulation 1.860G-2(h), neither of which is an asset of any REMIC created hereunder. The Carryover Reserve Fund shall be treated as owned by the Class C Certificateholders and the Swap Trust, including the Swap Account and Swap Reserve Fund, shall be treated as owned by the Class C Certificateholders. The rights of the Holders of each Class of Certificates (other than the Class P and Class A-R Certificates) to receive payments from, and the deemed obligations of such Holders to make payments to, the Carryover Reserve Fund shall be treated as rights and obligations with respect to notional principal contracts written by (i) the Corridor Contract Counterparty in respect of any Net Rate Carryover funded by the Corridor Contract and in respect of any residual payments from such Corridor Contract received by the Class C Certificates, (ii) the Swap Counterparty in respect of any Net Rate Carryover funded by the Swap Contract and in respect of any residual payments from such Swap Contract received by the Class C Certificates and (iii) the Holders of the Class C Certificates in respect of any Net Rate Carryover distributed pursuant to Sections 4.04(d)(4). Thus, the Certificates (other than the Class P and Class A-R Certificates), shall be treated as representing ownership of Master REMIC regular interests coupled with contractual rights and obligations within the meaning of Treasury Regulation 1.860G-2(i). For purposes of determining the issue price of the various Master REMIC regular interests, the Trustee shall assume that the Corridor Contract has a value of \$8,000.

Section 8.12 Access to Records of the Trustee.

The Trustee shall afford the Sellers, the Depositor, the Master Servicer, the NIM Insurer, the Certificate Insurer and each Certificate Owner upon reasonable notice during normal business hours access to all records maintained by the Trustee in respect of its duties under this Agreement and access to officers of such entity responsible for performing its duties. Upon request, the Trustee shall furnish the Depositor, the Master Servicer, the NIM Insurer, the Certificate Insurer and any requesting Certificate Owner with its most recent financial statements. The Trustee shall cooperate fully with the Sellers, the Master Servicer, the Depositor, the NIM Insurer, the Certificate Insurer and the Certificate Owner for review and copying any books, documents, or records requested with respect to the Trustee's duties under this Agreement. The Sellers, the Depositor, the Master Servicer, the Certificate Insurer and the Certificate Owner shall not have any responsibility or liability for any action for failure to act by the Trustee and are not obligated to supervise the performance of the Trustee under this Agreement or otherwise.

Section 8.13 Suits for Enforcement.

If an Event of Default or other material default by the Master Servicer or the Depositor under this Agreement occurs and is continuing, at the direction of the Certificateholders holding not less than 51% of the Voting Rights, the Certificate Insurer (so long as no Certificate Insurer Default is continuing) or the NIM Insurer, the Trustee shall proceed to protect and enforce its rights and the rights of the Certificateholders, the Certificate Insurer or the NIM Insurer under this Agreement by a suit, action, or proceeding in equity or at law or otherwise, whether for the specific performance of any covenant or agreement contained in this Agreement or in aid of the execution of any power granted in this Agreement or for the enforcement of any other legal, equitable, or other remedy, as the Trustee, being advised by counsel, and subject to the foregoing, shall deem most effectual to protect and enforce any of the rights of the Trustee, the NIM Insurer, the Certificate Insurer and the Certificateholders.

Section 8.14 Monitoring of Significance Percentage.

With respect to each Distribution Date, the Trustee shall calculate the "significance percentage" (as defined in Item 1115 of Regulation AB) of each derivative instrument, if any, based on the aggregate Class Principal Balance of the related Class(es) of Covered Certificates for such derivative instrument and Distribution Date (after all distributions to be made thereon on such Distribution Date) and based on the methodology provided in writing by or on behalf of CHL no later than the fifth Business Day preceding such Distribution Date. On each Distribution Date, the Trustee shall provide to CHL a written report (which written report may include similar information with respect to other derivative instruments relating to securitization transactions sponsored by CHL) specifying the "significance percentage" of each derivative instrument, if any, for that Distribution Date. If the "significance percentage" of any derivative instrument exceeds 7.0% with respect to any Distribution Date, the Trustee shall make a separate notation thereof in the written report described in the preceding sentence. Such written report may contain such assumptions and disclaimers as are deemed necessary and appropriate by the Trustee.

ARTICLE IX.
TERMINATION

Section 9.01 Termination upon Liquidation or Repurchase of all Mortgage Loans.

Subject to Section 9.03 and Section 9.04, the Trust Fund shall terminate and the obligations and responsibilities of the Depositor, the Master Servicer, the Sellers and the Trustee created hereby shall terminate upon the earlier of (a) the purchase by the Master Servicer or the NIM Insurer (the party exercising such purchase option, the "Terminator") of all of the Mortgage Loans (and REO Properties) remaining in the Trust Fund at the price (the "Termination Price") equal to the sum of (i) 100% of the Stated Principal Balance of each Mortgage Loan in the Trust Fund (other than in respect of an REO Property), (ii) accrued interest thereon at the applicable Mortgage Rate (or, if such repurchase is effected by the Master Servicer, at the applicable Net Mortgage Rate), (iii) the appraised value of any REO Property in the Trust Fund (up to the Stated Principal Balance of the related Mortgage Loan), such appraisal to be conducted by an appraiser mutually agreed upon by the Terminator and the Trustee, (iv) any remaining unpaid costs and damages incurred by the Trust Fund that arises out of an actual violation of any predatory or abusive lending law or regulation and (v) if the Terminator is the NIM Insurer, any unreimbursed Servicing Advances, and the principal portion of any unreimbursed Advances, made on the Mortgage Loans prior to the exercise of such repurchase, (b) the purchase by the Winning Bidder of all of the Mortgage Loans (and REO Properties) remaining in the Trust Fund after a Successful Action is conducted pursuant to Section 9.02(c) and (c) the later of (i) the maturity or other liquidation (or any Advance with respect thereto) of the last Mortgage Loan remaining in the Trust Fund and the disposition of all REO Property and (ii) the distribution to related Certificateholders of all amounts required to be distributed to them pursuant to this Agreement, as applicable. In no event shall the trusts created hereby continue beyond the earlier of (i) the expiration of 21 years from the death of the last survivor of the descendants of Joseph P. Kennedy, the late Ambassador of the United States to the Court of St. James's, living on the date hereof and (ii) the Latest Possible Maturity Date. If any such termination will result in a Deficiency Amount on the Certificate Insurance Policy, the consent of the Certificate Insurer will also be required prior to exercising the option specified in clause (a) of this paragraph.

The right to purchase all Mortgage Loans and REO Properties by the Terminator pursuant to clause (a) of the immediately preceding paragraph shall be conditioned upon (1) the Stated Principal Balance of the Mortgage Loans, at the time of any such repurchase, aggregating ten percent (10%) or less of the sum of the aggregate Cut-off Date Principal Balance of the Initial Mortgage Loans and the Pre-Funded Amount and (2) unless the NIM Insurer otherwise consents, the purchase price for such Mortgage Loans and REO Properties shall result in a final distribution on any NIM Insurer guaranteed notes that is sufficient (x) to pay such notes in full and (y) to pay any amounts due and payable to the NIM Insurer pursuant to the indenture related to such notes and (3) unless the Certificate Insurer otherwise consents, the purchase price for such Mortgage Loans and REO Properties shall result in a final distribution on the Class A Certificates and the Certificate Insurer that is sufficient (x) to pay such Class A Certificates in full (without the need of any Insured Payment) and (y) to pay any amounts due and payable to

the Certificate Insurer pursuant to the terms hereof and pursuant to the Insurance and Indemnity Agreement.

The NIM Insurer's right to purchase all Mortgage Loans and REO Properties shall be further conditioned upon the written consent of the Master Servicer.

The Swap Trust shall terminate on the earliest of (i) the Swap Contract Termination Date, (ii) the reduction of the aggregate Certificate Principal Balance of the Class A-2 and Class A-3 Certificates to zero and (iii) the termination of this Agreement.

Section 9.02 Final Distribution on the Certificates.

(a) *Timing of Notice of Final Distribution, Auction or Optional Termination*

(i) If on any Determination Date, (1) the Master Servicer determines that there are no Outstanding Mortgage Loans and no other funds or assets in the Trust Fund other than the funds in the Certificate Account, then the Master Servicer shall direct the Trustee to send a final distribution notice promptly to each Certificateholder and the Certificate Insurer in accordance with Section 9.02(b) or (2) the Trustee determines that a Class of Certificates shall be retired after a final distribution on such Class, the Trustee shall notify the related Certificateholders and the Certificate Insurer within five (5) Business Days after such Determination Date that the final distribution in retirement of such Class of Certificates is scheduled to be made on the immediately following Distribution Date. Any final distribution made pursuant to the immediately preceding sentence will be made only upon presentation and surrender of the related Certificates at the Corporate Trust Office of the Trustee. In the event such notice is given pursuant to clause (1), the Master Servicer shall cause all funds in the Certificate Account to be remitted to the Trustee for deposit in the Distribution Account on or before the Business Day prior to the applicable Distribution Date, net of any amounts permitted to be withdrawn pursuant to Section 3.08(a). Upon such final deposit with respect to the Trust Fund and the receipt by the Trustee of a Request for Release therefor, the Trustee shall promptly release to the Master Servicer the Mortgage Files for the Mortgage Loans.

(ii) If the Directing Certificateholder chooses to exercise its right to cause an auction pursuant to Section 9.04, then the Directing Certificateholder shall provide written notice to the Master Servicer no later than the 1st day of the calendar month in which such auction is to be conducted. If a Successful Auction is held pursuant to the requirements of Section 9.04, then the Trustee shall distribute the proceeds of the Successful Auction that have been remitted to the Distribution Account to the Certificateholders pursuant to Sections 4.04 and 9.04 hereof on the Distribution Date in the calendar month immediately following the calendar month in which the Successful Auction occurs.

(iii) If the Directing Certificateholder does not exercise its right to cause an auction pursuant to Section 9.04 and the Terminator (after prior written notice to the Master Servicer if the Terminator is the NIM Insurer) elects to terminate the Trust Fund pursuant to Section 9.01, then at least 20 days prior to the date notice is to be mailed to Certificateholders in accordance with Section 9.02(b), the Terminator shall notify in writing the Depositor, the Certificate Insurer and the Trustee of (a) its election to terminate the Trust Fund, (b) the

Distribution Date on which it intends to terminate the Trust Fund pursuant to Section 9.01 and (c) the applicable purchase price of the Mortgage Loans and REO Properties. In the event such notice is given, the Terminator shall remit to the Master Servicer, on or before the Business Day prior to the final Distribution Date, for deposit into the Certificate Account, the Termination Price. The Master Servicer shall cause all funds in the Certificate Account, including the Termination Price, net of any amounts permitted to be withdrawn pursuant to Section 3.08(a), to be remitted to the Trustee for deposit in the Distribution Account on or before the Business Day prior to the applicable Distribution Date. Upon such final deposit with respect to the Trust Fund and the receipt by the Trustee of a Request for Release therefor, the Trustee shall promptly release to the Master Servicer the Mortgage Files for the Mortgage Loans.

(b) *Timing of Notice to Certificateholders of Termination* Notice of any termination of the Trust Fund (whether because of a Successful Auction, Optional Termination or otherwise), specifying the Distribution Date on which related Certificateholders may surrender their Certificates for payment of the final distribution and cancellation, shall be given promptly by the Trustee by letter to related Certificateholders mailed not earlier than the 10th day and no later than the 15th day of the month immediately preceding the month of such final distribution. Any such notice shall specify (i) the Distribution Date upon which final distribution on related Certificates will be made upon presentation and surrender of such Certificates at the office therein designated, (ii) the amount of such final distribution, (iii) the location of the office or agency at which such presentation and surrender must be made, and (iv) that the Record Date otherwise applicable to such Distribution Date is not applicable, distributions being made only upon presentation and surrender of such Certificates at the office therein specified. The Master Servicer will give such notice to each Rating Agency and the Swap Counterparty at the time such notice is given to the Certificateholders.

(c) Upon presentation and surrender of the Certificates, the Trustee shall cause to be distributed to Certificateholders of each affected Class and the Certificate Insurer the amounts allocable to such Certificates and the Certificate Insurer held in the Distribution Account (and, if applicable, the Carryover Reserve Fund) in the order and priority set forth in Section 4.04 hereof (and with respect to the Class C Certificates after a Successful Auction as set forth in Section 9.04(g) and (k)) on the final Distribution Date and in proportion to their respective Percentage Interests. Notwithstanding the reduction of the Certificate Principal Balance of any Class of Certificates to zero, such Class will be outstanding hereunder (solely for the purpose of receiving distributions (if any) to which it may be entitled pursuant to the terms of this Agreement and not for any other purpose) until the termination of the respective obligations and responsibilities of the Depositor, each Seller, the Master Servicer and the Trustee hereunder in accordance with Article IX.

(d) In the event that any affected Certificateholders shall not surrender their respective Certificates for cancellation within six months after the date specified in the above mentioned written notice, the Trustee shall give a second written notice to the remaining Certificateholders to surrender their related Certificates for cancellation and receive the final distribution with respect thereto. If within six months after the second notice all the applicable Certificates shall not have been surrendered for cancellation, the Trustee may take appropriate steps, or may appoint an agent to take appropriate steps, to contact the remaining Certificateholders concerning surrender of their Certificates, and the cost thereof shall be paid

out of the funds and other assets that remain a part of the Trust Fund. If within one year after the second notice all related Certificates shall not have been surrendered for cancellation, the Certificate Insurer, with respect to any unpaid Certificate Insurance Reimbursement Amounts, and then the Class A-R Certificates shall be entitled to all unclaimed funds and other assets that remain subject hereto.

Section 9.03 Additional Termination Requirements.

(a) In the event the Terminator exercises its purchase option, as provided in Section 9.01 or if there is a Successful Auction pursuant to Section 9.04, the Trust Fund shall be terminated in accordance with the following additional requirements, unless the Trustee has been supplied with an Opinion of Counsel, at the expense of the Terminator (or the Directing Certificateholder, in the case of a Successful Auction), to the effect that the failure of the Trust Fund to comply with the requirements of this Section 9.03 will not (i) result in the imposition of taxes on "prohibited transactions" of a REMIC, or (ii) cause any REMIC created hereunder to fail to qualify as a REMIC at any time that any Certificates are outstanding:

(1) The Master Servicer shall establish a 90-day liquidation period and notify the Trustee thereof, which shall in turn specify the first day of such period in a statement attached to the Trust Fund's final Tax Return pursuant to Treasury Regulation Section 1.860F-1. The Master Servicer shall prepare a plan of complete liquidation and shall otherwise satisfy all the requirements of a qualified liquidation under Section 860F of the Code and any regulations thereunder, as evidenced by an Opinion of Counsel delivered to the Trustee and the Depositor obtained at the expense of the Terminator (or the Directing Certificateholder, in the case of a Successful Auction);

(2) During such 90-day liquidation period, and at or prior to the time of making the final payment on the Certificates, the Master Servicer as agent of the Trustee shall sell all of the assets of the Trust Fund to the Terminator (or the Winning Bidder in the case of a Successful Auction) for cash in accordance with Section 9.01 and, if applicable, Section 9.04; and

(3) At the time of the making of the final payment on the Certificates, the Trustee shall distribute or credit, or cause to be distributed or credited, to the Class A-R Certificateholders all cash on hand (other than cash retained to meet claims) related to such Class of Certificates, and the Trust Fund shall terminate at that time.

(b) By their acceptance of the Certificates, the Holders thereof hereby authorize the Master Servicer to specify the 90-day liquidation period for the Trust Fund, which authorization shall be binding upon all successor Certificateholders. The Trustee shall attach a statement to the final federal income tax return for each of any REMIC created hereunder stating that pursuant to Treasury Regulation Section 1.860F-1, the first day of the 90-day liquidation period for each the REMIC was the date on which the Trustee sold the assets of the Trust Fund to the Terminator or the Winning Bidder, as applicable.

(c) The Trustee as agent for each REMIC created hereunder hereby agrees to adopt and sign such a plan of complete liquidation upon the written request of the Master

Servicer, and the receipt of the Opinion of Counsel referred to in Section 9.03(a)(1), and together with the Holders of the Class A-R Certificates agree to take such other action in connection therewith as may be reasonably requested by the Terminator or the Directing Certificateholder, as applicable.

Section 9.04 Auction of the Mortgage Loans and REO Properties.

(a) On or after the Optional Termination Date, the Holder of the largest Percentage Interest of Class C Certificates (the "Directing Certificateholder"), at its option, may by written instruction direct the Trustee to solicit bids in a commercially reasonable manner from Qualified Bidders for the purchase of the Mortgage Loans and any REO Properties owned by the Trust Fund. The Directing Certificateholder shall provide written notice to the Master Servicer, as provided in Section 9.02(a)(ii), of any such direction to the Trustee. Any such direction by the Directing Certificateholder shall (i) be made in writing and (ii) include contact information for the Directing Certificateholder. Upon receipt of any direction from the Directing Certificateholder meeting the requirements of the immediately preceding sentence, the Trustee shall commence the auction process described in this Section 9.04. The Trustee may engage a financial advisor, which financial advisor may be CHL or one of its affiliates, in order to perform any of the duties of the Trustee specified in Section 9.04. To effectuate such sale, the Trustee (or such financial advisor) shall follow the procedures specified in Section 9.04(b) below. The Trustee shall facilitate the sale of the assets in the Trust Fund to the Winning Bidder so long as the Trustee (or any financial advisor on its behalf) has received at least three bids from Qualified Bidders and at least one such bid is at least equal to the Acceptable Bid Amount. In the event the auction is not a Successful Auction, the Trustee shall repeat this process at such frequency as directed by the Directing Certificateholder until a Successful Auction is conducted or the Terminator purchases all of the Mortgage Loans and REO Properties pursuant to Section 9.01. The Trustee shall be reimbursed for its reasonable costs, including expenses associated with engaging any financial advisor, from the Directing Certificateholder if the auction is not a Successful Auction, and, if the auction is a Successful Auction, from the proceeds of the auction before the proceeds are distributed to Certificateholders.

The Trustee, upon inquiry from the Master Servicer, agrees to provide the Master Servicer with the Percentage Interest of Class C Certificates held by the Directing Certificateholder.

If CHL or any of its affiliates is the Directing Certificateholder, such Directing Certificateholder shall not have the right to direct the Trustee to solicit bids for the purchase of the Mortgage Loans and any REO Properties owned by the Trust Fund.

(b) The Trustee (or any financial advisor on its behalf) shall solicit bids for the purchase of assets owned by the Trust Fund as provided in Section 9.04(a) not later than two Business Days following receipt of the Directing Certificateholder's written instruction by contacting by telephone or in writing at least three Qualified Bidders and requesting that each Qualified Bidder bid on the Mortgage Loans and REO Properties owned by the Trust Fund (on a non-recourse basis with no representations or warranties of any nature whatsoever made by the Trustee (or such financial advisor)) and providing to the Qualified Bidder any information relating to the Mortgage Loans and REO Properties owned by the Trust Fund reasonably requested by such Qualified Bidder, subject to the Qualified Bidder's written agreement not to

use such information in the purchase or sale of Certificates (it being understood no Qualified Bidder shall be obligated to submit a bid or take any other action in connection with any auction). The Master Servicer shall cooperate with the Trustee (and any financial advisor on its behalf) during the auction process. At 1:00 p.m. New York time on the second Business Day after the date on which bids are last solicited (such second day, the "Bid Determination Date"), the Trustee (or any financial advisor on its behalf) shall determine the highest bid based on the bids received by the Trustee (or any financial advisor on its behalf) on or before such time.

(c) If the highest of the bids that are submitted by Qualified Bidders is less than the Minimum Auction Amount, then the Trustee shall promptly inform the Directing Certificateholder of the amount of the shortfall and indicate that the Directing Certificateholder must notify the Trustee within 24 hours whether it will contribute the amount of such difference (such difference being the "Auction Supplement Amount") so that the auction will be a Successful Auction. If the highest of the bids that are submitted by Qualified Bidders is equal to or greater than the Minimum Auction Amount, or if the Directing Certificateholder notifies the Trustee within 24 hours of its receipt of notice as described in the previous sentence that it will contribute the Auction Supplement Amount, then the Trustee (or any financial advisor on its behalf) shall notify promptly (but in any event no later than 3:00 p.m. New York time on the Business Day following the Bid Determination Date) the Winning Bidder that its bid was the highest bid and shall provide wiring instructions for payment of the bid amount into the Certificate Account by 12:00 p.m. New York time on the second Business Day following the Bid Determination Date and, if applicable, provide the Directing Certificateholder with wiring instructions for payment of the Auction Supplement Amount into the Certificate Account by such time.

(d) If such Winning Bidder does not wire the bid amount so that it is received in the Certificate Account in immediately available funds by 12:00 p.m. New York time on the second Business Day following the Bid Determination Date, the Trustee shall repeat the process specified in the preceding paragraph with respect to the second highest bid, but only if such bid is at least the Minimum Auction Amount or the Directing Certificateholder agrees to pay the new Auction Supplement Amount. If no other bids are available to be accepted pursuant to the preceding sentence, or if the amount remitted by the Winning Bidder plus any Auction Supplement Amount remitted by the Directing Certificateholder is less than the Minimum Auction Amount, then the auction shall be considered to have failed for all purposes.

(e) The Trustee shall not be liable with regard to the selection or engagement of, or for any act or omission of, a financial advisor pursuant to this Section 9.04 if the Trustee engages CHL to be such financial advisor.

(f) In the event of a Successful Auction and so long as the Winning Bidder has wired its bid amount (and the Directing Certificateholder has wired any Auction Supplement Amount, if applicable) to the Certificate Account as provided above, then the Trustee shall promptly convey to the Winning Bidder the Mortgage Loans and REO Properties owned by the Trust Fund. The Master Servicer shall take all reasonable actions requested by the Trustee to effect such conveyance, including remitting to the Distribution Account from the Certificate Account, on the Business Day prior to the Distribution Date on which final distribution on the Certificates is required to be paid under this Agreement, all amounts on deposit in the Certificate

Account, net of any amounts permitted to be withdrawn pursuant to Section 3.08(a) and amounts owing to the Trustee in reimbursement of its reasonable costs, including expenses associated with engaging any financial advisor, incurred in connection with the auction process. Such amounts owed to the Trustee shall be withdrawn from the Certificate Account by the Master Servicer and paid to the Trustee.

(g) Any amount paid by the Winning Bidder in excess of the Minimum Auction Amount shall be distributed by the Trustee pro rata to the Class C Certificates on the Distribution Date on which the final distribution on the Certificates is made.

(h) In the event of a Successful Auction and to the extent the Swap Contract is still outstanding, the Directing Certificateholder shall either:

(1) if any Swap Termination Payment would be payable by the Swap Contract Administrator to the Swap Counterparty were the Swap Contract to be terminated following final distribution on the Certificates, either:

(A) pay to the Swap Contract Administrator any such Swap Termination Payment; or

(B) accept assignment of the Swap Contract to the extent that the Directing Certificateholder is an acceptable counterparty for the Swap Counterparty;

(2) if any Swap Termination Payment would be payable by the Swap Counterparty to the Swap Contract Administrator were the Swap Contract to be terminated following final distribution on the Certificates, either

(A) (i) if the Directing Certificateholder does not own 100% of the Class C Certificates, accept assignment of the Swap Contract to the extent that the Directing Certificateholder is an acceptable counterparty for the Swap Counterparty and pay to the Swap Contract Administrator the Swap Termination Payment that would be owed to the Swap Contract Administrator by the Swap Counterparty if the Swap Contract were terminated by the Swap Contract Administrator following distribution on the Certificates or (ii) if the Directing Certificateholder owns 100% of the Class C Certificates, accept assignment of the Swap Contract to the extent that the Directing Certificateholder is an acceptable counterparty for the Swap Counterparty; or

(B) instruct the Swap Contract Administrator to accept from the Swap Counterparty any Swap Termination Payment that would be owed to the Swap Contract Administrator.

(i) Any amounts paid to the Swap Contract Administrator pursuant to subsection (h)(2) above shall be distributed to the Class C Certificates, pro rata, based on entitlement (determined by reference to Section 9.04(k)), by the Swap Contract Administrator.

(j) The Master Servicer may purchase the Mortgage Loans and REO Properties owned by the Trust Fund for its own account pursuant to Section 9.01 or consent to the NIM Insurer's purchase of the Mortgage Loans and REO Properties owned by the Trust Fund pursuant to Section 9.01 only if (1) the Directing Certificateholder chooses not to request an auction as described above or if the immediately preceding auction is unsuccessful or (2) the Master Servicer notifies the Directing Certificateholder no later than 30 days prior to the date on which the Master Servicer or the NIM Insurer, as applicable, intends to effect the purchase of the Mortgage Loans and REO Properties owned by the Trust Fund and the Directing Certificateholder does not direct the Trustee to conduct an auction prior to the end of that 30-day period.

(k) If the Directing Certificateholder pays any Auction Supplement Amount pursuant to Section 9.04(c) or any Swap Termination Payment pursuant to Section 9.04(h)(1)(A) on the final Distribution Date any amounts to be distributed to the Class C Certificates pursuant to Section 4.01 will be distributed as follows, first to the Directing Certificateholder, in an amount up to the sum of such Auction Supplement Amount and such Swap Termination Payment and second to the Class C Certificates, pro rata. For federal income tax purposes, such Auction Supplement Amount and such Swap Termination Payment so distributed shall be deemed paid pro rata to the Class C Certificates, and the portion of such amounts deemed distributed to holders of the Class C Certificates other than the Directing Certificateholder shall be deemed paid from such other holders to the Directing Certificateholder.

ARTICLE X.

MISCELLANEOUS PROVISIONS

Section 10.01 Amendment.

This Agreement may be amended from time to time by the Depositor, the Master Servicer, the Sellers and the Trustee with the consent of the Certificate Insurer (such consent not to be unreasonably withheld) and the NIM Insurer, without the consent of any of the Certificateholders (i) to cure any ambiguity, (ii) to correct or supplement any provisions herein, (iii) to conform this Agreement to the Prospectus Supplement or the Prospectus, (iv) to modify, alter, amend, add to or rescind any of the terms or provisions contained in this Agreement to comply with any rules or regulations promulgated by the Securities and Exchange Commission from time to time, or (v) to make such other provisions with respect to matters or questions arising under this Agreement, as shall not be inconsistent with any other provisions herein if such action shall not, as evidenced by an Opinion of Counsel delivered and addressed to the Trustee, adversely affect in any material respect the interests of any Certificateholder; provided that any such amendment shall be deemed not to adversely affect in any material respect the interests of the Certificateholders and no such Opinion of Counsel shall be required if the Person requesting such amendment obtains a letter from each Rating Agency stating that such amendment would not result in the downgrading or withdrawal of the respective ratings then assigned to the Certificates (without regard to the Certificate Insurance Policy, in the case of the Class A Certificates), it being understood and agreed that any such letter in and of itself will not represent a determination as to the materiality of any such amendment and will represent a determination only as to the credit issues affecting any such rating. Any amendment described above made

solely to conform this Agreement to the Prospectus or the Prospectus Supplement shall be deemed not to adversely affect in any material respect the interests of the Certificateholders. Notwithstanding the foregoing, no amendment that significantly changes the permitted activities of the trust created by this Agreement may be made without the consent of Certificateholders representing not less than 51% of the Voting Rights of each Class of Certificates affected by such amendment. Each party to this Agreement hereby agrees that it will cooperate with each other party in amending this Agreement pursuant to clause (iv) above.

The Trustee, the Depositor, the Master Servicer and the Sellers with the consent of the NIM Insurer and the Certificate Insurer may also at any time and from time to time amend this Agreement, without the consent of the Certificateholders, to modify, eliminate or add to any of its provisions to such extent as shall be necessary or appropriate to maintain the qualification of the Trust Fund as a REMIC under the Code or to avoid or minimize the risk of the imposition of any tax on the Trust Fund pursuant to the Code that would be a claim against the Trust Fund at any time prior to the final redemption of the Certificates, provided that the Trustee has been provided an Opinion of Counsel, which opinion shall be an expense of the party requesting such opinion but in any case shall not be an expense of the Trustee, to the effect that such action is necessary or appropriate to maintain such qualification or to avoid or minimize the risk of the imposition of such a tax.

This Agreement may also be amended from time to time by the Depositor, the Master Servicer, the Sellers and the Trustee with the consent of the NIM Insurer and the Holders of each Class of Certificates affected thereby evidencing not less than 51% of the Voting Rights of such Class, with the consent of the Certificate Insurer (such consent not to be unreasonably withheld), for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Agreement or of modifying in any manner the rights of the Holders of Certificates; provided that no such amendment shall (i) reduce in any manner the amount of, or delay the timing of, payments required to be distributed on any Certificate without the consent of the Holder of such Certificate, (ii) adversely affect in any material respect the interests of the Holders of any Class of Certificates in a manner other than as described in (i), without the consent of the Holders of Certificates of such Class evidencing 66% or more of the Voting Rights of such Class, or (iii) reduce the aforesaid percentages of Certificates the Holders of which are required to consent to any such amendment without the consent of the Holders of all such Certificates then outstanding.

Notwithstanding any contrary provision of this Agreement, no amendment shall adversely affect in any material respect the Swap Counterparty without at least ten Business Days' prior notice to the Swap Counterparty and without the prior written consent of the Swap Counterparty, which consent shall not be unreasonably withheld. CHL shall provide the Swap Counterparty with prior written notice of any proposed material amendment of this Agreement.

Notwithstanding any contrary provisions of this Agreement, the Trustee and the NIM Insurer shall not consent to any amendment to this Agreement unless each shall have first received an Opinion of Counsel satisfactory to the Trustee and the NIM Insurer, which opinion shall be an expense of the party requesting such amendment but in any case shall not be an expense of the Trustee or the NIM Insurer, to the effect that such amendment will not cause the

imposition of any tax on the Trust Fund or the Certificateholders or cause any REMIC formed hereunder to fail to qualify as a REMIC at any time that any Certificates are outstanding.

Promptly after the execution of any amendment to this Agreement, the Trustee shall furnish written notification of the substance of such amendment to the Certificate Insurer, the Swap Counterparty and, if the amendment required the consent of Certificateholders, to each Certificateholder and each Rating Agency.

It shall not be necessary for the consent of Certificateholders under this Section to approve the particular form of any proposed amendment, but it shall be sufficient if such consent shall approve the substance thereof. The manner of obtaining such consents and of evidencing the authorization of the execution thereof by Certificateholders shall be subject to such reasonable regulations as the Trustee may prescribe.

Nothing in this Agreement shall require the Trustee to enter into an amendment without receiving an Opinion of Counsel, reasonably satisfactory to the Trustee and the NIM Insurer that (i) such amendment is permitted and is not prohibited by this Agreement and that all requirements for amending this Agreement have been complied with; and (ii) either (A) the amendment does not adversely affect in any material respect the interests of any Certificateholder or (B) the conclusion set forth in the immediately preceding clause (A) is not required to be reached pursuant to this Section 10.01. The Trustee and the Master Servicer shall not amend the Credit Insurance Policy in any manner that materially and adversely affects the coverage provided thereby without the prior written consent of the Certificate Insurer and prior written notice to S&P.

Section 10.02 Recordation of Agreement; Counterparts.

This Agreement is subject to recordation in all appropriate public offices for real property records in all the counties or other comparable jurisdictions in which any or all of the properties subject to the Mortgages are situated, and in any other appropriate public recording office or elsewhere, such recordation to be effected by the Master Servicer at its expense.

For the purpose of facilitating the recordation of this Agreement as herein provided and for other purposes, this Agreement may be executed simultaneously in any number of counterparts, each of which counterparts shall be deemed to be an original, and such counterparts shall constitute but one and the same instrument.

Section 10.03 Governing Law.

THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE SUBSTANTIVE LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED IN THE STATE OF NEW YORK AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HERETO AND THE CERTIFICATEHOLDERS SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

Section 10.04 Intention of Parties.

(a) It is the express intent of the parties hereto that the conveyance of the Mortgage Notes, Mortgages, assignments of Mortgages, title insurance policies and any modifications, extensions and/or assumption agreements and private mortgage insurance policies relating to the Mortgage Loans by the Depositor to the Trustee be, and be construed as, an absolute sale thereof to the Trustee. It is, further, not the intention of the parties that such conveyance be deemed a pledge thereof by the Depositor to the Trustee. However, in the event that, notwithstanding the intent of the parties, such assets are held to be the property of the Depositor, or if for any other reason this Agreement or any Subsequent Transfer Agreement is held or deemed to create a security interest in such assets, then (i) this Agreement shall be deemed to be a security agreement (within the meaning of the Uniform Commercial Code of the State of New York) with respect to all such assets and security interests and (ii) the conveyance provided for in this Agreement and any Subsequent Transfer Agreement shall be deemed to be an assignment and a grant pursuant to the terms of this Agreement by the Depositor to the Trustee, for the benefit of the Certificateholders, the Certificate Insurer and the Swap Counterparty, of a security interest in all of the assets that constitute the Trust Fund, whether now owned or hereafter acquired.

The Depositor for the benefit of the Certificateholders, the Certificate Insurer, the NIM Insurer and the Swap Counterparty shall, to the extent consistent with this Agreement, take such actions as may be necessary to ensure that, if this Agreement were deemed to create a security interest in the assets of the Trust Fund, 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 the Agreement. The Depositor shall arrange for filing any Uniform Commercial Code continuation statements in connection with any security interest granted or assigned to the Trustee for the benefit of the Certificateholders and the Swap Counterparty.

(b) The Depositor hereby represents that:

(i) This Agreement creates a valid and continuing security interest (as defined in the Uniform Commercial Code as enacted in the State of New York (the "NY UCC")) in the Mortgage Notes in favor of the Trustee, which security interest is prior to all other liens, and is enforceable as such against creditors of and purchasers from the Depositor.

(ii) The Mortgage Notes constitute "instruments" within the meaning of the NY UCC.

(iii) Immediately prior to the assignment of each Mortgage Loan to the Trustee, the Depositor owns and has good and marketable title to such Mortgage Loan free and clear of any lien, claim or encumbrance of any Person.

(iv) The Depositor has received all consents and approvals required by the terms of the Mortgage Loans to the sale of the Mortgage Loans hereunder to the Trustee.

(v) All original executed copies of each Mortgage Note that are required to be delivered to the Trustee pursuant to Section 2.01 have been delivered to the Trustee.

(vi) Other than the security interest granted to the Trustee pursuant to this Agreement, the Depositor has not pledged, assigned, sold, granted a security interest in, or otherwise conveyed any of the Mortgage Loans. The Depositor has not authorized the filing of and is not aware of any financing statements against the Depositor that include a description of collateral covering the Mortgage Loans other than any financing statement relating to the security interest granted to the Trustee hereunder or that has been terminated. The Depositor is not aware of any judgment or tax lien filings against the Depositor.

The parties to this Agreement shall not waive any of the representations set forth in this Section 10.04(b) without obtaining a confirmation of the then-current ratings of the Certificates (determined without regard to the Certificate Insurance Policy).

(c) The Master Servicer shall take such action as is reasonably necessary to maintain the perfection and priority of the security interest of the Trustee in the Mortgage Loans; provided, however, that the obligation to deliver the Mortgage File to the Trustee pursuant to Section 2.01 shall be solely the Depositor's obligation and the Master Servicer shall not be responsible for the safekeeping of the Mortgage Files by the Trustee.

(d) It is understood and agreed that the representations and warranties set forth in subsection (b) above shall survive delivery of the Mortgage Files to the Trustee. Upon discovery by the Depositor or the Trustee of a breach of any of the foregoing representations and warranties set forth in subsection (b) above, which breach materially and adversely affects the interest of the Certificateholders or the Certificate Insurer, the party discovering such breach shall give prompt written notice to the others, to the Certificate Insurer and to each Rating Agency.

Section 10.05 Notices.

(a) The Trustee shall use its best efforts to promptly provide notice to each Rating Agency and the Certificate Insurer and the Swap Counterparty with respect to each of the following of which it has actual knowledge:

- (1) Any material change or amendment to this Agreement;
- (2) The occurrence of any Event of Default that has not been cured;
- (3) The resignation or termination of the Master Servicer or the Trustee and the appointment of any successor;
- (4) The repurchase or substitution of Mortgage Loans pursuant to Sections 2.02, 2.03, 2.04, 2.07 and 3.12; and
- (5) The final payment to Certificateholders.

(b) In addition, the Trustee shall promptly furnish to each Rating Agency and the Certificate Insurer copies of the following:

- (1) Each report to Certificateholders described in Section 4.05;
- (2) Each annual statement as to compliance described in Section 3.17;

and

- (3) Each annual independent public accountants' servicing report described in Section 11.07.

(c) All directions, demands and notices hereunder shall be in writing and shall be deemed to have been duly given when sent by facsimile transmission, first class mail or delivered to (i) in the case of the Depositor, CWHEQ, Inc., 4500 Park Granada, Calabasas, California 91302, facsimile number: (818) 225-4016, Attention: Josh Adler, or such other address as may be hereafter furnished to the Sellers, the Master Servicer, the Certificate Insurer and the Trustee by the Depositor in writing; (ii) in the case of CHL, Countrywide Home Loans, Inc., 4500 Park Granada, Calabasas, California 91302, facsimile number (818) 225-4016, Attention: Josh Adler, or such other address as may be hereafter furnished to the Depositor, the Master Servicer, the Certificate Insurer and the Trustee by the Sellers in writing; (iii) in the case of Park Monaco, Park Monaco Inc., 4500 Park Granada, Calabasas, California 91302, facsimile number (818) 225-4024, Attention: Paul Liu, or such other address as may be hereafter furnished to the Depositor, the Master Servicer, the Certificate Insurer and the Trustee by the Sellers in writing; (iv) in the case of Park Granada, Park Granada LLC., 4500 Park Granada, Calabasas, California 91302, facsimile number (818) 225-4024, Attention: Paul Liu, or such other address as may be hereafter furnished to the Depositor, the Master Servicer, the Certificate Insurer and the Trustee by the Sellers in writing; (v) in the case of Park Sienna, Park Sienna LLC, 4500 Park Granada, Calabasas, California 91302, facsimile number (818) 225-4024, Attention: Paul Liu, or such other address as may be hereafter furnished to the Depositor, the Master Servicer, the Certificate Insurer and the Trustee by the Sellers in writing; (vi) in the case of the Master Servicer, Countrywide Home Loans Servicing LP, 7105 Corporate Drive, Plano, Texas 75024, facsimile number (805) 520-5623, Attention: Mark Wong or such other address as may be hereafter furnished to the Depositor, the Sellers, the Certificate Insurer and the Trustee by the Master Servicer in writing; (vii) in the case of the Trustee, The Bank of New York, 101 Barclay Street, 4W, New York, New York 10286, Attention: Corporate Trust MBS Administration, CWHEQ, Series 2007-S3, or such other address as the Trustee may hereafter furnish to the parties hereto and the Certificate Insurer; (viii) in the case of the Rating Agencies, (1) Moody's Investors Service, Inc., Attention: ABS Monitoring Department, 99 Church Street, Sixth Floor, New York, New York 10007, and (2) Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Attention: Mortgage Surveillance Group, 55 Water Street, 41st Floor, New York, New York 10041; (ix) in the case of the Corridor Contract Counterparty, Bear Stearns Financial Products Inc., Attention: DPC Manager, 383 Madison Avenue, New York, New York 10179, Facsimile: (212) 272-5823, with a copy to One Metrotech Center North, Brooklyn, New York 11201, Attention: Derivative Operations—7th Floor, Facsimile (212) 272-1634, or such other address as may be hereafter furnished by the Corridor Contract Counterparty; (x) in the case of the Swap Counterparty, Bear Stearns Capital Markets Inc., Attention: DPC Manager, 383 Madison Avenue, New York, New York 10179, Facsimile: (212) 272-5823, with a

copy to One Metrotech Center North, Brooklyn, New York 11201, Attention: Derivative Operations—7th Floor, Facsimile (212) 272-1634, or such other address as may be hereafter furnished by the Swap Counterparty; and (xi) in the case of the Certificate Insurer, MBIA Insurance Corporation, 113 King Street, Armonk, NY 10504, facsimile number (914) 765-3810, Attention: Insured Portfolio Management – Structured Finance (CWHEQ 2007-S3) or such other address as may be hereafter furnished by the Certificate Insurer. Notices to Certificateholders shall be deemed given when mailed, first postage prepaid, to their respective addresses appearing in the Certificate Register.

Section 10.06 Severability of Provisions.

If any one or more of the covenants, agreements, provisions or terms of this Agreement shall be for any reason whatsoever held invalid, then such covenants, agreements, provisions or terms shall be deemed severable from the remaining covenants, agreements, provisions or terms of this Agreement and shall in no way affect the validity or enforceability of the other provisions of this Agreement or of the Certificates or the rights of the Holders thereof.

Section 10.07 Assignment.

Notwithstanding anything to the contrary contained herein, except as provided pursuant to Section 6.02, this Agreement may not be assigned by the Master Servicer without the prior written consent of the Trustee and the Depositor.

Section 10.08 Limitation on Rights of Certificateholders.

The death or incapacity of any Certificateholder shall not operate to terminate this Agreement or the Trust Fund, nor entitle such Certificateholder's legal representative or heirs to claim an accounting or to take any action or commence any proceeding in any court for a petition or winding up of the Trust Fund, or otherwise affect the rights, obligations and liabilities of the parties hereto or any of them.

No Certificateholder shall have any right to vote (except as provided herein) or in any manner otherwise control the operation and management of the Trust Fund, or the obligations of the parties hereto, nor shall anything herein set forth or contained in the terms of the Certificates be construed so as to constitute the Certificateholders from time to time as partners or members of an association; nor shall any Certificateholder be under any liability to any third party by reason of any action taken by the parties to this Agreement pursuant to any provision hereof.

No Certificateholder shall have any right by virtue or by availing itself of any provisions of this Agreement to institute any suit, action or proceeding in equity or at law upon or under or with respect to this Agreement, unless such Holder previously shall have given to the Trustee a written notice of an Event of Default and of the continuance thereof, as hereinbefore provided, the Holders of Certificates evidencing not less than 25% of the Voting Rights shall also have made written request to the Trustee to institute such action, suit or proceeding in its own name as Trustee hereunder and shall have offered to the Trustee such reasonable indemnity as it may require against the costs, expenses, and liabilities to be incurred therein or thereby, and the Trustee, for 60 days after its receipt of such notice, request and offer of indemnity shall have

neglected or refused to institute any such action, suit or proceeding and the Certificate Insurer has given its prior written consent; it being understood and intended, and being expressly covenanted by each Certificateholder with every other Certificateholder and the Trustee, that no one or more Holders of Certificates shall have any right in any manner whatever by virtue or by availing itself or themselves of any provisions of this Agreement to affect, disturb or prejudice the rights of the Holders of any other of the Certificates, or to obtain or seek to obtain priority over or preference to any other such Holder or to enforce any right under this Agreement, except in the manner herein provided and for the common benefit of all Certificateholders. For the protection and enforcement of the provisions of this Section 10.08, each and every Certificateholder and the Trustee shall be entitled to such relief as can be given either at law or in equity.

Section 10.09 Inspection and Audit Rights.

The Master Servicer agrees that, on reasonable prior notice, it will permit any representative of the Depositor, any Seller, the NIM Insurer or the Trustee during the Master Servicer's normal business hours, to examine all the books of account, records, reports and other papers of the Master Servicer relating to the Mortgage Loans, to make copies and extracts therefrom, to cause such books to be audited by independent certified public accountants selected by the Depositor, a Seller, the NIM Insurer or the Trustee and to discuss its affairs, finances and accounts relating to the Mortgage Loans with its officers, employees and independent public accountants (and by this provision the Master Servicer hereby authorizes such accountants to discuss with such representative such affairs, finances and accounts), all at such reasonable times and as often as may be reasonably requested. Any out-of-pocket expense incident to the exercise by the Depositor, any Seller, the NIM Insurer or the Trustee of any right under this Section 10.09 shall be borne by the party requesting such inspection; all other such expenses shall be borne by the Master Servicer.

Section 10.10 Certificates Nonassessable and Fully Paid.

It is the intention of the Depositor that Certificateholders shall not be personally liable for obligations of the Trust Fund, that the interests in the Trust Fund represented by the Certificates shall be nonassessable for any reason whatsoever, and that the Certificates, upon due authentication thereof by the Trustee pursuant to this Agreement, are and shall be deemed fully paid.

Section 10.11 Rights of NIM Insurer.

(a) The rights of the NIM Insurer under this Agreement shall exist only so long as either:

(1) the notes certain payments on which are guaranteed by the NIM Insurer remain outstanding or

(2) the NIM Insurer is owed amounts paid by it with respect to that guaranty.

(b) The rights of the NIM Insurer under this Agreement are exercisable by the NIM Insurer only so long as no default by the NIM Insurer under its guaranty of certain payments under notes backed or secured by the Class C, Class E-P or Class P Certificates has occurred and is continuing. If the NIM Insurer is the subject of any insolvency proceeding, the rights of the NIM Insurer under this Agreement will be exercisable by the NIM Insurer only so long as:

(1) the obligations of the NIM Insurer under its guaranty of notes backed or secured by the Class C, Class E-P or Class P Certificates have not been disavowed and

(2) CHL and the Trustee have received reasonable assurances that the NIM Insurer will be able to satisfy its obligations under its guaranty of notes backed or secured by the Class C, Class E-P or Class P Certificates.

(c) The NIM Insurer is a third party beneficiary of this Agreement to the same extent as if it were a party to this Agreement and may enforce any of those rights under this Agreement.

(d) A copy of any documents of any nature required by this Agreement to be delivered by the Trustee, or to the Trustee or the Rating Agencies, shall in each case at the same time also be delivered to the NIM Insurer. Any notices required to be given by the Trustee, or to the Trustee or the Rating Agencies, shall in each case at the same time also be given to the NIM Insurer. If the Trustee receives a notice or document that is required hereunder to be delivered to the NIM Insurer, and if such notice or document does not indicate that a copy thereof has been previously sent to the NIM Insurer, the Trustee shall send the NIM Insurer a copy of such notice or document. If such document is an Opinion of Counsel, the NIM Insurer shall be an addressee thereof or such Opinion of Counsel shall contain language permitting the NIM Insurer to rely thereon as if the NIM Insurer were an addressee thereof.

(e) Anything in this Agreement that is conditioned on not resulting in the downgrading or withdrawal of the ratings then assigned to the Certificates by the Rating Agencies shall also be conditioned on not resulting in the downgrading or withdrawal of the ratings then assigned by the Rating Agencies to the notes backed or secured by the Class C, Class E-P or Class P Certificates (without giving effect to any policy or guaranty provided by the NIM Insurer).

Section 10.12 Protection of Assets.

(a) Except for transactions and activities entered into in connection with the securitization that is the subject of this Agreement, the Trust Fund created by this Agreement is not authorized and has no power to:

- (1) borrow money or issue debt;
- (2) merge with another entity, reorganize, liquidate or sell assets; or
- (3) engage in any business or activities.

(b) Each party to this Agreement agrees that it will not file an involuntary bankruptcy petition against the Trustee or the Trust Fund or initiate any other form of insolvency proceeding until the date that is one year and one day after the Certificates have been paid.

ARTICLE XI.
EXCHANGE ACT REPORTING

Section 11.01 Filing Obligations.

The Master Servicer, the Trustee and each Seller shall reasonably cooperate with the Depositor in connection with the satisfaction of the Depositor's reporting requirements under the Exchange Act with respect to the Trust Fund. In addition to the information specified below, if so requested by the Depositor for the purpose of satisfying its reporting obligation under the Exchange Act, the Master Servicer, the Trustee and each Seller shall (and the Master Servicer shall cause each Subservicer to) provide the Depositor with (a) such information which is available to such Person without unreasonable effort or expense and within such timeframe as may be reasonably requested by the Depositor to comply with the Depositor's reporting obligations under the Exchange Act and (b) to the extent such Person is a party (and the Depositor is not a party) to any agreement or amendment required to be filed, copies of such agreement or amendment in EDGAR-compatible form.

Section 11.02 Form 10-D Filings.

(a) In accordance with the Exchange Act, the Trustee shall prepare for filing and file within 15 days after each Distribution Date (subject to permitted extensions under the Exchange Act) with the Commission with respect to the Trust Fund, a Form 10-D with copies of the Monthly Statement and, to the extent delivered to the Trustee, no later than 10 days following the Distribution Date, such other information identified by the Depositor or the Master Servicer, in writing, to be filed with the Commission (such other information, the "Additional Designated Information"). If the Depositor or Master Servicer directs that any Additional Designated Information is to be filed with any Form 10-D, the Depositor or Master Servicer, as the case may be, shall specify the Item on Form 10-D to which such information is responsive and, with respect to any Exhibit to be filed on Form 10-D, the Exhibit number. Any information to be filed on Form 10-D shall be delivered to the Trustee in EDGAR-compatible form or as otherwise agreed upon by the Trustee and the Depositor or the Master Servicer, as the case may be, at the Depositor's expense, and any necessary conversion to EDGAR-compatible format will be at the Depositor's expense. At the reasonable request of, and in accordance with the reasonable directions of, the Depositor or the Master Servicer, subject to the two preceding sentences, the Trustee shall prepare for filing and file an amendment to any Form 10-D previously filed with the Commission with respect to the Trust Fund. The Master Servicer shall sign the Form 10-D filed on behalf of the Trust Fund.

(b) No later than each Distribution Date, each of the Master Servicer and the Trustee shall notify (and the Master Servicer shall cause any Subservicer to notify) the Depositor and the Master Servicer of any Form 10-D Disclosure Item, together with a description of any such Form 10-D Disclosure Item in form and substance reasonably acceptable to the Depositor. In addition to such information as the Master Servicer and the Trustee are obligated to provide pursuant to other provisions of this Agreement, if so requested by the Depositor, each of the Master Servicer and the Trustee shall provide such information which is available to the Master Servicer and the Trustee, as applicable, without unreasonable effort or expense regarding the performance or servicing of the Mortgage Loans (in the case of the Trustee, based on the

information provided by the Master Servicer) as is reasonably required to facilitate preparation of distribution reports in accordance with Item 1121 of Regulation AB. Such information shall be provided concurrently with the Remittance Reports in the case of the Master Servicer and the Monthly Statement in the case of the Trustee, commencing with the first such report due not less than five Business Days following such request.

(c) The Trustee shall not have any responsibility to file any items (other than those generated by it) that have not been received in a format suitable (or readily convertible into a format suitable) for electronic filing via the EDGAR system and shall not have any responsibility to convert any such items to such format (other than those items generated by it or that are readily convertible to such format). The Trustee shall have no liability to the Certificateholders, the Trust Fund, the Master Servicer, the Depositor or the NIM Insurer with respect to any failure to properly prepare or file any of Form 10-D to the extent that such failure is not the result of any negligence, bad faith or willful misconduct on its part.

Section 11.03 Form 8-K Filings.

The Master Servicer shall prepare and file on behalf of the Trust Fund any Form 8-K required by the Exchange Act. Each Form 8-K must be signed by the Master Servicer. Each of the Master Servicer (and the Master Servicer shall cause any Subservicer to promptly notify) and the Trustee shall promptly notify the Depositor and the Master Servicer (if the notifying party is not the Master Servicer), but in no event later than one (1) Business Day after its occurrence, of any Reportable Event of which it has actual knowledge. Each Person shall be deemed to have actual knowledge of any such event to the extent that it relates to such Person or any action or failure to act by such Person. Concurrently with any Subsequent Transfer, CHL shall notify the Depositor and the Master Servicer, if any material pool characteristic of the actual asset pool at the time of issuance of the Certificates differs by 5% or more (other than as a result of the pool assets converting into cash in accordance with their terms) from the description of the asset pool in the Prospectus Supplement.

Section 11.04 Form 10-K Filings.

Prior to March 30th of each year, commencing in 2008 (or such earlier date as may be required by the Exchange Act), the Depositor shall prepare and file on behalf of the Trust Fund a Form 10-K, in form and substance as required by the Exchange Act. A senior officer in charge of the servicing function of the Master Servicer shall sign each Form 10-K filed on behalf of the Trust Fund. Such Form 10-K shall include as exhibits each (i) annual compliance statement described under Section 3.17, (ii) annual report on assessments of compliance with servicing criteria described under Section 11.07 and (iii) accountant's report described under Section 11.07. Each Form 10-K shall also include any Sarbanes-Oxley Certification required to be included therewith, as described in Section 11.05.

If the Item 1119 Parties listed on Exhibit Z have changed since the Closing Date, no later than March 1 of each year, the Master Servicer shall provide each of the Master Servicer (and the Master Servicer shall provide any Subservicer) and the Trustee with an updated Exhibit Z setting forth the Item 1119 Parties. No later than March 15 of each year, commencing in 2008, the Master Servicer and the Trustee shall notify (and the Master Servicer shall cause any

Subservicer to notify) the Depositor and the Master Servicer of any Form 10-K Disclosure Item, together with a description of any such Form 10-K Disclosure Item in form and substance reasonably acceptable to the Depositor. Additionally, each of the Master Servicer and the Trustee shall provide, and shall cause each Reporting Subcontractor retained by the Master Servicer or the Trustee, as applicable, and in the case of the Master Servicer shall cause each Subservicer, to provide, the following information no later than March 15 of each year in which a Form 10-K is required to be filed on behalf of the Trust Fund: (i) if such Person's report on assessment of compliance with servicing criteria described under Section 11.07 or related registered public accounting firm attestation report described under Section 11.07 identifies any material instance of noncompliance, notification of such instance of noncompliance and (ii) if any such Person's report on assessment of compliance with servicing criteria or related registered public accounting firm attestation report is not provided to be filed as an exhibit to such Form 10-K, information detailing the explanation why such report is not included.

Section 11.05 Sarbanes-Oxley Certification.

Each Form 10-K shall include a certification (the "Sarbanes-Oxley Certification") required by Rules 13a-14(d) and 15d-14(d) under the Exchange Act (pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and the rules and regulations of the Commission promulgated thereunder (including any interpretations thereof by the Commission's staff)). No later than March 15 of each year, beginning in 2008, the Master Servicer and the Trustee shall (unless such person is the Certifying Person), and the Master Servicer shall cause each Subservicer and each Reporting Subcontractor and the Trustee shall cause each Reporting Subcontractor to, provide to the Person who signs the Sarbanes-Oxley Certification (the "Certifying Person") a certification (each, a "Performance Certification"), in the form attached hereto as Exhibit X-1 (in the case of a Subservicer or any Reporting Subcontractor of the Master Servicer or a Subservicer) and Exhibit X-2 (in the case of the Trustee or any Reporting Subcontractor of the Trustee), on which the Certifying Person, the entity for which the Certifying Person acts as an officer, and such entity's officers, directors and Affiliates (collectively with the Certifying Person, "Certification Parties") can reasonably rely. The senior officer in charge of the servicing function of the Master Servicer shall serve as the Certifying Person on behalf of the Trust Fund. Neither the Master Servicer nor the Depositor will request delivery of a certification under this clause unless the Depositor is required under the Exchange Act to file an annual report on Form 10-K with respect to the Trust Fund. In the event that prior to the filing date of the Form 10-K in March of each year, the Trustee or the Depositor has actual knowledge of information material to the Sarbanes-Oxley Certification, the Trustee or the Depositor, as the case may be, shall promptly notify the Master Servicer and the Depositor. The respective parties hereto agree to cooperate with all reasonable requests made by any Certifying Person or Certification Party in connection with such Person's attempt to conduct any due diligence that such Person reasonably believes to be appropriate in order to allow it to deliver any Sarbanes-Oxley Certification or portion thereof with respect to the Trust Fund.

Section 11.06 Form 15 Filing.

Prior to January 30 of the first year in which the Depositor is able to do so under applicable law, the Depositor shall file a Form 15 relating to the automatic suspension of reporting in respect of the Trust Fund under the Exchange Act.

Section 11.07 Report on Assessment of Compliance and Attestation.

(a) On or before March 15 of each calendar year, commencing in 2008:

(1) Each of the Master Servicer and the Trustee shall deliver to the Depositor and the Master Servicer a report (in form and substance reasonably satisfactory to the Depositor) regarding the Master Servicer's or the Trustee's, as applicable, assessment of compliance with the Servicing Criteria during the immediately preceding calendar year, as required under Rules 13a-18 and 15d-18 of the Exchange Act and Item 1122 of Regulation AB. Such report shall be signed by an authorized officer of such Person and shall address each of the Servicing Criteria specified on a certification substantially in the form of Exhibit Y hereto delivered to the Depositor concurrently with the execution of this Agreement. To the extent any of the Servicing Criteria are not applicable to such Person, with respect to Asset Backed securities transactions taken as a whole involving such Person and that are backed by the same asset type backing the Certificates, such report shall include such a statement to that effect. The Depositor and the Master Servicer, and each of their respective officers and directors shall be entitled to rely on upon each such servicing criteria assessment.

(2) Each of the Master Servicer and the Trustee shall deliver to the Depositor and the Master Servicer a report of a registered public accounting firm reasonably acceptable to the Depositor that attests to, and reports on, the assessment of compliance made by Master Servicer or the Trustee, as applicable, and delivered pursuant to the preceding paragraphs. Such attestation shall be in accordance with Rules 1-02(a)(3) and 2-02(g) of Regulation S-X under the Securities Act and the Exchange Act, including, without limitation that in the event that an overall opinion cannot be expressed, such registered public accounting firm shall state in such report why it was unable to express such an opinion. Such report must be available for general use and not contain restricted use language. To the extent any of the Servicing Criteria are not applicable to such Person, with respect to Asset Backed securities transactions taken as a whole involving such Person and that are backed by the same asset type backing the Certificates, such report shall include such a statement that that effect.

(3) The Master Servicer shall cause each Subservicer and each Reporting Subcontractor to deliver to the Depositor an assessment of compliance and accountant's attestation as and when provided in paragraphs (a) and (b) of this Section 11.07.

(4) The Trustee shall cause each Reporting Subcontractor to deliver to the Depositor and the Master Servicer an assessment of compliance and accountant's attestation as and when provided in paragraphs (a) and (b) of this Section.

(5) The Master Servicer and the Trustee shall execute (and the Master Servicer shall cause each Subservicer to execute, and the Master Servicer and the Trustee shall cause each Reporting Subcontractor to execute) a reliance certificate to enable the Certification Parties to rely upon each (i) annual compliance statement provided pursuant to Section 3.17, (ii) annual report on assessments of compliance with servicing criteria provided pursuant to this Section 11.07 and (iii) accountant's report provided pursuant to this Section 11.07 and shall include a certification that each such annual compliance statement or report discloses any deficiencies or defaults described to the registered public accountants of such Person to enable such accountants to render the certificates provided for in this Section 11.07.

(b) In the event the Master Servicer, any Subservicer, the Trustee or Reporting Subcontractor is terminated or resigns during the term of this Agreement, such Person shall provide documents and information required by this Section 11.07 with respect to the period of time it was subject to this Agreement or provided services with respect to the Trust Fund, the Certificates or the Mortgage Loans.

(c) Each assessment of compliance provided by a Subservicer pursuant to Section 11.07(a)(3) shall address each of the Servicing Criteria specified on a certification substantially in the form of Exhibit Y hereto delivered to the Depositor concurrently with the execution of this Agreement or, in the case of a Subservicer subsequently appointed as such, on or prior to the date of such appointment. An assessment of compliance provided by a Subcontractor pursuant to Section 11.07(a)(3) or (4) need not address any elements of the Servicing Criteria other than those specified by the Master Servicer or the Trustee, as applicable, pursuant to Section 11.07(a)(1).

Section 11.08 Use of Subservicers and Subcontractors.

(a) The Master Servicer shall cause any Subservicer used by the Master Servicer (or by any Subservicer) for the benefit of the Depositor to comply with the provisions of Section 3.17 and this Article XI to the same extent as if such Subservicer were the Master Servicer (except with respect to the Master Servicer's duties with respect to preparing and filing any Exchange Act Reports or as the Certifying Person). The Master Servicer shall be responsible for obtaining from each Subservicer and delivering to the Depositor any servicer compliance statement required to be delivered by such Subservicer under Section 3.17, any assessment of compliance and attestation required to be delivered by such Subservicer under Section 11.07 and any certification required to be delivered to the Certifying Person under Section 11.05 as and when required to be delivered. As a condition to the succession to any Subservicer as subservicer under this Agreement by any Person (i) into which such Subservicer may be merged or consolidated, or (ii) which may be appointed as a successor to any Subservicer, the Master Servicer shall provide to the Depositor, at least 15 calendar days prior to the effective date of such succession or appointment, (x) written notice to the Depositor of such succession or appointment and (y) in writing and in form and substance reasonably satisfactory to the Depositor, all information reasonably requested by the Depositor in order to comply with its reporting obligation under Item 6.02 of Form 8-K.

(b) It shall not be necessary for the Master Servicer, any Subservicer or the Trustee to seek the consent of the Depositor or any other party hereto to the utilization of any Subcontractor. The Master Servicer or the Trustee, as applicable, shall promptly upon request provide to the Depositor (or any designee of the Depositor, such as the Master Servicer or administrator) a written description (in form and substance satisfactory to the Depositor) of the role and function of each Subcontractor utilized by such Person (or in the case of the Master Servicer, any Subservicer), specifying (i) the identity of each such Subcontractor, (ii) which (if any) of such Subcontractors are "participating in the servicing function" within the meaning of Item 1122 of Regulation AB, and (iii) which elements of the Servicing Criteria will be addressed in assessments of compliance provided by each Subcontractor identified pursuant to clause (ii) of this paragraph.

As a condition to the utilization of any Subcontractor determined to be a Reporting Subcontractor, the Master Servicer or the Trustee, as applicable, shall cause any such Subcontractor used by such Person (or in the case of the Master Servicer, any Subservicer) for the benefit of the Depositor to comply with the provisions of Sections 11.07 and 11.09 of this Agreement to the same extent as if such Subcontractor were the Master Servicer (except with respect to the Master Servicer's duties with respect to preparing and filing any Exchange Act Reports or as the Certifying Person) or the Trustee, as applicable. The Master Servicer or the Trustee, as applicable, shall be responsible for obtaining from each Subcontractor and delivering to the Depositor and the Master Servicer, any assessment of compliance and attestation required to be delivered by such Subcontractor under Section 11.05 and Section 11.07, in each case as and when required to be delivered.

Section 11.09 Amendments.

In the event the parties to this Agreement desire to further clarify or amend any provision of this Article XI, this Agreement shall be amended to reflect the new agreement between the parties covering matters in this Article XI pursuant to Section 10.01, which amendment shall not require any Opinion of Counsel or Rating Agency confirmations or the consent of any Certificateholder, the Certificate Insurer or the NIM Insurer provided that written notice of such amendment shall promptly be delivered by the Master Servicer to the Certificate Insurer.

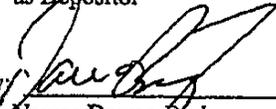
If, during the period that the Depositor is required to file Exchange Act Reports with respect to the Trust Fund, the Master Servicer is no longer an Affiliate of the Depositor, the Depositor shall assume the obligations and responsibilities of the Master Servicer in this Article XI with respect to the preparation and filing of the Exchange Act Reports and/or acting as the Certifying Person, if the Depositor has received indemnity from such successor Master Servicer satisfactory to the Depositor, and such Master Servicer has agreed to provide a Sarbanes-Oxley Certification to the Depositor substantially in the form of Exhibit AA and the certifications referred to in Section 11.07.

Section 11.10 Reconciliation of Accounts

Any reconciliation of Account performed by any party hereto, or any Subservicer or Subcontractor, shall be prepared no later than 45 calendar days after the bank statement cutoff date.

IN WITNESS WHEREOF, the parties hereto have caused their names to be signed hereto by their respective officers thereunto duly authorized as of the day and year first above written.

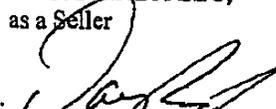
CWHEQ, INC.,
as Depositor

By: 
Name: Darren Bigby
Title: Executive Vice President

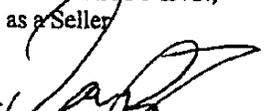
COUNTRYWIDE HOME LOANS, INC.,
as a Seller

By: 
Name: Darren Bigby
Title: Executive Vice President

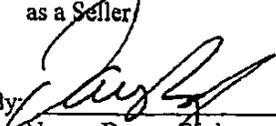
PARK GRANADA LLC,
as a Seller

By: 
Name: Darren Bigby
Title: Executive Vice President

PARK MONACO INC.,
as a Seller

By: 
Name: Darren Bigby
Title: Executive Vice President

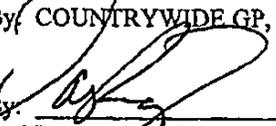
PARK SIENNA LLC,
as a Seller

By: 

Name: Darren Bigby
Title: Executive Vice President

COUNTRYWIDE HOME LOANS
SERVICING LP,
as Master Servicer

By: COUNTRYWIDE GP, INC.

By: 

Name: Darren Bigby
Title: Executive Vice President

THE BANK OF NEW YORK,
as Trustee

By: _____

Name:
Title:

PARK SIENNA LLC,
as a Seller

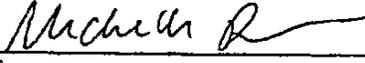
By: _____
Name: Darren Bigby
Title: Executive Vice President

COUNTRYWIDE HOME LOANS
SERVICING LP,
as Master Servicer

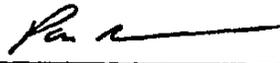
By: COUNTRYWIDE GP, INC.

By: _____
Name: Darren Bigby
Title: Executive Vice President

THE BANK OF NEW YORK,
as Trustee

By:  _____
Name: MICHELLE K. PENSON
Title: VICE PRESIDENT

THE BANK OF NEW YORK
(solely with respect to its obligations
under Section 4.01(d))

By: 
Name: Paul Connolly
Title: Vice President

CWHEQ 2007-S3

**Exhibits A-1
through A-3**

[Exhibits A-1 through A-3 are
photocopies of such Certificates as delivered.]

[See appropriate documents delivered at closing.]

Exhibit B

Exhibit B is a photocopy
of the Class P Certificates
as delivered.

[See appropriate document delivered at closing.]

Exhibit C

Exhibit C is a photocopy
of the Class C Certificates
as delivered.

[See appropriate document delivered at closing.]

Exhibit D-1

Exhibit D-1 is a photocopy
of the Class A-R Certificate
as delivered.

[See appropriate documents delivered at closing.]

Exhibit D-2

Exhibit D-2 is a photocopy
of the Class E-P Certificate
as delivered.

[See appropriate documents delivered at closing.]

Exhibit E

Exhibit E is a photocopy
of the Tax Matters Person Certificate
as delivered.

[See appropriate documents delivered at closing.]

Exhibit F-1 and F-2

[Exhibits F-1 and F-2 are schedules of Mortgage Loans]

[Delivered to Trustee at closing and on file with the Trustee.]

EXHIBIT G-1

FORM OF INITIAL CERTIFICATION OF TRUSTEE

[Date]

[Depositor]

[Sellers]

[Master Servicer]

[Certificate Insurer]

Re: CWHEQ Home Equity Loan Trust, Series 2007-S3

Gentlemen:

In accordance with Section 2.02 of the Pooling and Servicing Agreement dated as of March 1, 2007 (the "Pooling and Servicing Agreement") among CWHEQ, Inc., as Depositor, Countrywide Home Loans, Inc., as a Seller, Park Granada LLC, as a Seller, Park Monaco Inc., as a Seller, Park Sienna LLC, as a Seller, Countrywide Home Loans Servicing LP, as Master Servicer, and the undersigned, as Trustee, hereby certifies that, as to each Mortgage Loan listed in the Mortgage Loan Schedule (other than any Mortgage Loan paid in full or listed in the attached list of exceptions) the Trustee has received:

(i) the original Mortgage Note, endorsed by manual or facsimile signature in blank in the following form: "Pay to the order of _____, without recourse", or, if the original Mortgage Note has been lost or destroyed and not replaced, an original lost note affidavit, stating that the original Mortgage Note was lost or destroyed, together with a copy of the related Mortgage Note; and

(ii) a duly executed assignment of the Mortgage or a copy of such assignment, in either case in the form permitted by Section 2.01 of the Pooling and Servicing Agreement

Based on its review and examination and only as to the foregoing documents, such documents appear regular on their face and related to such Mortgage Loan.

The Trustee has made no independent examination of any documents contained in each Mortgage File beyond the review specifically required in the Pooling and Servicing Agreement. The Trustee makes no representations as to: (i) the validity, legality, sufficiency, enforceability or genuineness of any of the documents contained in each Mortgage File of any of

the Mortgage Loans identified on the Mortgage Loan Schedule or (ii) the collectibility, insurability, effectiveness or suitability of any such Mortgage Loan.

Capitalized words and phrases used herein shall have the respective meanings assigned to them in the Pooling and Servicing Agreement.

The Bank of New York,
as Trustee

By: _____
Name:
Title:

EXHIBIT G-2

FORM OF INTERIM CERTIFICATION OF TRUSTEE

[Date]

[Depositor]

[Sellers]

[Master Servicer]

[Certificate Insurer]

Re: CWHEQ Home Equity Loan Trust, Series 2007-S3

Gentlemen:

In accordance with Section 2.02 of the Pooling and Servicing Agreement dated as of March 1, 2007 (the "Pooling and Servicing Agreement") among CWHEQ, Inc., as Depositor, Countrywide Home Loans, Inc., as a Seller, Park Granada LLC, as a Seller, Park Monaco Inc., as a Seller, Park Sienna LLC, as a Seller, Countrywide Home Loans Servicing LP, as Master Servicer, and the undersigned, as Trustee, hereby certifies that [, with respect to the Subsequent Mortgage Loans delivered in connection with the Subsequent Transfer Agreement, dated as of _____ (the "Subsequent Transfer Agreement") among CWHEQ, Inc., as Depositor, Countrywide Home Loans, Inc., as a Seller, Park Granada LLC, as a Seller, Park Monaco Inc., as a Seller, Park Sienna LLC, as a Seller and The Bank of New York, as Trustee], except as listed in the following paragraph, as to each [Initial Mortgage Loan][Subsequent Mortgage Loan] listed in the [Mortgage Loan Schedule][Loan Number and Borrower Identification Mortgage Loan Schedule] (other than any [Mortgage Loan][Loan Number and Borrower Identification Mortgage Loan Schedule] paid in full or listed on the attached list of exceptions) the Trustee has received:

(i) the original Mortgage Note, endorsed by manual or facsimile signature in blank in the following form: "Pay to the order of _____ without recourse", with all intervening endorsements that show a complete chain of endorsement from the originator to the Person endorsing the Mortgage Note (each such endorsement being sufficient to transfer all right, title and interest of the party so endorsing, as noteholder or assignee thereof, in and to that Mortgage Note), or, if the original Mortgage Note has been lost or destroyed and not replaced, an original lost note affidavit, stating that the original Mortgage Note was lost or destroyed, together with a copy of the related Mortgage Note, and all such intervening endorsements;

(ii) the case of each [Initial Mortgage Loan][Subsequent Mortgage Loan] that is not a MERS Mortgage Loan, the original recorded Mortgage or a copy of such Mortgage, with recording information, and in the case of each [Initial Mortgage Loan][Subsequent Mortgage Loan] that is a MERS Mortgage Loan, the original Mortgage or a copy of such Mortgage, with

recording information, noting thereon the presence of the MIN of the [Initial Mortgage Loan][Subsequent Mortgage Loan] and language indicating that the [Initial Mortgage Loan][Subsequent Mortgage Loan] is a MOM Loan if the [Initial Mortgage Loan][Subsequent Mortgage Loan] is a MOM Loan, with evidence of recording indicated thereon, or a copy of the Mortgage certified by the public recording office in which such Mortgage has been recorded;

(iii) the case of each [Initial Mortgage Loan][Subsequent Mortgage Loan] that is not a MERS Mortgage Loan, a duly executed assignment of the Mortgage to "Home Equity Loan Asset Backed Certificates, Series 2007-S3, CWHEQ, Inc., by The Bank of New York, a New York banking corporation, as trustee under the Pooling and Servicing Agreement dated as of March 1, 2007, without recourse" or a copy of such assignment, with recording information, or, in the case of each [Initial Mortgage Loan][Subsequent Mortgage Loan] with respect to property located in the State of California that is not a MERS Mortgage Loan, a duly executed assignment of the Mortgage in blank (each such assignment, when duly and validly completed, to be in recordable form and sufficient to effect the assignment of and transfer to the assignee thereof, under the Mortgage to which such assignment relates);

(iv) the original recorded assignment or assignments of the Mortgage or a copy of such assignments, with recording information, together with all interim recorded assignments of such Mortgage or a copy of such assignments, with recording information (in each case noting the presence of a MIN in the case of each MERS Mortgage Loan);

(v) the original or copies of each assumption, modification, written assurance or substitution agreement, if any; and

(vi) the original or duplicate original lender's title policy or a copy of lender's title policy or a printout of the electronic equivalent and all riders thereto or, in the event such original title policy has not been received from the insurer, any one of an original title binder, an original preliminary title report or an original title commitment, or a copy thereof certified by the title company, with the original policy of title insurance to be delivered within one year of the Closing Date.

In the event that in connection with any [Initial Mortgage Loan][Subsequent Mortgage Loan] that is not a MERS Mortgage Loan the applicable Seller cannot deliver the original recorded Mortgage or all interim recorded assignments of the Mortgage satisfying the requirements of clause (ii), (iii) or (iv), as applicable, the Trustee has received, in lieu thereof, a true and complete copy of such Mortgage and/or such assignment or assignments of the Mortgage, as applicable, each certified by the applicable Seller, the applicable title company, escrow agent or attorney, or the originator of such [Initial Mortgage Loan][Subsequent Mortgage Loan], as the case may be, to be a true and complete copy of the original Mortgage or assignment of Mortgage submitted for recording.

Based on its review and examination and only as to the foregoing documents, (i) such documents appear regular on their face and related to such [Initial Mortgage Loan][Subsequent Mortgage Loan], and (ii) the information set forth in items (i), (iv), (v), (vi), (viii) and (ix) of the definition of the "Mortgage Loan Schedule" in Section 1.01 of the Pooling and Servicing Agreement accurately reflects information set forth in the Mortgage File.

The Trustee has made no independent examination of any documents contained in each Mortgage File beyond the review specifically required in the Pooling and Servicing Agreement. The Trustee makes no representations as to: (i) the validity, legality, sufficiency, enforceability or genuineness of any of the documents contained in each Mortgage File of any of the [Initial Mortgage Loans][Subsequent Mortgage Loans] identified on the [Mortgage Loan Schedule][Loan Number and Borrower Identification Mortgage Loan Schedule] or (ii) the collectibility, insurability, effectiveness or suitability of any such Mortgage Loan.

Capitalized words and phrases used herein shall have the respective meanings assigned to them in the Pooling and Servicing Agreement.

The Bank of New York,
as Trustee

By: _____
Name:
Title:

EXHIBIT G-3

FORM OF DELAY DELIVERY CERTIFICATION

[Date]

[Depositor]

[Sellers]

[Master Servicer]

[Certificate Insurer]

Re: CWHEQ Home Equity Loan Trust, Series 2007-S3

Gentlemen:

Reference is made to the Initial Certification of Trustee relating to the above-referenced series, with the schedule of exceptions attached thereto, delivered by the undersigned, as Trustee, on the Closing Date in accordance with Section 2.02 of the Pooling and Servicing Agreement dated as of March 1, 2007 (the "Pooling and Servicing Agreement") among CWHEQ, Inc., as Depositor, Countrywide Home Loans, Inc., as a Seller, Park Granada LLC, as a Seller, Park Monaco Inc., as a Seller, Park Sienna LLC, as a Seller, Countrywide Home Loans Servicing LP, as Master Servicer, and the undersigned, as Trustee. The undersigned hereby certifies that [, with respect to the Subsequent Mortgage Loans delivered in connection with the Subsequent Transfer Agreement, dated as of _____ (the "Subsequent Transfer Agreement") among CWHEQ, Inc., as Depositor, Countrywide Home Loans, Inc., as a Seller, Park Granada LLC, as a Seller, Park Monaco Inc., as a Seller, Park Sienna LLC, as a Seller and The Bank of New York, as Trustee,] as to each Delay Delivery Mortgage Loan listed on the Schedule A attached hereto (other than any [Initial Mortgage Loan][Subsequent Mortgage Loan] paid in full or listed on Schedule B attached hereto) the Trustee has received:

(1) the original Mortgage Note, endorsed by manual or facsimile signature in blank in the following form: "Pay to the order of _____ without recourse", with all intervening endorsements that show a complete chain of endorsement from the originator to the Person endorsing the Mortgage Note (each such endorsement being sufficient to transfer all right, title and interest of the party so endorsing, as noteholder or assignee thereof, in and to that Mortgage Note), or, if the original Mortgage Note has been lost or destroyed and not replaced, an original lost note affidavit, stating that the original Mortgage Note was lost or destroyed, together with a copy of the related Mortgage Note and all such intervening endorsements;

(2) in the case of each [Initial Mortgage Loan][Subsequent Mortgage Loan] that is not a MERS Mortgage Loan, a duly executed assignment of the Mortgage to "Home Equity Loan Asset Backed Certificates, Series 2007-S3, CWHEQ, Inc., by The Bank of New York, a New York banking corporation, as trustee under the Pooling and Servicing Agreement

dated as of March 1, 2007, without recourse" or a copy of such assignment, with recording information, or, in the case of each [Initial Mortgage Loan][Subsequent Mortgage Loan] with respect to property located in the State of California that is not a MERS Mortgage Loan, a duly executed assignment of the Mortgage in blank (each such assignment, when duly and validly completed, to be in recordable form and sufficient to effect the assignment of and transfer to the assignee thereof, under the Mortgage to which such assignment relates).

Based on its review and examination and only as to the foregoing documents, such documents appear regular on their face and related to such Mortgage Loan.

The Trustee has made no independent examination of any documents contained in each Mortgage File beyond the review specifically required in the Pooling and Servicing Agreement. The Trustee makes no representations as to: (i) the validity, legality, sufficiency, enforceability or genuineness of any of the documents contained in each Mortgage File of any of the [Initial Mortgage Loans][Subsequent Mortgage Loans] identified on the [Mortgage Loan Schedule][Loan Number and Borrower Identification Mortgage Loan Schedule] or (ii) the collectibility, insurability, effectiveness or suitability of any such [Initial Mortgage Loan][Subsequent Mortgage Loan].

Capitalized words and phrases used herein shall have the respective meanings assigned to them in the Pooling and Servicing Agreement.

The Bank of New York,
as Trustee

By: _____
Name:
Title:

EXHIBIT G-4

FORM OF INITIAL CERTIFICATION OF TRUSTEE
(SUBSEQUENT MORTGAGE LOANS)

[Date]

[Depositor]

[Sellers]

[Master Servicer]

[Certificate Insurer]

Re: CWHEQ Home Equity Loan Trust, Series 2007-S3

Gentlemen:

In accordance with Section 2.02 of the Pooling and Servicing Agreement dated as of March 1, 2007 (the "Pooling and Servicing Agreement") among CWHEQ, Inc., as Depositor, Countrywide Home Loans, Inc., as a Seller, Park Granada LLC, as a Seller, Park Monaco Inc., as a Seller, Park Sienna LLC, as a Seller, Countrywide Home Loans Servicing LP, as Master Servicer, and the undersigned, as Trustee, the undersigned hereby certifies that, as to each Subsequent Mortgage Loan listed in the Loan Number and Borrower Identification Mortgage Loan Schedule (other than any Subsequent Mortgage Loan paid in full or listed in the attached list of exceptions) the Trustee has received:

(1) the original Mortgage Note, endorsed by manual or facsimile signature in blank in the following form: "Pay to the order of _____ without recourse", with all intervening endorsements that show a complete chain of endorsement from the originator to the Person endorsing the Mortgage Note (each such endorsement being sufficient to transfer all right, title and interest of the party so endorsing, as noteholder or assignee thereof, in and to that Mortgage Note), or, if the original Mortgage Note has been lost or destroyed and not replaced, an original lost note affidavit, stating that the original Mortgage Note was lost or destroyed, together with a copy of the related Mortgage Note and all such intervening endorsements; and

(2) a duly executed assignment of the Mortgage or a copy of such assignment with recording information, in either case in the form permitted by Section 2.01 of the Pooling and Servicing Agreement.

Based on its review and examination and only as to the foregoing documents, such documents appear regular on their face and related to such Mortgage Loan.

The Trustee has made no independent examination of any documents contained in each Mortgage File beyond the review specifically required in the Pooling and Servicing Agreement. The Trustee makes no representations as to: (i) the validity, legality, sufficiency, enforceability or genuineness of any of the documents contained in each Mortgage File of any of the Subsequent Mortgage Loans identified on the Loan Number and Borrower Identification Mortgage Loan Schedule or (ii) the collectibility, insurability, effectiveness or suitability of any such Subsequent Mortgage Loan.

Capitalized words and phrases used herein shall have the respective meanings assigned to them in the Pooling and Servicing Agreement.

The Bank of New York,
as Trustee

By: _____
Name:
Title:

EXHIBIT H

FORM OF FINAL CERTIFICATION OF TRUSTEE

[Date]

[Depositor]

[Master Servicer]

[Sellers]

[Certificate Insurer]

Re: CWHEQ Home Equity Loan Trust, Series 2007-S3

Gentlemen:

In accordance with Section 2.02 of the Pooling and Servicing Agreement dated as of March 1, 2007 (the "Pooling and Servicing Agreement") among CWHEQ, Inc., as Depositor, Countrywide Home Loans, Inc., as a Seller, Park Granada LLC, as a Seller, Park Monaco Inc., as a Seller, Park Sienna LLC, as a Seller, Countrywide Home Loans Servicing LP, as Master Servicer, and the undersigned, as Trustee, the undersigned, as Trustee, hereby certifies that[, with respect to the Subsequent Mortgage Loans delivered in connection with the Subsequent Transfer Agreement, dated as of _____ (the "Subsequent Transfer Agreement") among CWHEQ, Inc., as Depositor, Countrywide Home Loans, Inc., as a Seller, Park Granada LLC, as a Seller, Park Monaco Inc., as a Seller, Park Sienna LLC, as a Seller and The Bank of New York, as Trustee,] as to each [Initial Mortgage Loan][Subsequent Mortgage Loan] listed in the [Mortgage Loan Schedule][Loan Number and Borrower Identification Mortgage Loan Schedule] (other than any [Initial Mortgage Loan][Subsequent Mortgage Loan] paid in full or listed on the attached Document Exception Report) the Trustee has received:

(i) the original Mortgage Note, endorsed by manual or facsimile signature in blank in the following form: "Pay to the order of _____ without recourse", with all intervening endorsements that show a complete chain of endorsement from the originator to the Person endorsing the Mortgage Note (each such endorsement being sufficient to transfer all right, title and interest of the party so endorsing, as noteholder or assignee thereof, in and to that Mortgage Note), or, if the original Mortgage Note has been lost or destroyed and not replaced, an original lost note affidavit, stating that the original Mortgage Note was lost or destroyed, together with a copy of the related Mortgage Note and all such intervening endorsements;

(ii) in the case of each [Initial Mortgage Loan][Subsequent Mortgage Loan] that is not a MERS Mortgage Loan, the original recorded Mortgage or a copy of such Mortgage, with recording information, and in the case of each [Initial Mortgage Loan][Subsequent Mortgage Loan] that is a MERS Mortgage Loan, the original Mortgage or a copy of such Mortgage, with recording information, noting the presence of the MIN of the [Initial Mortgage

Loan][Subsequent Mortgage Loan] and language indicating that the [Initial Mortgage Loan][Subsequent Mortgage Loan] is a MOM Loan if the [Initial Mortgage Loan][Subsequent Mortgage Loan] is a MOM Loan, with evidence of recording indicated thereon, or a copy of the Mortgage certified by the public recording office in which such Mortgage has been recorded];

(iii) in the case of each [Initial Mortgage Loan][Subsequent Mortgage Loan] that is not a MERS Mortgage Loan, a duly executed assignment of the Mortgage to "Home Equity Loan Asset Backed Certificates, Series 2007-S3, CWHEQ, Inc., by The Bank of New York, a New York banking corporation, as trustee under the Pooling and Servicing Agreement dated as of March 1, 2007, without recourse" or a copy of such assignment, with recording information, or, in the case of each [Initial Mortgage Loan][Subsequent Mortgage Loan] with respect to property located in the State of California that is not a MERS Mortgage Loan, a duly executed assignment of the Mortgage in blank (each such assignment, when duly and validly completed, to be in recordable form and sufficient to effect the assignment of and transfer to the assignee thereof, under the Mortgage to which such assignment relates);

(iv) the original recorded assignment or assignments of the Mortgage or a copy of such assignments, with recording information, together with all interim recorded assignments of such Mortgage or a copy of such assignments, with recording information (in each case noting the presence of a MIN in the case of each MERS Mortgage Loan);

(v) the original or copies of each assumption, modification, written assurance or substitution agreement, if any; and

(vi) the original or duplicate original lender's title policy or a copy of lender's title policy or a printout of the electronic equivalent and all riders thereto or any one of an original title binder, an original preliminary title report or an original title commitment, or a copy thereof certified by the title company.

If the public recording office in which a Mortgage or assignment thereof is recorded has retained the original of such Mortgage or assignment, the Trustee has received, in lieu thereof, a copy of the original Mortgage or assignment so retained, with evidence of recording thereon, certified to be true and complete by such recording office.

Based on its review and examination and only as to the foregoing documents, (i) such documents appear regular on their face and related to such Mortgage Loan, and (ii) the information set forth in items (i), (iv), (v), (vi), (viii) and (ix) of the definition of the "Mortgage Loan Schedule" in Section 1.01 of the Pooling and Servicing Agreement accurately reflects information set forth in the Mortgage File.

The Trustee has made no independent examination of any documents contained in each Mortgage File beyond the review specifically required in the Pooling and Servicing Agreement. The Trustee makes no representations as to: (i) the validity, legality, sufficiency, enforceability or genuineness of any of the documents contained in each Mortgage File of any of the [Initial Mortgage Loans][Subsequent Mortgage Loans] identified on the [Mortgage Loan Schedule][Loan Number and Borrower Identification Mortgage Loan Schedule] or (ii) the

collectibility, insurability, effectiveness or suitability of any such [Initial Mortgage Loan][Subsequent Mortgage Loan].

Capitalized words and phrases used herein shall have the respective meanings assigned to them in the Pooling and Servicing Agreement.

The Bank of New York,
as Trustee

By: _____
Name:
Title:

5. The Transferee has reviewed the provisions of Section 5.02(c) of the Agreement (attached hereto as Exhibit 2 and incorporated herein by reference) and understands the legal consequences of the acquisition of an Ownership Interest in the Certificate including, without limitation, the restrictions on subsequent Transfers and the provisions regarding voiding the Transfer and mandatory sales. The Transferee expressly agrees to be bound by and to abide by the provisions of Section 5.02(c) of the Agreement and the restrictions noted on the face of the Certificate. The Transferee understands and agrees that any breach of any of the representations included herein shall render the Transfer to the Transferee contemplated hereby null and void.

6. The Transferee agrees to require a Transfer Affidavit from any Person to whom the Transferee attempts to Transfer its Ownership Interest in the Certificate, and in connection with any Transfer by a Person for whom the Transferee is acting as nominee, trustee or agent, and the Transferee will not Transfer its Ownership Interest or cause any Ownership Interest to be Transferred to any Person that the Transferee knows is not a Permitted Transferee. In connection with any such Transfer by the Transferee, the Transferee agrees to deliver to the Trustee a certificate substantially in the form set forth as Exhibit J-1 to the Agreement (a "Transferor Certificate") to the effect that such Transferee has no actual knowledge that the Person to which the Transfer is to be made is not a Permitted Transferee.

7. The Transferee does not have the intention to impede the assessment or collection of any tax legally required to be paid with respect to the Class A-R Certificates.

8. The Transferee's taxpayer identification number is _____.

9. The Transferee is a U.S. Person as defined in Code section 7701(a)(30).

10. The Transferee is aware that the Class A-R Certificates may be "noneconomic residual interests" within the meaning of proposed Treasury regulations promulgated pursuant to the Code and that the transferor of a noneconomic residual interest will remain liable for any taxes due with respect to the income on such residual interest, unless no significant purpose of the transfer was to impede the assessment or collection of tax. In addition, as the holder of a noneconomic residual interest, the Transferee may incur tax liabilities in excess of any cash flows generated by the interest and the Transferee hereby represents that it intends to pay taxes associated with holding the residual interest as they become due.

11. The Transferee has provided financial statements or other financial information requested by the Transferor in connection with the transfer of the Class A-R Certificates to permit the Transferor to assess the financial capability of the Transferee to pay such taxes.

* * *

IN WITNESS WHEREOF, the Transferee has caused this instrument to be executed on its behalf, pursuant to authority of its Board of Directors, by its duly authorized officer and its corporate seal to be hereunto affixed, duly attested, this ____ day of _____, 20__.

[NAME OF TRANSFEREE]

By: _____
Name:
Title:

[Corporate Seal]

ATTEST:

[Assistant] Secretary

Personally appeared before me the above-named _____, known or proved to me to be the same person who executed the foregoing instrument and to be the _____ of the Transferee, and acknowledged that he executed the same as his free act and deed and the free act and deed of the Transferee.

Subscribed and sworn before me this ____ day of _____, 20__.

NOTARY PUBLIC
My Commission expires the ____ day of _____, 20__.

Certain Definitions

"Ownership Interest": As to any Certificate, any ownership interest in such Certificate, including any interest in such Certificate as the Holder thereof and any other interest therein, whether direct or indirect, legal or beneficial.

"Permitted Transferee": Any person other than (i) the United States, any State or political subdivision thereof, or any agency or instrumentality of any of the foregoing, (ii) a foreign government, International Organization or any agency or instrumentality of either of the foregoing, (iii) an organization (except certain farmers' cooperatives described in section 521 of the Code) that is exempt from tax imposed by Chapter 1 of the Code (including the tax imposed by section 511 of the Code on unrelated business taxable income) on any excess inclusions (as defined in section 860E(c)(1) of the Code) with respect to any Class A-R Certificate, (iv) rural electric and telephone cooperatives described in section 1381(a)(2)(C) of the Code, (v) an "electing large partnership" as defined in section 775 of the Code, (vi) a Person that is not a citizen or resident of the United States, a corporation, partnership, or other entity (treated as a corporation or a partnership for federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia, or an estate whose income from sources without the United States is includible in gross income for United States federal income tax purposes regardless of its connection with the conduct of a trade or business within the United States, or 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 trustor unless such Person has furnished the transferor and the Trustee with a duly completed Internal Revenue Service Form W-8ECI, and (vii) any other Person so designated by the Trustee based upon an Opinion of Counsel that the Transfer of an Ownership Interest in a Class A-R Certificate to such Person may cause any REMIC formed hereunder to fail to qualify as a REMIC at any time that any Certificates are Outstanding. The terms "United States," "State" and "International Organization" shall have the meanings set forth in section 7701 of the Code or successor provisions. A corporation will not be treated as an instrumentality of the United States or of any State or political subdivision thereof for these purposes if all of its activities are subject to tax and, with the exception of the Federal Home Loan Mortgage Corporation, a majority of its board of directors is not selected by such government unit.

"Person": Any individual, corporation, limited liability company, partnership, joint venture, bank, joint stock company, trust (including any beneficiary thereof), unincorporated organization or government or any agency or political subdivision thereof.

"Transfer": Any direct or indirect transfer or sale of any Ownership Interest in a Certificate, including the acquisition of a Certificate by the Depositor.

"Transferee": Any Person who is acquiring by Transfer any Ownership Interest in a Certificate.

Section 5.02(c) of the Agreement

(c) Each Person who has or who acquires any Ownership Interest in a Class A-R Certificate shall be deemed by the acceptance or acquisition of such Ownership Interest to have agreed to be bound by the following provisions, and the rights of each Person acquiring any Ownership Interest in a Class A-R Certificate are expressly subject to the following provisions:

(1) Each Person holding or acquiring any Ownership Interest in a Class A-R Certificate shall be a Permitted Transferee and shall promptly notify the Trustee of any change or impending change in its status as a Permitted Transferee.

(2) Except in connection with (i) the registration of the Tax Matters Person Certificate in the name of the Trustee or (ii) any registration in the name of, or transfer of a Class A-R Certificate to, an affiliate of the Depositor (either directly or through a nominee) in connection with the initial issuance of the Certificates, no Ownership Interest in a Class A-R Certificate may be registered on the Closing Date or thereafter transferred, and the Trustee shall not register the Transfer of any Class A-R Certificate, unless the Trustee shall have been furnished with an affidavit (a "Transfer Affidavit") of the initial owner or the proposed transferee in the form attached hereto as Exhibit I.

(3) Each Person holding or acquiring any Ownership Interest in a Class A-R Certificate shall agree (A) to obtain a Transfer Affidavit from any other Person to whom such Person attempts to Transfer its Ownership Interest in a Class A-R Certificate, (B) to obtain a Transfer Affidavit from any Person for whom such Person is acting as nominee, trustee or agent in connection with any Transfer of a Class A-R Certificate and (C) not to Transfer its Ownership Interest in a Class A-R Certificate, or to cause the Transfer of an Ownership Interest in a Class A-R Certificate to any other Person, if it has actual knowledge that such Person is not a Permitted Transferee.

(4) Any attempted or purported Transfer of any Ownership Interest in a Class A-R Certificate in violation of the provisions of this Section 5.02(c) shall be absolutely null and void and shall vest no rights in the purported Transferee. If any purported transferee shall become a Holder of a Class A-R Certificate in violation of the provisions of this Section 5.02(c), then the last preceding Permitted Transferee shall be restored to all rights as Holder thereof retroactive to the date of registration of Transfer of such Class A-R Certificate. The Trustee shall be under no liability to any Person for any registration of Transfer of a Class A-R Certificate that is in fact not permitted by Section 5.02(b) and this Section 5.02(c) or for making any payments due on such Certificate to the Holder thereof or taking any other action with respect to such Holder under the provisions of this Agreement so long as the Transfer was registered after receipt of the related Transfer Affidavit and Transferor Certificate. The Trustee shall be entitled but not obligated to recover from any Holder of a Class A-R Certificate that was in fact not a Permitted Transferee at the time it became a Holder or, at such subsequent time as it became other than a Permitted Transferee, all payments made on such Class A-R Certificate at and after either such time. Any such payments so recovered by the Trustee shall be paid and delivered by the Trustee to the last preceding Permitted Transferee of such Certificate.

(5) The Master Servicer shall use its best efforts to make available, upon receipt of written request from the Trustee, all information necessary to compute any tax imposed under section 860E(e) of the Code as a result of a Transfer of an Ownership Interest in a Class A-R Certificate to any Holder who is not a Permitted Transferee.

The restrictions on Transfers of a Class A-R Certificate set forth in this Section 5.02(c) shall cease to apply (and the applicable portions of the legend on a Class A-R Certificate may be deleted) with respect to Transfers occurring after delivery to the Trustee of an Opinion of Counsel, which Opinion of Counsel shall not be an expense of the Trustee, the Sellers or the Master Servicer to the effect that the elimination of such restrictions will not cause any constituent REMIC of any REMIC formed hereunder to fail to qualify as a REMIC at any time that the Certificates are outstanding or result in the imposition of any tax on the Trust Fund, a Certificateholder or another Person. Each Person holding or acquiring any ownership Interest in a Class A-R Certificate hereby consents to any amendment of this Agreement that, based on an Opinion of Counsel furnished to the Trustee, is reasonably necessary (a) to ensure that the record ownership of, or any beneficial interest in, a Class A-R Certificate is not transferred, directly or indirectly, to a Person that is not a Permitted Transferee and (b) to provide for a means to compel the Transfer of a Class A-R Certificate that is held by a Person that is not a Permitted Transferee to a Holder that is a Permitted Transferee.

EXHIBIT J-1

FORM OF TRANSFEROR CERTIFICATE FOR CLASS A-R CERTIFICATES

Date:

CWHEQ, Inc.
as Depositor
4500 Park Granada
Calabasas, California 91302

The Bank of New York
as Trustee
101 Barclay Street
New York, New York 10286

Re: CWHEQ Home Equity Loan Trust, Series 2007-S3

Ladies and Gentlemen:

In connection with our disposition of the Class A-R Certificates, we certify that we have no knowledge that the Transferee is not a Permitted Transferee. All capitalized terms used herein but not defined herein shall have the meanings assigned to them in the Pooling and Servicing Agreement dated as of March 1, 2007, among CWHEQ, Inc., as Depositor, Countrywide Home Loans, Inc., as a Seller, Park Granada LLC, as a Seller, Park Monaco Inc., as a Seller, Park Sienna LLC, as a Seller, Countrywide Home Loans Servicing LP, as Master Servicer, and The Bank of New York, as Trustee.

Very truly yours,

Name of Transferor

By: _____
Name:
Title:

EXHIBIT J-2

FORM OF TRANSFEROR CERTIFICATE FOR
PRIVATE CERTIFICATES

Date:

CWHEQ, Inc.,
as Depositor
4500 Park Granada
Calabasas, California 91302

The Bank of New York,
as Trustee
101 Barclay Street
New York, New York 10286

Re: CWHEQ Home Equity Loan Trust, Series 2007-S3, Class []

Ladies and Gentlemen:

In connection with our disposition of the above-captioned Certificates we certify that (a) we understand that the Certificates have not been registered under the Securities Act of 1933, as amended (the "Act"), and are being disposed by us in a transaction that is exempt from the registration requirements of the Act, (b) we have not offered or sold any Certificates to, or solicited offers to buy any Certificates from, any person, or otherwise approached or negotiated with any person with respect thereto, in a manner that would be deemed, or taken any other action which would result in, a violation of Section 5 of the Act. All capitalized terms used herein but not defined herein shall have the meanings assigned to them in the Pooling and Servicing Agreement dated as of March 1, 2007, among CWHEQ, Inc., as Depositor, Countrywide Home Loans, Inc., as a Seller, Park Granada LLC, as a Seller, Park Monaco Inc., as a Seller, Park Sienna LLC, as a Seller, Countrywide Home Loans Servicing LP, as Master Servicer, and The Bank of New York, as Trustee.

Very truly yours,

Name of Transferor

By: _____
Name:
Title:

J-2-1

EXHIBIT K

FORM OF INVESTMENT LETTER (NON-RULE 144A)

Date:

CWHEQ, Inc.,
as Depositor
4500 Park Granada
Calabasas, California 91302

The Bank of New York,
as Trustee
101 Barclay St., 4W
New York, New York 10286

Re: CWHEQ Home Equity Loan Trust, Series 2007-S3, Class []

Ladies and Gentlemen:

In connection with our acquisition of the above-captioned Certificates we certify that (a) we understand that the Certificates are not being registered under the Securities Act of 1933, as amended (the "Act"), or any state securities laws and are being transferred to us in a transaction that is exempt from the registration requirements of the Act and any such laws, (b) we are an "accredited investor," as defined in Regulation D under the Act, and have such knowledge and experience in financial and business matters that we are capable of evaluating the merits and risks of investments in the Certificates, (c) we have had the opportunity to ask questions of and receive answers from the Depositor concerning the purchase of the Certificates and all matters relating thereto or any additional information deemed necessary to our decision to purchase the Certificates, (d) either (i) we are not an employee benefit plan that is subject to the Employee Retirement Income Security Act of 1974, as amended, or a plan or arrangement that is subject to Section 4975 of the Internal Revenue Code of 1986, as amended, nor are we acting on behalf of any such plan or arrangement, or using the assets of any such plan or arrangement to effect such acquisition or (ii) if the Certificates have been the subject of an ERISA-Qualifying Underwriting, we are an insurance company which is purchasing such Certificates with funds contained in an "insurance company general account" (as such term is defined in Section V(e) of Prohibited Transaction Class Exemption 95-60 ("PTCE 95-60")) and the purchase and holding of such Certificates are covered under Sections I and III of PTCE 95-60, (e) we are acquiring the Certificates for investment for our own account and not with a view to any distribution of such Certificates (but without prejudice to our right at all times to sell or otherwise dispose of the Certificates in accordance with clause (g) below), (f) we have not offered or sold any Certificates to, or solicited offers to buy any Certificates from, any person, or otherwise approached or negotiated with any person with respect thereto, or taken any other action which would result in a violation of Section 5 of the Act, and (g) we will not sell, transfer or otherwise dispose of any Certificates unless (1) such sale, transfer or other disposition is made pursuant to an effective registration statement under the Act or is exempt from such registration requirements, and if

K-1

requested, we will at our expense provide an opinion of counsel satisfactory to the addressees of this Certificate that such sale, transfer or other disposition may be made pursuant to an exemption from the Act, (2) the purchaser or transferee of such Certificate has executed and delivered to you a certificate to substantially the same effect as this certificate, and (3) the purchaser or transferee has otherwise complied with any conditions for transfer set forth in the Pooling and Servicing Agreement.

All capitalized terms used herein but not defined herein shall have the meanings assigned to them in the Pooling and Servicing Agreement dated as of March 1, 2007, among CWHEQ, Inc., as Depositor, Countrywide Home Loans, Inc., as a Seller, Park Granada LLC, as a Seller, Park Monaco Inc., as a Seller, Park Sienna LLC, as a Seller, Countrywide Home Loans Servicing LP, as Master Servicer, and The Bank of New York, as Trustee.

Very truly yours,

Name of Transferee

By: _____
Authorized Officer

EXHIBIT L

FORM OF RULE 144A LETTER

Date:

CWHEQ, Inc.,
as Depositor
4500 Park Granada
Calabasas, California 91302

The Bank of New York,
as Trustee
101 Barclay Street
New York, New York 10286

Re: CWHEQ Home Equity Loan Trust, Series 2007-S3, Class []

Ladies and Gentlemen:

In connection with our acquisition of the above-captioned Certificates we certify that (a) we understand that the Certificates are not being registered under the Securities Act of 1933, as amended (the "Act"), or any state securities laws and are being transferred to us in a transaction that is exempt from the registration requirements of the Act and any such laws, (b) we have such knowledge and experience in financial and business matters that we are capable of evaluating the merits and risks of investments in the Certificates, (c) we have had the opportunity to ask questions of and receive answers from the Depositor concerning the purchase of the Certificates and all matters relating thereto or any additional information deemed necessary to our decision to purchase the Certificates, (d) either (i) we are not an employee benefit plan that is subject to the Employee Retirement Income Security Act of 1974, as amended, or a plan or arrangement that is subject to Section 4975 of the Internal Revenue Code of 1986, as amended, nor are we acting on behalf of any such plan or arrangement, or using the assets of any such plan or arrangement to effect such acquisition or (ii) if the Certificates have been the subject of an ERISA-Qualifying Underwriting, we are an insurance company which is purchasing such Certificates with funds contained in an "insurance company general account" (as such term is defined in Section V(e) of Prohibited Transaction Class Exemption 95-60 ("PTCE 95-60")) and the purchase and holding of such Certificates are covered under Sections I and III of PTCE 95-60, (e) we have not, nor has anyone acting on our behalf offered, transferred, pledged, sold or otherwise disposed of the Certificates, any interest in the Certificates or any other similar security to, or solicited any offer to buy or accept a transfer, pledge or other disposition of the Certificates, any interest in the Certificates or any other similar security from, or otherwise approached or negotiated with respect to the Certificates, any interest in the Certificates or any other similar security with, any person in any manner, or made any general solicitation by means of general advertising or in any other manner, or taken any other action, that would constitute a distribution of the Certificates under the Securities Act or that would render the disposition of the Certificates a violation of Section 5 of the Securities Act or require registration pursuant thereto,

nor will act, nor has authorized or will authorize any person to act, in such manner with respect to the Certificates, (f) we are a "qualified institutional buyer" as that term is defined in Rule 144A under the Securities Act and have completed either of the forms of certification to that effect attached hereto as Annex 1 or Annex 2. We are aware that the sale to us is being made in reliance on Rule 144A. We are acquiring the Certificates for our own account or for resale pursuant to Rule 144A and further, understand that such Certificates may be resold, pledged or transferred only (i) to a person reasonably believed to be a qualified institutional buyer that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that the resale, pledge or transfer is being made in reliance on Rule 144A, or (ii) pursuant to another exemption from registration under the Securities Act.

All capitalized terms used herein but not defined herein shall have the meanings assigned to them in the Pooling and Servicing Agreement dated as of March 1, 2007, among CWHEQ, Inc., as Depositor, Countrywide Home Loans, Inc., as a Seller, Park Granada LLC, as a Seller, Park Monaco Inc., as a Seller, Park Sienna LLC, as a Seller, Countrywide Home Loans Servicing LP, as Master Servicer, and The Bank of New York, as Trustee.

Very truly yours,

Name of Transferee

By: _____
Authorized Officer

ANNEX I TO EXHIBIT L

QUALIFIED INSTITUTIONAL BUYER STATUS UNDER SEC RULE 144A

[For Transferees Other Than Registered Investment Companies]

The undersigned (the "Buyer") hereby certifies as follows to the parties listed in the Rule 144A Transferee Certificate to which this certification relates with respect to the Certificates described therein:

As indicated below, the undersigned is the President, Chief Financial Officer, Senior Vice President or other executive officer of the Buyer.

In connection with purchases by the Buyer, the Buyer is a "qualified institutional buyer" as that term is defined in Rule 144A under the Securities Act of 1933, as amended ("Rule 144A") because (i) the Buyer owned and/or invested on a discretionary basis either at least \$100,000,000 in securities or, if Buyer is a dealer, Buyer must own and/or invest on a discretionary basis at least \$10,000,000 in securities (except for the excluded securities referred to below) as of the end of the Buyer's most recent fiscal year (such amount being calculated in accordance with Rule 144A and (ii) the Buyer satisfies the criteria in the category marked below.

___ Corporation, etc. The Buyer is a corporation (other than a bank, savings and loan association or similar institution), Massachusetts or similar business trust, partnership, or charitable organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended.

___ Bank. The Buyer (a) is a national bank or banking institution organized under the laws of any State, territory or the District of Columbia, the business of which is substantially confined to banking and is supervised by the State or territorial banking commission or similar official or is a foreign bank or equivalent institution, and (b) has an audited net worth of at least \$25,000,000 as demonstrated in its latest annual financial statements, a copy of which is attached hereto.

___ Savings and Loan. The Buyer (a) is a savings and loan association, building and loan association, cooperative bank, homestead association or similar institution, which is supervised and examined by a State or Federal authority having supervision over any such institutions or is a foreign savings and loan association or equivalent institution and (b) has an audited net worth of at least \$25,000,000 as demonstrated in its latest annual financial statements, a copy of which is attached hereto.

___ Broker-dealer. The Buyer is a dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934.

___ Insurance Company. The Buyer is an insurance company whose primary and predominant business activity is the writing of insurance or the reinsuring of

risks underwritten by insurance companies and which is subject to supervision by the insurance commissioner or a similar official or agency of a State, territory or the District of Columbia.

- ___ State or Local Plan. The Buyer is a plan established and maintained by a State, its political subdivisions, or any agency or instrumentality of the State or its political subdivisions, for the benefit of its employees.
- ___ ERISA Plan. The Buyer is an employee benefit plan within the meaning of Title I of the Employee Retirement Income Security Act of 1974.
- ___ Investment Advisor. The Buyer is an investment advisor registered under the Investment Advisors Act of 1940.
- ___ Small Business Investment Company. Buyer is a small business investment company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958.
- ___ Business Development Company. Buyer is a business development company as defined in Section 202(a)(22) of the Investment Advisors Act of 1940.

The term "securities" as used herein does not include (i) securities of issuers that are affiliated with the Buyer, (ii) securities that are part of an unsold allotment to or subscription by the Buyer, if the Buyer is a dealer, (iii) securities issued or guaranteed by the U.S. or any instrumentality thereof, (iv) bank deposit notes and certificates of deposit, (v) loan participations, (vi) repurchase agreements, (vii) securities owned but subject to a repurchase agreement and (viii) currency, interest rate and commodity swaps.

For purposes of determining the aggregate amount of securities owned and/or invested on a discretionary basis by the Buyer, the Buyer used the cost of such securities to the Buyer and did not include any of the securities referred to in the preceding paragraph, except (i) where the Buyer reports its securities holdings in its financial statements on the basis of their market value, and (ii) no current information with respect to the cost of those securities has been published. If clause (ii) in the preceding sentence applies, the securities may be valued at market. Further, in determining such aggregate amount, the Buyer may have included securities owned by subsidiaries of the Buyer, but only if such subsidiaries are consolidated with the Buyer in its financial statements prepared in accordance with generally accepted accounting principles and if the investments of such subsidiaries are managed under the Buyer's direction. However, such securities were not included if the Buyer is a majority-owned, consolidated subsidiary of another enterprise and the Buyer is not itself a reporting company under the Securities Exchange Act of 1934, as amended.

The Buyer acknowledges that it is familiar with Rule 144A and understands that the seller to it and other parties related to the Certificates are relying and will continue to rely on the statements made herein because one or more sales to the Buyer may be in reliance on Rule 144A.

Until the date of purchase of the Rule 144A Securities, the Buyer will notify each of the parties to which this certification is made of any changes in the information and conclusions herein. Until such notice is given, the Buyer's purchase of the Certificates will constitute a reaffirmation of this certification as of the date of such purchase. In addition, if the Buyer is a bank or savings and loan is provided above, the Buyer agrees that it will furnish to such parties updated annual financial statements promptly after they become available.

Print Name of Buyer

By: _____

Name:

Title:

Date: _____

ANNEX 2 TO EXHIBIT L

QUALIFIED INSTITUTIONAL BUYER STATUS UNDER SEC RULE 144A

[For Transferees That are Registered Investment Companies]

The undersigned (the "Buyer") hereby certifies as follows to the parties listed in the Rule 144A Transferee Certificate to which this certification relates with respect to the Certificates described therein:

1. As indicated below, the undersigned is the President, Chief Financial Officer or Senior Vice President of the Buyer or, if the Buyer is a "qualified institutional buyer" as that term is defined in Rule 144A under the Securities Act of 1933, as amended ("Rule 144A") because Buyer is part of a Family of Investment Companies (as defined below), is such an officer of the Adviser.

In connection with purchases by Buyer, the Buyer is a "qualified institutional buyer" as defined in SEC Rule 144A because (i) the Buyer is an investment company registered under the Investment Company Act of 1940, as amended and (ii) as marked below, the Buyer alone, or the Buyer's Family of Investment Companies, owned at least \$100,000,000 in securities (other than the excluded securities referred to below) as of the end of the Buyer's most recent fiscal year. For purposes of determining the amount of securities owned by the Buyer or the Buyer's Family of Investment Companies, the cost of such securities was used, except (i) where the Buyer or the Buyer's Family of Investment Companies reports its securities holdings in its financial statements on the basis of their market value, and (ii) no current information with respect to the cost of those securities has been published. If clause (ii) in the preceding sentence applies, the securities may be valued at market.

— The Buyer owned \$ _____ in securities (other than the excluded securities referred to below) as of the end of the Buyer's most recent fiscal year (such amount being calculated in accordance with Rule 144A).

— The Buyer is part of a Family of Investment Companies which owned in the aggregate \$ _____ in securities (other than the excluded securities referred to below) as of the end of the Buyer's most recent fiscal year (such amount being calculated in accordance with Rule 144A).

The term "Family of Investment Companies" as used herein means two or more registered investment companies (or series thereof) that have the same investment adviser or investment advisers that are affiliated (by virtue of being majority owned subsidiaries of the same parent or because one investment adviser is a majority owned subsidiary of the other).

The term "securities" as used herein does not include (i) securities of issuers that are affiliated with the Buyer or are part of the Buyer's Family of Investment Companies, (ii) securities issued or guaranteed by the U.S. or any instrumentality thereof, (iii) bank deposit notes and certificates of deposit, (iv) loan participations, (v) repurchase

agreements, (vi) securities owned but subject to a repurchase agreement and (vii) currency, interest rate and commodity swaps.

The Buyer is familiar with Rule 144A and understands that the parties listed in the Rule 144A Transferee Certificate to which this certification relates are relying and will continue to rely on the statements made herein because one or more sales to the Buyer will be in reliance on Rule 144A. In addition, the Buyer will only purchase for the Buyer's own account.

Until the date of purchase of the Certificates, the undersigned will notify the parties listed in the Rule 144A Transferee Certificate to which this certification relates of any changes in the information and conclusions herein. Until such notice is given, the Buyer's purchase of the Certificates will constitute a reaffirmation of this certification by the undersigned as of the date of such purchase.

Print Name of Buyer or Adviser

By: _____
Name:
Title:

IF AN ADVISER:

Print Name of Buyer

Date: _____

EXHIBIT M

FORM OF REQUEST FOR DOCUMENT RELEASE

Loan Information

Name of Mortgagor: _____

Master Servicer
Loan No.: _____

Trustee

Name: _____

Address: _____

Trustee
Mortgage File No.: _____

The undersigned Master Servicer hereby acknowledges that it has received from _____, as Trustee for the Holders of Home Equity Loan Asset Backed Certificates, Series 2007-S3, the documents referred to below (the "Documents"). All capitalized terms not otherwise defined in this Request for Document Release shall have the meanings given them in the Pooling and Servicing Agreement dated as of March 1, 2007 (the "Pooling and Servicing Agreement") among CWHEQ, Inc., as Depositor, Countrywide Home Loans, Inc., as a Seller, Park Granada LLC, as a Seller, Park Monaco Inc., as a Seller, Park Sienna LLC, as a Seller, Countrywide Home Loans Servicing LP, as Master Servicer, and The Bank of New York, as Trustee.

- () Mortgage Note dated _____, _____, in the original principal sum of \$ _____, made by _____, payable to, or endorsed to the order of, the Trustee.
- () Mortgage recorded on _____ as instrument no. _____ in the County Recorder's Office of the County of _____, State of _____ in book/reel/docket _____ of official records at page/image _____.
- () Deed of Trust recorded on _____ as instrument no. _____ in the County Recorder's Office of the County of _____, State of _____ in book/reel/docket _____ of official records at page/image _____.
- () Assignment of Mortgage or Deed of Trust to the Trustee, recorded on _____ as instrument no. _____ in the County Recorder's Office of _____

the County of _____, State of _____ in book/reel/docket
_____ of official records at page/image _____.

- () Other documents, including any amendments, assignments or other assumptions of the Mortgage Note or Mortgage.
- () _____
- () _____
- () _____
- () _____

The undersigned Master Servicer hereby acknowledges and agrees as follows:

(1) The Master Servicer shall hold and retain possession of the Documents in trust for the benefit of the Trust Fund, solely for the purposes provided in the Pooling and Servicing Agreement.

(2) The Master Servicer shall not cause or knowingly permit the Documents to become subject to, or encumbered by, any claim, liens, security interest, charges, writs of attachment or other impositions nor shall the Master Servicer assert or seek to assert any claims or rights of setoff to or against the Documents or any proceeds thereof.

(3) The Master Servicer shall return each and every Document previously requested from the Mortgage File to the Trustee when the need therefor no longer exists, unless the Mortgage Loan relating to the Documents has been liquidated and the proceeds thereof have been remitted to the Certificate Account and except as expressly provided in the Pooling and Servicing Agreement.

(4) The Documents and any proceeds thereof, including any proceeds of proceeds, coming into the possession or control of the Master Servicer shall at all times be earmarked for the account of the Trust Fund, and the Master Servicer shall keep the Documents and any proceeds separate and distinct from all other property in the Master Servicer's possession, custody or control.

[Master Servicer]

By _____

Its _____

Date: _____, _____

EXHIBIT N

FORM OF REQUEST FOR FILE RELEASE

OFFICER'S CERTIFICATE AND TRUST RECEIPT
HOME EQUITY LOAN ASSET BACKED CERTIFICATES,
Series 2007-S3

_____ HEREBY CERTIFIES THAT HE/SHE IS AN OFFICER OF THE MASTER SERVICER, HOLDING THE OFFICE SET FORTH BENEATH HIS/HER SIGNATURE, AND HEREBY FURTHER CERTIFIES AS FOLLOWS:

WITH RESPECT TO THE MORTGAGE LOANS, AS THE TERM IS DEFINED IN THE POOLING AND SERVICING AGREEMENT DESCRIBED IN THE ATTACHED SCHEDULE:

[ALL PAYMENTS OF PRINCIPAL AND INTEREST HAVE BEEN MADE.] [THE PURCHASE PRICE FOR SUCH MORTGAGE LOANS HAS BEEN PAID.] [THE MORTGAGE LOANS HAVE BEEN LIQUIDATED AND THE RELATED [INSURANCE PROCEEDS] [LIQUIDATION PROCEEDS] HAVE BEEN DEPOSITED PURSUANT TO SECTION 3.13 OF THE POOLING AND SERVICING AGREEMENT.] [A REPLACEMENT MORTGAGE LOAN HAS BEEN DELIVERED TO THE TRUSTEE IN THE MANNER AND OTHERWISE IN ACCORDANCE WITH THE CONDITIONS SET FORTH IN SECTIONS 2.02 AND 2.03 OF THE POOLING AND SERVICING AGREEMENT.]

LOAN NUMBER: _____ BORROWER'S NAME: _____

COUNTY: _____

[For Substitution or Repurchase Only: The Master Servicer certifies that [an] [no] opinion is required by Section 2.05 [and is attached hereto].]

I HEREBY CERTIFY THAT ALL AMOUNTS RECEIVED IN CONNECTION WITH SUCH PAYMENTS, THAT ARE REQUIRED TO BE DEPOSITED IN THE CERTIFICATE ACCOUNT PURSUANT TO SECTION 3.05 OF THE POOLING AND SERVICING AGREEMENT, HAVE BEEN OR WILL BE CREDITED.

DATED: _____

//
//

VICE
ASSISTANT VICE PRESIDENT

PRESIDENT

Exhibit O

Exhibit O is a photocopy
of the Depository Agreement
as delivered.

[See appropriate documents delivered at closing.]

EXHIBIT P

FORM OF SUBSEQUENT TRANSFER AGREEMENT

SUBSEQUENT TRANSFER AGREEMENT, dated as of _____, 200[] (this "Subsequent Transfer Agreement"), among CWHEQ, INC., a Delaware corporation, as depositor (the "Depositor"), COUNTRYWIDE HOME LOANS, INC., a New York corporation, in its capacity as a seller under the Pooling and Servicing Agreement referred to below ("CHL"), PARK GRANADA LLC, a Delaware corporation, in its capacity as a seller under the Pooling and Servicing Agreement ("Park Granada"), PARK MONACO INC., a Delaware corporation, in its capacity as a seller under the Pooling and Servicing Agreement ("Park Monaco"), PARK SIENNA LLC, a Delaware limited liability company, in its capacity as a seller under the Pooling and Servicing Agreement ("Park Sienna" and, together with CHL, Park Granada and Park Monaco, the "Sellers") and The Bank of New York, a New York banking corporation, as trustee (the "Trustee");

WHEREAS, the Depositor, CHL, Park Granada, Park Monaco, Park Sienna, the Trustee, Countrywide Home Loans Servicing LP, as Master Servicer, and The Bank of New York, as Trustee, have entered in the Pooling and Servicing Agreement, dated as of March 1, 2007 (the "Pooling and Servicing Agreement"), relating to the CWHEQ, Inc. Home Equity Loan Asset Backed Certificates, Series 2007-S3 (capitalized terms not otherwise defined herein are used as defined in the Pooling and Servicing Agreement);

WHEREAS, Section 2.01(b) of the Pooling and Servicing Agreement provides for the parties hereto to enter into this Subsequent Transfer Agreement in accordance with the terms and conditions of the Pooling and Servicing Agreement;

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration the receipt and adequacy of which are hereby acknowledged the parties hereto agree as follows:

(a) The "Subsequent Transfer Date" with respect to this Subsequent Transfer Agreement shall be _____, 200[].

(b) The "Subsequent Transfer Date Purchase Amount" with respect to this Subsequent Transfer Agreement shall be \$_____.

(c) The Subsequent Mortgage Loans conveyed on the Subsequent Transfer Date shall be subject to the terms and conditions of the Pooling and Servicing Agreement.

(d) Annex I hereto sets forth a list of the Mortgage Loans which are Delay Delivery Mortgage Loans.

(e) In case any provision of this Subsequent Transfer Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions or obligations shall not in any way be affected or impaired thereby.

(f) In the event of any conflict between the provisions of this Subsequent Transfer Agreement and the Pooling and Servicing Agreement, the provisions of the Pooling and Servicing Agreement shall prevail.

(g) This Subsequent Transfer Agreement shall be governed by, and shall be construed and enforced in accordance with the laws of the State of New York.

(h) The Subsequent Transfer Agreement may be executed in one or more counterparts, each of which so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties to this Subsequent Transfer Agreement have caused their names to be signed hereto by their respective officers thereunto duly authorized as of the day and year first above written.

CWHEQ, INC.,
as Depositor

By: _____
Name:
Title:

COUNTRYWIDE HOME LOANS, INC.,
as a Seller

By: _____
Name:
Title:

PARK GRANADA LLC,
as a Seller

By: _____
Name:
Title:

PARK MONACO INC.,
as a Seller

By: _____
Name:
Title:

PARK SIENNA LLC,
as a Seller

By: _____
Name:
Title:

THE BANK OF NEW YORK,
not in its individual capacity,
but solely as Trustee

By: _____
Name:
Title:

Annex I

Mortgage Loans for which All or a Portion of a Related Mortgage File is not Delivered to the
Trustee on or prior to the Subsequent Transfer Date

EXHIBIT Q

[Reserved]

EXHIBIT R

[Reserved]

EXHIBIT S-1

[Reserved]

EXHIBIT S-2

[Reserved]

EXHIBIT T

OFFICER'S CERTIFICATE WITH RESPECT TO PREPAYMENTS

HOME EQUITY LOAN ASSET BACKED CERTIFICATES,
Series 2007-S3

[Date]

Via Facsimile

The Bank of New York,
as Trustee
101 Barclay Street
New York, New York 10286

Dear Sir or Madam:

Reference is made to the Pooling and Servicing Agreement, dated as of March 1, 2007, (the "Pooling and Servicing Agreement") among CWHEQ, Inc., as Depositor, Countrywide Home Loans, Inc., as a Seller, Park Granada LLC, as a Seller, Park Monaco Inc., as a Seller, Park Sienna LLC, as a Seller, Countrywide Home Loans Servicing LP, as Master Servicer, and The Bank of New York, as Trustee. Capitalized terms used herein shall have the meanings ascribed to such terms in the Pooling and Servicing Agreement.

_____ hereby certifies that he/she is a Servicing Officer, holding the office set forth beneath his/her name and hereby further certifies as follows:

With respect to the Distribution Date in _____ 20[] and each Mortgage Loan set forth in the attached schedule:

1. A Principal Prepayment in full or in part was received during the related Prepayment Period;

2. Any Prepayment Charge due under the terms of the Mortgage Note with respect to such Principal Prepayment was or was not, as indicated on the attached schedule using "Yes" or "No", received from the Mortgagor and deposited in the Certificate Account;

3. As to each Mortgage Loan set forth on the attached schedule for which all or part of the Prepayment Charge required in connection with the Principal Prepayment was waived by the Master Servicer, such waiver was, as indicated on the attached schedule, based upon:

(i) the Master Servicer's determination that such waiver would maximize recovery of Liquidation Proceeds for such Mortgage Loan, taking into account the value of such Prepayment Charge, or

(ii)(A) the enforceability thereof is limited (1) by bankruptcy, insolvency, moratorium, receivership, or other similar law relating to creditors' rights generally or (2) due to acceleration in connection with a foreclosure or other involuntary payment, or (B) the enforceability is otherwise limited or prohibited by applicable law; and

4. We certify that all amounts due in connection with the waiver of a Prepayment Charge inconsistent with clause 3 above which are required to be deposited by the Master Servicer pursuant to Section 3.20 of the Pooling and Servicing Agreement, have been or will be so deposited.

COUNTRYWIDE HOME LOANS, INC.,
as Master Servicer

By: _____
Name:
Title:

SCHEDULE OF MORTGAGE LOANS FOR WHICH A PREPAYMENT WAS RECEIVED
DURING THE RELATED PREPAYMENT PERIOD

Loan Number	Clause 2: Yes/No	Clause 3: (i) or (ii)

EXHIBIT U

[Reserved]

EXHIBIT V-1

[Reserved]

EXHIBIT V-2

[Reserved]

EXHIBIT V-3

[Reserved]

EXHIBIT W
MONTHLY STATEMENT
[On file with Trustee]

EXHIBIT X-1

FORM OF PERFORMANCE CERTIFICATION
(Subservicer)

Re. The Pooling and Servicing Agreement dated as of March 1, 2007 (the "Pooling and Servicing Agreement") among CWHEQ, Inc., as Depositor, Countrywide Home Loans, Inc., as a Seller, Park Granada LLC, as a Seller, Park Monaco Inc., as a Seller, Park Sienna LLC, as a Seller, Countrywide Home Loans Servicing LP, as Master Servicer, and the undersigned, as Trustee, and [Subservicing Agreement] dated as of [] (the "Agreement")

I, _____, the _____ of [NAME OF COMPANY] (the "Company"), certify to the Depositor and the Master Servicer, and their officers, with the knowledge and intent that they will rely upon this certification, that:

(1) I have reviewed the servicer compliance statement of the Company provided in accordance with Item 1123 of Regulation AB (the "Compliance Statement"), the report on assessment of the Company's compliance with the servicing criteria set forth in Item 1122(d) of Regulation AB (the "Servicing Criteria"), provided in accordance with Rules 13a-18 and 15d-18 under Securities Exchange Act of 1934, as amended (the "Exchange Act") and Item 1122 of Regulation AB (the "Servicing Assessment"), the registered public accounting firm's attestation report provided in accordance with Rules 13a-18 and 15d-18 under the Exchange Act and Section 1122(b) of Regulation AB (the "Attestation Report"), all servicing reports, officer's certificates and other information relating to the servicing of the Mortgage Loans by the Company during 200[] that were delivered by the Company to the Depositor, the Master Servicer and the Trustee pursuant to the Agreement (collectively, the "Company Servicing Information"),

(2) Based on my knowledge, the Company Servicing Information, taken as a whole, does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in the light of the circumstances under which such statements were made, not misleading with respect to the period of time covered by the Company Servicing Information;

(3) Based on my knowledge, all of the Company Servicing Information required to be provided by the Company under the Agreement has been provided to the [Depositor] [Master Servicer];

(4) I am responsible for reviewing the activities performed by the Company as a servicer under the Agreement, and based on my knowledge and the compliance review conducted in preparing the Compliance Statement and except as disclosed in the Compliance Statement, the Servicing Assessment or the Attestation Report, the Company has fulfilled its obligations under the Agreement; and

(5) The Compliance Statement required to be delivered by the Company pursuant to the Agreement, and the Servicing Assessment and Attestation Report required to be provided by the Company and by any Subservicer or Subcontractor pursuant to the Agreement, have been provided to the Master Servicer. Any material instances of noncompliance described in such reports have been disclosed to the Master Servicer. Any material instance of noncompliance with the Servicing Criteria has been disclosed in such reports.

Date: _____

By: _____
Name:
Title:

EXHIBIT X-2

FORM OF PERFORMANCE CERTIFICATION
(Trustee)

Re: The Pooling and Servicing Agreement dated as of March 1, 2007 (the "Pooling and Servicing Agreement") among CWHEQ, Inc., as Depositor, Countrywide Home Loans, Inc., as a Seller, Park Granada LLC, as a Seller, Park Monaco Inc., as a Seller, Park Sienna LLC, as a Seller, Countrywide Home Loans Servicing LP, as Master Servicer, and the undersigned, as Trustee.

I, _____, the _____ of [NAME OF COMPANY] (the "Company"), certify to the Depositor and the Master Servicer, and their officers, with the knowledge and intent that they will rely upon this certification, that:

(1) I have reviewed the report on assessment of the Company's compliance with the servicing criteria set forth in Item 1122(d) of Regulation AB (the "Servicing Criteria"), provided in accordance with Rules 13a-18 and 15d-18 under Securities Exchange Act of 1934, as amended (the "Exchange Act") and Item 1122 of Regulation AB (the "Servicing Assessment"), the registered public accounting firm's attestation report provided in accordance with Rules 13a-18 and 15d-18 under the Exchange Act and Section 1122(b) of Regulation AB (the "Attestation Report"), [all reports on Form 10-D containing statements to certificateholders filed in respect of the period included in the year covered by the annual report of the Trust Fund] (collectively, the "Distribution Date Statements");

(2) Assuming the accuracy and completeness of the information delivered to the Company by the Master Servicer as provided in the Pooling and Servicing Agreement and subject to paragraph (4) below, the distribution information determined by the Company and set forth in the Distribution Date Statements contained in all Form 10-D's included in the year covered by the annual report of such Trust on Form 10-K for the calendar year 200[], is complete and does not contain any material misstatement of fact as of the last day of the period covered by such annual report;

(3) Based solely on the information delivered to the Company by the Master Servicer as provided in the Pooling and Servicing Agreement, (i) the distribution information required under the Pooling and Servicing Agreement to be contained in the Trust Fund's Distribution Date Statements and (ii) the servicing information required to be provided by the Master Servicer to the trustee for inclusion in the Trust Fund's Distribution Date Statements, to the extent received by the Trustee from the Master Servicer in accordance with the Pooling and Servicing Agreement, is included in such Distribution Date Statements;

(4) The Company is not certifying as to the accuracy, completeness or correctness of the information which it received from the Master Servicer and did not

independently verify or confirm the accuracy, completeness or correctness of the information provided by the Master Servicer;

(5) I am responsible for reviewing the activities performed by the Company as a person "performing a servicing function" under the Pooling and Servicing Agreement, and based on my knowledge and the compliance review conducted in preparing the Servicing Assessment and except as disclosed in the Servicing Assessment or the Attestation Report, the Company has fulfilled its obligations under the Pooling and Servicing Agreement; and

(6) The Servicing Assessment and Attestation Report required to be provided by the Company and by Subcontractor pursuant to the Pooling and Servicing Agreement, have been provided to the Master Servicer and the Depositor. Any material instances of noncompliance described in such reports have been disclosed to the Master Servicer and the Depositor. Any material instance of noncompliance with the Servicing Criteria has been disclosed in such reports.

Date: _____

By: _____
Name:
Title:

EXHIBIT Y

FORM OF
SERVICING CRITERIA TO BE ADDRESSED IN
ASSESSMENT OF COMPLIANCE STATEMENT

The assessment of compliance to be delivered by [the Master Servicer] [Trustee] [Name of Subservicer] shall address, at a minimum, the criteria identified as below as "Applicable Servicing Criteria":

Servicing Criteria		Applicable Servicing Criteria
Reference	Criteria	
	General Servicing Considerations	
1122(d)(1)(i)	Policies and procedures are instituted to monitor any performance or other triggers and events of default in accordance with the transaction agreements	
1122(d)(1)(ii)	If any material servicing activities are outsourced to third parties, policies and procedures are instituted to monitor the third party's performance and compliance with such servicing activities.	
1122(d)(1)(iii)	Any requirements in the transaction agreements to maintain a back-up servicer for the mortgage loans are maintained	
1122(d)(1)(iv)	A fidelity bond and errors and omissions policy is in effect on the party participating in the servicing function throughout the reporting period in the amount of coverage required by and otherwise in accordance with the terms of the transaction agreements	
	Cash Collection and Administration	
1122(d)(2)(i)	Payments on mortgage loans are deposited into the appropriate custodial bank accounts and related bank clearing accounts no more than two business days following receipt, or such other number of days specified in the transaction agreements.	
1122(d)(2)(ii)	Disbursements made via wire transfer on behalf of an obligor or to an investor are made only by authorized personnel.	
1122(d)(2)(iii)	Advances of funds or guarantees regarding collections, cash flows or distributions, and any interest or other fees charged for such advances, are made, reviewed and approved as specified in the transaction agreements	
1122(d)(2)(iv)	The related accounts for the transaction, such as cash reserve accounts or accounts established as a form of overcollateralization, are separately maintained (e.g., with respect to commingling of cash) as set forth in the transaction agreements	
1122(d)(2)(v)	Each custodial account is maintained at a federally insured depository institution as set forth in the transaction agreements. For purposes of this criterion, "federally insured depository institution" with respect to a foreign financial institution means a foreign financial institution that meets the requirements of Rule 13k-1(b)(1) of the Securities Exchange Act	
1122(d)(2)(vi)	Unissued checks are safeguarded so as to prevent unauthorized access.	

Servicing Criteria		Applicable Servicing Criteria
Reference	Criteria	
1122(d)(2)(vii)	Reconciliations are prepared on a monthly basis for all Asset Backed securities related bank accounts, including custodial accounts and related bank clearing accounts. These reconciliations are (A) mathematically accurate; (B) prepared within 30 calendar days after the bank statement cutoff date, or such other number of days specified in the transaction agreements; (C) reviewed and approved by someone other than the person who prepared the reconciliation; and (D) contain explanations for reconciling items. These reconciling items are resolved within 90 calendar days of their original identification, or such other number of days specified in the transaction agreements.	
	Investor Remittances and Reporting	
1122(d)(3)(i)	Reports to investors, including those to be filed with the Commission, are maintained in accordance with the transaction agreements and applicable Commission requirements. Specifically, such reports (A) are prepared in accordance with timeframes and other terms set forth in the transaction agreements, (B) provide information calculated in accordance with the terms specified in the transaction agreements, (C) are filed with the Commission as required by its rules and regulations, and (D) agree with investors' or the trustee's records as to the total unpaid principal balance and number of mortgage loans serviced by the Servicer.	
1122(d)(3)(ii)	Amounts due to investors are allocated and remitted in accordance with timeframes, distribution priority and other terms set forth in the transaction agreements.	
1122(d)(3)(iii)	Disbursements made to an investor are posted within two business days to the Servicer's investor records, or such other number of days specified in the transaction agreements.	
1122(d)(3)(iv)	Amounts remitted to investors per the investor reports agree with cancelled checks, or other form of payment, or custodial bank statements.	
	Pool Asset Administration	
1122(d)(4)(i)	Collateral or security on mortgage loans is maintained as required by the transaction agreements or related mortgage loan documents.	
1122(d)(4)(ii)	Mortgage loan and related documents are safeguarded as required by the transaction agreements.	
1122(d)(4)(iii)	Any additions, removals or substitutions to the asset pool are made, reviewed and approved in accordance with any conditions or requirements in the transaction agreements.	
1122(d)(4)(iv)	Payments on mortgage loans, including any payoffs, made in accordance with the related mortgage loan documents are posted to the Servicer's obligor records maintained no more than two business days after receipt, or such other number of days specified in the transaction agreements, and allocated to principal, interest or other items (e.g., escrow) in accordance with the related mortgage loan documents.	
1122(d)(4)(v)	The Servicer's records regarding the mortgage loans agree with the Servicer's records with respect to an obligor's unpaid principal balance.	
1122(d)(4)(vi)	Changes with respect to the terms or status of an obligor's mortgage loans (e.g., loan modifications or re-agings) are made, reviewed and approved by authorized personnel in accordance with the transaction agreements and related pool asset documents.	
1122(d)(4)(vii)	Loss mitigation or recovery actions (e.g., forbearance plans, modifications and deeds in lieu of foreclosure, foreclosures and repossessions, as applicable) are initiated, conducted and concluded in accordance with the timeframes or other requirements established by the transaction agreements.	

Servicing Criteria		Applicable Servicing Criteria
Reference	Criteria	
1122(d)(4)(viii)	Records documenting collection efforts are maintained during the period a mortgage loan is delinquent in accordance with the transaction agreements. Such records are maintained on at least a monthly basis, or such other period specified in the transaction agreements, and describe the entity's activities in monitoring delinquent mortgage loans including, for example, phone calls, letters and payment rescheduling plans in cases where delinquency is deemed temporary (e.g., illness or unemployment).	
1122(d)(4)(ix)	Adjustments to interest rates or rates of return for mortgage loans with variable rates are computed based on the related mortgage loan documents.	
1122(d)(4)(x)	Regarding any funds held in trust for an obligor (such as escrow accounts). (A) such funds are analyzed, in accordance with the obligor's mortgage loan documents, on at least an annual basis, or such other period specified in the transaction agreements, (B) interest on such funds is paid, or credited, to obligors in accordance with applicable mortgage loan documents and state laws; and (C) such funds are returned to the obligor within 30 calendar days of full repayment of the related mortgage loans, or such other number of days specified in the transaction agreements.	
1122(d)(4)(xi)	Payments made on behalf of an obligor (such as tax or insurance payments) are made on or before the related penalty or expiration dates, as indicated on the appropriate bills or notices for such payments, provided that such support has been received by the servicer at least 30 calendar days prior to these dates, or such other number of days specified in the transaction agreements.	
1122(d)(4)(xii)	Any late payment penalties in connection with any payment to be made on behalf of an obligor are paid from the servicer's funds and not charged to the obligor, unless the late payment was due to the obligor's error or omission.	
1122(d)(4)(xiii)	Disbursements made on behalf of an obligor are posted within two business days to the obligor's records maintained by the servicer, or such other number of days specified in the transaction agreements.	
1122(d)(4)(xiv)	Delinquencies, charge-offs and uncollectible accounts are recognized and recorded in accordance with the transaction agreements.	
1122(d)(4)(xv)	Any external enhancement or other support, identified in Item 1114(a)(1) through (3) or Item 1115 of Regulation AB, is maintained as set forth in the transaction agreements.	

[NAME OF MASTER SERVICER] [NAME OF TRUSTEE] [NAME OF SUBSERVICER]

Date: _____

By: _____
Name:
Title:

EXHIBIT Z

[FORM OF] LIST OF ITEM 1119 PARTIES

ASSET BACKED CERTIFICATES,
Series 200 _ -

[Date]

Party	Contact Information

EXHIBIT AA
FORM OF
SARBANES-OXLEY CERTIFICATION
(Replacement Master Servicer)

(On file with Trustee)

SCHEDULE I

PREPAYMENT CHARGE SCHEDULE AND PREPAYMENT CHARGE SUMMARY

[Delivered to Trustee at closing and on file with the Trustee.]

SCHEDULE II
COLLATERAL SCHEDULE

Characteristic	Applicable Section	Mortgage Loans
Single-Family Detached Dwellings	2.03(b)(32)	66.90%
Two- to Four-Family Dwellings	2.03(b)(32)	1.86%
Low-Rise Condominium Units	2.03(b)(32)	7.65%
High-Rise Condominium Units	2.03(b)(32)	0.68%
Manufactured Housing	2.03(b)(32)	0.00%
PUDs	2.03(b)(32)	22.91%
Earliest Origination Date	2.03(b)(33)	3/24/2005
Prepayment Penalty	2.03(b)(35)	29.31%
Investor Properties	2.03(b)(36)	2.87%
Primary Residences	2.03(b)(36)	94.60%
Lowest Current Mortgage Rate	2.03(b)(48)	5.990%
Highest Current Mortgage Rate	2.03(b)(48)	20.125%
Weighted Average Current Mortgage Rate	2.03(b)(48)	8.670%
Date on or before which each Initial Mortgage Loan has a Due Date	2.03(b)(51)	5/1/2007



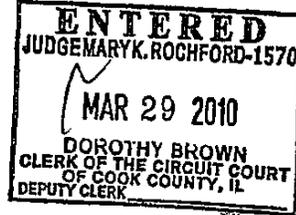
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IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS
COUNTY DEPARTMENT, CHANCERY DIVISION

OLD REPUBLIC INSURANCE CO., et al.,)
)
Plaintiffs,)
)
v.)
)
COUNTRYWIDE BANK, FSB, et al.,)
)
Defendants.)

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MEMORANDUM AND ORDER

This Memorandum and Order addresses the following motions:

- 1) Defendants/Counter-Plaintiffs Countrywide Bank, FSB, Countrywide Home Loans, Inc. and Countrywide Home Loans Servicing, L.P.'s Motion for Judgment on the Pleadings on Old Republic's Second Amended Complaint;
- 2) Defendants/ Counter-Plaintiffs Countrywide Bank, FSB, Countrywide Home Loans, Inc. and Countrywide Home Loans Servicing, L.P.'s Motion to Strike Old Republic's First Amended Affirmative Defenses;
- 3) Defendants The Bank of New York Mellon and BNY Mellon Trust of Delaware Motion to Dismiss Plaintiff's Second Amended Complaint Under 735 ILCS 5/2-619.1 (735 ILCS 5/2-615 and 735 ILCS 5/2-619(a)(9)); and
- 4) Plaintiffs Old Republic Insurance Company and Old Republic Insured Credit Services Motion to Compel Document Production by Countrywide.

I. Old Republic's Second Amended Complaint

Plaintiffs Old Republic Insurance Company ("Old Republic Insurance") and Old Republic Insured Credit Services, Inc. ("ORICS") (collectively "Old Republic") have filed a Second Amended Complaint against Defendants Countrywide Bank ("CB"), Countrywide Home Loans, Inc. ("CHL") and Countrywide Home Loans Servicing, L.P. ("CHLS") (collectively "Countrywide"), Bank of New York Mellon ("BNY Mellon") and BNY Mellon Trust of Delaware ("BNY Mellon Trust") (collectively "BNY").

A. The Parties

Old Republic Insurance is a "multiline insurance company" which issues various types of policies, including credit insurance policies. (2nd Am. Compl. ¶4). A credit insurance policy indemnifies an insured against loss due to default by the borrower on the repayment of a loan.

(*Id.*). ORICS handles credit insurance underwriting, administration and claims on behalf of Old Republic Insurance. (*Id.* at ¶5).

CB is a federal saving bank which engages in home equity lending throughout the United States. (2nd Am. Compl. ¶11). CHL, a New York corporation with its principal executive offices in California, originates, acquires and services home equity loans and lines of credit. (*Id.* at ¶12).

BNY Mellon is a banking company which acts as a trustee of trusts containing pools of home equity loans which originated with or were acquired by CHL and deposited into trusts for the purpose of securing payments made under investment certificates issued to investors. (2nd Am. Compl. ¶7). BNY Mellon Trust and its corporate predecessor have served as a co-trustee of a trust containing pools of home equity loans which originated with or were acquired by CHL and deposited into a trust for the purpose of securing payments made under investment certificates issued to investors. (*Id.* at ¶8).

B. *The Policies*

At issue in the Second Amended Complaint are numerous policies of CB and BNY issued by Old Republic.

1. BNY Policies

BNY Mellon and BNY Mellon Trust are the named insureds on the Old Republic credit insurance policies attached as Exhibits 12-22 of the Second Amended Complaint (“BNY Policies”). (2nd Am. Compl. ¶9 and Exs. 12-22). Old Republic issued the BNY Policies to insure eleven securitizations of home equity loans (“HELs”) in which BNY acted as a trustee. (*Id.* at ¶26). Each securitization represented thousands of loans. (*Id.* at ¶29). The BNY Policies insured against default on the loans in the trust. (*Id.* at ¶18). Old Republic alleges that CHL applied for and obtained the Policies for BNY and that CHLS was required to perform all of BNY’s obligations under the BNY Policies except for the payments of premiums. (*Id.* at ¶27). BNY contracted with CHLS to service the loans insured by Old Republic with BNY as the insured. (*Id.* at ¶13).

Old Republic alleges that for each securitization at issue, Countrywide, on behalf of BNY, solicited bids for insurance. (*Id.* at ¶29). Old Republic alleges that “[a]s part of its solicitation of bids, Countrywide encouraged Old Republic to rely, and was aware that Old Republic in fact relied, on Countrywide’s stated commitment to conservative underwriting and historical record of strong loan performance, including lowers rates of delinquencies and defaults than that of most other lenders in the industry. (*Id.*)

Old Republic alleges that with respect to each policy issued to BNY a certain underwriting process was followed: (1) with each proposal Countrywide submitted a detailed set of underwriting guidelines which it represented were in effect on the date the loans were made; (2) Countrywide provided a list of all the loans in the pool it proposed to insure which included the quantitative data necessary to determine if the loans on their face fell within Countrywide’s underwriting guidelines and certain eligibility requirements of Old Republic; (3) based on this

quantitative data, Old Republic would specify which loans it would exclude from its bid and submit a bid for the remaining loans as long as they met all the eligibility requirements of the bid; (4) if the bid was accepted, ORICS and CHL entered into an Insurance Bid Letter or "Credit Indemnity Insurance Pricing Proposal" ("Bid Letter"), which Old Republic refers to as "letter agreements," pursuant to which ORICS, on behalf of Old Republic Insurance, agreed to insure the loans in accordance with Old Republic's underwriting terms and eligibility criteria and Countrywide represented that the loans in question complied with Old Republic's criteria and Countrywide's own guidelines. (Id. at ¶30).

Old Republic alleges that the Bid Letters included Old Republic's "Sanctioned Guidelines." (Id. at ¶32). The Bid Letters, Exhibits 1, 2, 4 and 5 of the Second Amended Complaint, defined the loans to be insured as those loans "which meet the sanctioned guidelines" and the specific criteria listed in the Bid Letter. (Id. at ¶32 and Exs. 1, 2, 4 and 5). The Bid Letters further provided that Countrywide was to audit the loans submitted for insurance to ensure that the criteria were met. (Id.). The Bid Letters further provided that Old Republic does not insure loans which do not meet the criteria and assumes no responsibility for auditing files to determine insurability. (Id.). The Bid Letters which are Exhibits 6 through 11 of the Second Amended Complaint state that:

Countrywide represents and warrants to the Company [Old Republic] that all of the loans to be submitted for insurance meet the sanctioned Underwriting Guidelines and the Standard Conditions listed above (collectively, "eligibility criteria"). Countrywide also covenants that it will audit the loans submitted for insurance to ensure that each loan meets these eligibility criteria and will submit no loan that fails to meet them. Countrywide acknowledges and agrees that the Company does not insure loans submitted for insurance that do not meet the eligibility criteria and assumes no responsibility for auditing such loans to determine eligibility for insurance If the Company determines that one or more loans do not comply with the eligibility criteria and that such noncompliance materially and adversely affects the Company's risk, then the Company reserves the right, at its option, to rescind coverage for the non-complying loan.

(Id. at ¶32, Exs. 6-11 at 3).

Old Republic alleges that the BNY Policies were issued pursuant to the Bid Letters. (Id. at 34). Old Republic alleges that each of the BNY Policies consisted of a policy jacket, policy endorsements, a Bid Letter and the Sanctioned Guidelines. (Id. at ¶35). Old Republic alleges that BNY was the assured under each BNY policy. (Id. at ¶36).

Old Republic further alleges that each BNY policy contained the following provision:

10. MISREPRESENTATION AND FRAUD

The Policy shall be void if the Assured has concealed or misrepresented any material fact or circumstance concerning this insurance or the subject thereof or in case of any fraud or false swearing by the Assured touching any matter relating to this insurance or the subject

thereof whether before or after a loss, or if the Assured shall make any claim which is false or fraudulent either in amount or otherwise.

(Id. at ¶36 and Exs. 12-22).

Old Republic further alleges that BNY and its agent Countrywide both represented in the BNY Policies that each loan under the BNY Policies complied with Old Republic's specifications and Sanctioned Guidelines. (Id. at 37). Old Republic bases this allegation in part on an "Eligible Notes" endorsement contained in each BNY policy and in part on Sanctioned Guidelines allegedly part of each BNY policy (Id.). The "Eligible Notes" endorsement which replaced the policy definition of "eligible note," specified in part that an "eligible note" was one that "meets the Company's qualifying specifications for underwriting and Company 'Sanctioned Guidelines' in effect on the day of the Loan. . . ." (Id. at ¶38 and Exs. 12-22).

2. Countrywide Policies

Old Republic Insurance issued credit insurance policies to CB or its predecessors between 2005 and 2007 which insured CB with regard to home equity loans ("HELs") and home equity lines of credit ("HELOCs") which were not part of any securitization. (2nd Am. Compl. at ¶11, 24, 41, Exs. 22-32). Some of the Policies insured pools of existing HELs or HELOCs and others insured CB for "flow business" or new loans written after inception of the insurance policy. Id. As with the BNY Policies, Old Republic alleges that the CB Policies included the Sanctioned Guidelines and the Bid Letters. (Id. at ¶44).

Old Republic alleges that CB Policies RD9, U71, U83, U84, RE9 and RF0 each contain an "Eligible Note" endorsement providing in part that an eligible note "meets all the qualifications set forth in the Company's 'Qualifying Specifications for Guideline Underwriting' in effect on the date of the loan" (Id. at ¶45 and Exs. 23, 24, 25, 26, 29, 30). Old Republic alleges that under this endorsement, Countrywide represented that each loan subject to the Policies met with Old Republic's qualifying specifications and Sanctioned Guidelines applicable at the time the loans were made and that a vast majority of the loans covered under these Policies were made before the Policies were issued. (Id. at ¶45). Old Republic further alleges that CB Policies U79 and RE7, "flow business" Policies, contained the same "Eligible Note" endorsement. (Id. at ¶46).

Old Republic alleges that "flow business" CB Policies V16 and RH7 contain an endorsement defining an "Eligible Note" as "one that meets the Company's qualifying specifications for underwriting and Company 'Sanctioned Guidelines' in effect on the day of the Loan." (Id. at ¶47 and Exs. 31 and 32). The Bid Letters for all the CB Policies contain "Representations, Warranties and Covenants" which state in relevant part as follows:

Countrywide represents and warrants to the Company [Old Republic] that all of the loans to be submitted for insurance meet the sanctioned Underwriting Guidelines and the Standard Conditions listed above (collectively, "eligibility criteria"). Countrywide also covenants that it will audit the loans submitted for insurance to ensure that each loan meets these eligibility criteria and will submit no loan that fails to meet them.

Countrywide acknowledges and agrees that the Company does not insure loans submitted for insurance that do not meet the eligibility criteria and assumes no responsibility for auditing such loans to determine eligibility for insurance If the Company determines that Countrywide Bank has failed to audit the loans for compliance with the eligibility criteria, the Company reserves the right to rescind the policy. If the Company determines that one or more loans do not comply with the eligibility criteria and that such compliance materially and adversely affects the Company's risk, then the Company reserves the right, at its option, to adjust its premium price to reflect the risk of the loans actually submitted for insurance, rescind coverage for any non-complying loan, or rescind the policy.

(*Id.* at ¶48 and Exs. 31 and 32).

C. Old Republic's Allegations of "Systematic Misrepresentations and Fraud"

Paragraphs 49 through 62 of the Second Amended Complaint allege that Defendants engaged in systematic fraud and misrepresentations regarding whether the loans insured under the BNY and CB Policies complied with qualifying specifications and Sanctioned Guidelines. There are no allegations of any actions by BNY. Rather, all the allegations address alleged conduct on the part of Countrywide.

The core of Paragraphs 49 through 62 are Old Republic's allegations that Countrywide made loans based solely on "stated income" without verifying the stated income and that Countrywide failed to disclose a June 2006 internal audit by Countrywide which revealed that 50% of the stated income loans showed significant variances from the income stated and IRS records. (2nd Am. Compl. ¶¶57-58). Old Republic also alleges that a large number of the loans covered by the Policies were "exception loans" issued to applicants who did not meet all the Sanctioned Guidelines without identifying any "compensating factors" which would support issuing the loans. (*Id.* at ¶59). Old Republic alleges that by systematically submitting loans for coverage which were not in compliance with the qualifying specifications or Sanctioned Guidelines due to its own fraudulent conduct or buyer misrepresentations, Countrywide systematically violated the representations and warranties of the Bid Letters and Policies. (*Id.* at ¶60).

D. Old Republic's Allegations of "Systematic Breaches of Requirements for Proofs of Loss"

In Paragraphs 63 through 68 of the Second Amended Complaint, Old Republic alleges that Countrywide and BNY have failed to adhere to the policy requirements for proofs of loss. These Paragraphs do not contain any allegations of any conduct by BNY. Old Republic alleges that Countrywide has failed to produce the "claim package" required under the Policies. (2nd Am. Compl. ¶¶63-65). Old Republic further alleges that unidentified Countrywide representatives admitted to unidentified representatives of Old Republic that Countrywide knowingly submitted deficient proofs of loss to Old Republic in the hopes that the claims would be covered. (*Id.* at ¶66).

E. The Causes of Action Pled in the Second Amended Complaint

Count I of the Second Amended Complaint alleges a contractual claim for rescission against BNY and CB based on Stipulation 10 of the Policies. Count II alleges a contractual claim for rescission against BNY Mellon based on Stipulation 7 of the Policies. Count III alleges fraud in the inducement of Policies by BNY Mellon and CHL and seeks rescission of the Policies and money damages. Count IV alleges fraud in the submission of claims against BNY Mellon, CHLS and CHL and seeks rescission of the Policies and money damages. Count V seeks rescission of the Policies for mutual mistake of fact against BNY and CHL. Count VI alleges breach of contract against BNY Mellon and seeks rescission of the Policies and money damages. Count VII seeks a declaratory judgment against BNY Mellon Trust that all of Old Republic's obligations under BNY policy U86 are terminated under Stipulation 7 of the policy. Count VIII alleges fraud in the inducement against BNY Mellon Trust and CHL and seeks to rescind BNY policy U86 and damages. Count IX alleges fraud in the submission of claims by BNY Mellon Trust, CHLS and CHL and seeks the rescission of BNY policy U96 and damages. Count X seeks rescission for mutual mistake of fact of BNY policy U96 against BNY Mellon Trust and CHL. Count XI alleges breach of contract against BNY Mellon Trust with regard to BNY policy U86 and seeks rescission and damages. Count XII alleges fraud in the inducement against CB and CHL and seeks rescission of certain Policies and damages. Count XIII alleges fraud in the submission of claims by CB and CHL in connection with certain Policies. Count XIV seeks rescission for mutual mistakes of fact against CB and CHL in regard to certain Policies. Count XV alleges breach of contract against CB with respect to certain Policies and seeks rescission and damages. Count XVI alleges fraud in the inducement against CHL with regard the Bid Letters and seeks damages. Count XVII alleges breach of contract against CHL with regard to the Bid Letters and seeks damages. Count XVIII alleges breach of warranty against CHL in connection with the Bid Letters and seeks damages.

II. Countrywide's Amended Counterclaim and Old Republic's Affirmative Defenses

Countrywide has filed an Amended Counterclaim against Old Republic. Countrywide alleges that it properly submitted claims for coverage to Old Republic and that Old Republic wrongfully handled these claims by asserting unreasonable interpretations of the documents necessary for a proof of loss and seeking rescission of the claims when it realized that more claims were being filed than anticipated. (Am. Counterclaim at ¶¶71-85). Count I of the Counterclaim alleges breach of contract. Count II seeks a declaratory judgment regarding the terms and conditions of the Policies. Count III alleges a claim for bad faith.

Old Republic has alleged Affirmative Defenses to the Counterclaim. The First Affirmative Defense alleges that Countrywide lacks standing. The Second Affirmative Defense alleges "unclean hands." The Third Affirmative Defense alleges that the Policies are all void based on alleged fraud. The Fourth Affirmative Defense alleges that the BNY Policies were terminated under Stipulation 7 of the Policies. The Fifth Affirmative Defense alleges that under the Policies any claim with respect to which the proof of loss was filed more than twelve months prior to Countrywide's Counterclaim is time-barred.

III. Countrywide's Motion for Judgment on the Pleadings

Countrywide has filed a motion for judgment on the pleadings pursuant to 735 ILCS 5/2-615(3). Such a motion is limited to the pleadings. Employers Ins. of Wausau v. Ehlco Liquidating Trust, 186 Ill. 2d 127, 138 (1999). In deciding a motion for judgment on the pleadings, a court considers "those facts apparent from the face of the pleadings, matters subject to judicial notice, and judicial admissions in the record." Gillen v. State Farm Mut. Auto. Ins. Co., 215 Ill. 2d 381, 385 (2005). All well pleaded facts set forth in the pleading of the non-moving party and the fair inferences which may be drawn from those allegations are considered admitted. Employers Ins., 186 Ill. 2d at 138. "The court must also examine the pleadings to determine whether an issue of material fact exists and, if not, determine whether the controversy can be decided as a matter of law." Id. The written instruments attached to a pleading as exhibits may be considered as part of that pleading. Id.

A. The Counts Against BNY

Initially, Countrywide appears to seek judgment on the pleadings as to the entire Second Amended Complaint despite the fact that Countrywide is not named as a defendant in Counts II, VI, VII and XI. Countrywide has no standing to attack counts to which it is not a party. Furthermore, with regard to the counts naming both Countrywide and BNY, Countrywide has no standing to seek judgment on behalf of BNY. BNY has filed its own motion attacking the Second Amended Complaint which will be addressed below.

B. Pleading of Fraud

Countrywide argues that all the counts of the Second Amended Complaint fail to plead fraud with specificity. Initially, all the counts of the Second Amended Complaint do not allege fraud. Rather, only Counts I, III, IV, VIII, IX, XII, XIII and XVI are based on alleged fraud by Countrywide.

1. Specificity and Particularity in Pleading

Countrywide argues that Old Republic has failed to meet the pleading standards as to fraud. To allege a cause of action for fraudulent misrepresentation, a plaintiff must allege: (1) a false statement of material fact; (2) the defendant's knowledge that the statement was false; (3) the defendant's intent that the statement induce the plaintiff to act; (4) the plaintiff's reliance on the truth of the statement; and (5) damages as a result of that reliance. Connick v. Suzuki Motor Co., Ltd., 174 Ill. 2d 482, 496 (1996). Fraud must be alleged with specificity and particularity including what misrepresentations were made, who made the misrepresentations, when they were made and to whom they were made. Id. "[W]here . . . a plaintiff specifically alleges that a corporation has committed a tort, the plaintiff need not allege that the tort was committed by acts of the corporation's agents." HPI Health Care Services v. Mt. Vernon Hosp., 131 Ill. 2d 145, 169 (1989). Thus, there is no need to allege which agents or employees made fraudulent misrepresentations or committed fraud. Id. A plaintiff "claiming to be a victim of fraud may also contend that he or she was induced to enter into the contract and, accordingly, ask to have

the contract rescinded. . . .” General Elec. Credit. Auto. Lease, Inc. v. Jankuski, 177 Ill. App. 3d 380, 383-84 (1st Dist. 1988).

a. Fraudulent Inducement to Issue Policies

Old Republic contends that Countrywide fraudulently induced the issuance of the insurance policies which are the subject of the Second Amended Complaint. Countrywide argues that Old Republic has failed to specifically allege the representations upon which the claims for fraud to induce execution of the Policies rely. Countrywide points primarily to Paragraph 49 of the Second Amended Complaint and says it is too vague. This paragraph alleges that in November 2005, Countrywide shared with Old Republic historical data on loss rates as to the HELs and HELOCs. (Countrywide’s Memorandum at 4). If Old Republic’s fraud claims were based merely on this allegation, the claims would not meet the requisite specificity standard. However, Old Republic responds that this paragraph was included in the Second Amended Complaint as support for its allegations as to the materiality of Countrywide’s misrepresentations which are the basis of its fraud claims. (Old Republic’s Memorandum in Opposition at 17).

Old Republic states its allegations of fraud as to the execution of the Policies are in Paragraphs 30-33, 37-39, 44-48 and Exhibits 12-32. (Id.) Old Republic states that its “fraud allegations are specific alleging for each Policy, Countrywide represented and warranted, knowing that the representations and warranties were false, that all loans reported for insurance complied with the Sanction Guidelines applicable and attached to the respective Policies, all of which are incorporated as exhibits to the Second Amended Complaint.” (Id. at 7). To determine whether fraud has been sufficiently alleged, all of the other paragraphs of the Second Amended Complaint and Exhibits must be fully examined particularly those paragraphs which Old Republic has argued contain the representations forming its fraud claims as to the policy executions.

Old Republic alleges in the Second Amended Complaint that during the underwriting for the BNY Policies, Countrywide submitted guidelines which it represented were in effect when the loans were made and presented Old Republic with data as to the loans for which insurance was sought. (2nd Am. Compl. ¶30(a) and (b)). Old Republic then submitted a bid for coverage indicating which loans would be covered as long as those loans met the stated eligibility requirements. (Id. at ¶30(c)). When the bid was accepted, Old Republic and CHL entered into a Bid Letter where Old Republic agreed to insure specific loans and “Countrywide represented that the loans in question complied with Old Republic’s eligibility criteria, as well as Countrywide’s own guidelines.” (Id. at ¶30(d)). Paragraph 31 sets forth the date when CHL agreed to the terms of each Bid Letter. (Id. at ¶31). In Paragraph 32, Old Republic alleges that the Bid Letters included Old Republic’s “Sanctioned Guidelines.” (Id. at ¶32). The Bid Letters, Exhibits 6 through 11, contain representations by Countrywide that the loans meet the Sanctioned Guidelines. (Id. at ¶32). The Bid Letters have signatures on behalf of Countrywide, with the signatory’s name and title and the date of the signatures. (Id. at Exs. 6-11). Old Republic alleges that as stated in the Bid Letters it was relying on the information provided by Countrywide. (Id. at ¶33). Old Republic alleges that Countrywide and BNY represented in each BNY Policy that each loan complied with Old Republic’s qualifying specifications. (Id. at ¶37). These

representations are alleged to be included in endorsements, including the Eligible Note endorsement, agreements to comply with the Sanctioned Guidelines, and the Bid Letters. (Id. at ¶39).

The Bid Letters and the Policies are attached to the Second Amended Complaint as exhibits. The allegations of the Second Amended Complaint together with the exhibits meet the specificity requirements as to any alleged misrepresentations contained in these documents. However, the allegations found in Paragraph 30(a) and (b) relating to the presentment of data at the beginning of the underwriting process are not pled with the requisite specificity. If Old Republic wishes to base its claims of fraud on this conduct, the allegations must be repled.

As to the Countrywide Policies, Old Republic alleges that CB submitted a data file as to loans and represented that those loans met CB's underwriting guidelines at the time the loans were issued. (Id. at ¶42). Old Republic then submitted to Countrywide a term sheet, identifying premiums, Old Republic's qualifying specifications, and the Sanctioned Guidelines which Countrywide represented the loans met. (Id.). There were bid letters with the qualifying specifications and Sanctioned Guidelines for two policies which were attached to the policy jackets. (Id. at ¶42, 44, Exs. 31-32). Old Republic represented that as to each of the ten Countrywide Policies, "Countrywide represented that each loan reported for insurance under that policy complied with Old Republic's qualifying specifications." (Id. at ¶44). The Second Amended Complaint alleges that the representations are found in endorsements, (Id. at ¶¶45-47, Exs. 23-32), Bid Letters, (Id. at ¶42, 44), and in certain policies in a section entitled "Representations, Warranties and Covenants." (Id. at ¶48).

Again, because the Bid Letters and the Policies, (Exs. 23-32), are attached to the Second Amended Complaint, the allegations are specific enough as to any misrepresentations contained in those documents. However, any misrepresentations in CB's submission of data files and representations as to underwriting alleged in Paragraph 42 are not specific enough. If Old Republic wishes to base its claims of fraud as to the execution of the Policies on the submission of data files, these allegations must be repled with specificity.

The motion for judgment on the pleadings relating to the fraudulent inducement of the BNY and CB Policies is denied.

b. Fraud In Submission of Proofs of Loss

Old Republic argues that it has sufficiently pled that Countrywide committed fraud as to the submission of claims. (Old Republic's Memorandum at 19-21). Old Republic alleges that Countrywide has failed to submit information which is required as to the submission of claims. (2nd Am. Compl. ¶51). Old Republic further alleges that of the claims denied since 2007, a substantial number have been denied because of misrepresentations concerning the use and value of the property, the borrower's assets and employment, and the structure of the transaction. (Id. at ¶52). Paragraph 53 gives example of fraud found in the loan reviews. (Id. at ¶53). Furthermore, Old Republic contends that Countrywide "defaced" borrower IRS consent forms in an attempt to conceal its misrepresentations. (Id. at ¶58).

Countrywide is correct that Old Republic has failed to meet Illinois pleading standards for fraud in the submission of claims. However, because it is not clear as a matter of law that Old Republic cannot allege fraud on the part of Countrywide in the submission of claims, judgment on the pleadings would not be appropriate. The claims as to fraud in the submission of claims, Counts IV, IX and XIII, are stricken without prejudice with leave to replead.

In concluding that the claims as to fraud in the submission of proofs of loss have not been alleged with particularity, the court is cognizant that Old Republic asserts that the fraud claims may be based on "thousands of fraudulent proofs of claims that Countrywide submitted." (Response at 19). Countrywide acknowledges that Old Republic is not required to "attach thousands of proofs of loss or plead all evidence." (Reply at 5). However, further specificity is required and any repleading of these claims will be considered in light of the significance of the number of claims involved.

2. Future Promises/Scheme to Defraud

Countrywide further argues that Old Republic's allegations of fraud are insufficient because they concern promises of future performance and matters of opinion. Miller v. Lockport Realty Group, 377 Ill. App. 3d 369, 377 (1st Dist. 2007) (matters of opinion are not actionable as fraud); Prime Leasing, Inc. v. Kendig, 332 Ill. App. 3d 300, 309 (false promises of future conduct do not constitute fraud). While some of Old Republic's allegations may involve promises of future performance and matters of opinion, Countrywide does also allege misrepresentations of present fact. (E.g., 2nd Am. Compl. ¶¶30, 38, 45). Furthermore, the general law that a promise as to future conduct is not actionable has an exception. Where the alleged false statement of future conduct is part of a scheme to defraud, the false promise may support a fraud claim. Prime Leasing, 332 Ill. App. 3d at 309. This exception is applicable where "the false promise or representation of future conduct is alleged to be the scheme employed to accomplish the fraud." Steinberg v. Chicago Med. School, 69 Ill. 2d 320, 333 (1977). Old Republic alleges numerous facts to support its contention that Countrywide made false promises to induce Old Republic to issue the Policies thereby defrauding Old Republic. Judgment on the pleadings is not appropriate on this issue.

B. Rescission (Based on Fraud and for Contractual Rescission)

Countrywide argues that all of Old Republic's claims for rescission are barred by §154 of the Illinois Insurance Code which provides as follows:

Misrepresentations and false warranties. No misrepresentation or false warranty made by the insured or in his behalf in the negotiation for a policy of insurance, or breach of a condition of such policy shall defeat or avoid the policy or prevent its attaching unless such misrepresentation, false warranty or condition shall have been stated in the policy or endorsement or rider attached thereto, or in the written application therefor. No such misrepresentation or false warranty shall defeat or avoid the policy unless it shall have been made with actual intent to deceive or materially affects either the acceptance of the risk or the hazard assumed by the company. With respect to a policy of insurance as defined in subsection (a), (b), or (c) of Section 143.13, except life, accident and health,

fidelity and surety, and ocean marine policies, a policy or policy renewal shall not be rescinded after the policy has been in effect for one year or one policy term, whichever is less. This Section shall not apply to policies of marine or transportation insurance.

215 ILCS 5/154. The Policies at issue all contain the following provision:

15. CONFORMITY TO STATUTE

Terms of this Policy which are in conflict with the statutes of the State wherein this Policy is issued are hereby amended to conform to such statutes.

(2nd Am. Compl. at Exs. 12-32). Countrywide contends that Stipulation 10 of the Policies which provides that the Policies are void if the Assured has concealed or misrepresented any material fact conflicts with §154 which allows for rescission only for misrepresentations in an application or policy.

1. Applicability of §154 to the Policies at Issue

Countrywide argues that the “conformity to statute” provision in Stipulation 15 requires a finding that §154 applies to the Policies which are the subject of this action. For Stipulation 15 to apply, the Policies must have been issued in Illinois. Countrywide argues that the Policies were countersigned by Old Republic in Illinois and therefore Illinois is the place of issuance as the Policies were not valid until countersigned. The Policies do contain language indicating that they were countersigned by Old Republic in Chicago, Illinois. However, the cases cited by Countrywide do not clearly support the proposition that an insurance policy must be considered issued in the state where it is countersigned.

In Diamond State Insurance Co. v. Chester-Jensen Co., Inc., 243 Ill. App. 3d 471 (1st Dist. 1993), the court considered whether Illinois law applied to the interpretation of an insurance policy and performed a choice of law analysis. While the Diamond court noted that both the place of issuance of an insurance policy and the place of the last act to give rise to a valid contract are part of the choice of law analysis, Id. at 486, Diamond does not stand for the proposition that the place of countersigning is the place of issuance. The Diamond court said that the “most significant contacts” rule that is used in choice of law questions as to contract applies to insurance policies and cited to Hofeld v. Nationwide Life Insurance Co., 59 Ill. 2d 522 (1975). The Hofeld choice of law analysis is that “[insurance] contract provisions may be governed by the location of the subject matter, the place of delivery of the contract, the domicile of the insured or the of the insurer, the place of the last act to give rise to a valid contract, the place of performance, or other place bearing a relationship to the general contract.” Diamond, 234 Ill. App. 3d at 486, quoting, Hofeld, 59 Ill. 2d at 528.

In United States Fire Insurance Co. v. CNA Insurance Companies, 213 Ill. App. 3d 568 (1st Dist. 1991), the court considered whether Illinois or Wisconsin law applied to an insurance policy using choice of law analysis. The court stated that under choice of law rules, “an insurance policy is generally governed by the law of the State where the policy was issued or delivered or by the law of the place of the last act to give rise to a valid contract.” Id. at 575.

The court noted that each of the policies were issued in Wisconsin and only took effect when countersigned in Wisconsin by the insurer's authorized agent. *Id.* United Fire does not stand for the proposition that a policy is issued where it is countersigned.

Finally, Countrywide relies on a single sentence of The Phenix Insurance Co. v. Grove, 215 Ill. 299, 303 (1905), which simply states that "Maxwell was the agent who countersigned and issued the policy." Phenix Insurance does not set forth the proposition that policy is issued where it is countersigned.

Old Republic cites to Prestige Casualty Co. v. Mashburn, 612 F. 2d 1048, 1049 (7th Cir. 1080), in which the court relied on the dictionary definition of "issued" – "the act of sending out, or causing to go forth; delivery" – to conclude that policy language requiring an endorsement to be "issued" required the endorsement to be sent or delivered to the insured. Old Republic also cites to In re Automotive Professionals, Inc., 370 B.R. 161 (N.D. Ill. 2007), a case interpreting the word "issued" in §15 of the Illinois Service Contract Act. While the Illinois Service Contract Act is not at issue here, the court in Automotive Professionals discussed the meaning of the word "issued" in the context of insurance contracts and stated that delivery to the insured was necessary for a policy to be issued. *Id.* at 171-72. Old Republic alleges that the Policies were delivered to Countrywide and BNY in California and New York. (2nd Am. Compl. ¶¶35, 44).

The cases cited by Countrywide do not support its position that an insurance policy is issued in the state where it is countersigned. Countrywide relies solely on its contention that the Policies were issued in Illinois to support its position that §154 of the Illinois Insurance Code applies to the Policies. Countrywide has not established as a matter of law that the Policies were issued in Illinois and has not attempted to make any showing under choice of law principles that Illinois law applies to the Policies at issue. Therefore, Countrywide is not entitled to judgment on the pleadings on the issue of whether §154 of the Illinois Insurance Code bars any of Old Republic's claims or requests for rescission as argued by Countrywide in Section II of its motion for judgment on the pleadings.

2. The Bid Letters and Rescission

Countrywide argues that the Bid Letters, which Old Republic alleges are part of the Policies, do not allow for rescission of entire Policies, but only for rescission on a loan-by-loan basis.

a. Whether the Bid Letters are Part of the Policies

Initially, the parties are in dispute as to whether the Bid Letters are part of the Policies. The Declarations page of each Policy provides as follows:

This Policy is made and accepted subject to the foregoing provisions and stipulations and those hereinafter stated which are hereby made part of this Policy, together with such provisions, stipulations and agreements as may be added hereto, as provided in this Policy.

(2nd Am. Compl. Exs. 12-32 at 1). The provisions and stipulations of the Policies contain no mention of the Bid Letters. Each Policy also provides that:

The terms of this Policy may be waived and changed only after written approval of the Company and by an Endorsement signed on behalf of the Company

(2nd Am. Compl. Exs. 12-32 at 11). There are no endorsements expressly providing for incorporation of the Bid Letters to the Policies. However, the Eligible Note endorsement which is part of each Policy defines an “eligible note” as one that meets Old Republic’s “qualifying specifications” and “Sanctioned Guidelines.” The only way to determine Old Republic’s “qualifying specifications” is to look to the Bid Letters. Therefore, it appears that the Bid Letters are incorporated by the Eligible Note endorsements. Additionally, certain of the Bid Letters expressly provide that they become part of any policy issued pursuant to their terms. (2nd Am. Compl. Exs. 6, 9, 10 and 11).

3. The Bid Letters Provisions for Rescission

Countrywide is correct that the Bid Letters attached to the Second Amended Complaint as Exhibits 6, 7, 8 and 9 allow only for rescission on loan-by-loan basis and not rescission of an entire Policy. (2nd Am. Compl. Exs. 6, 7, 8 and 9). Therefore, based on the language of these Bid Letters, it appears that Old Republic would be limited to rescinding coverage on a loan-by-loan basis on any Policy issued based on these Bid Letters and Countrywide would be entitled to judgment on the pleadings on Old Republic’s requests for rescission of these Policies as a whole based on the Bid Letters that are Exhibits 6, 7, 8 and 9.

The other Bid Letters, however, do provide for rescission of the associated Policies. With regard to the Bid Letters attached as Exhibits 10 and 11 to the Second Amended Complaint, these Bid Letters provide that Old Republic “reserves the right at its option to reduce/rescind coverage and/or deny claims with respect to the loans submitted for insurance under the policy.” (2nd Am. Compl. Exs. 10 and 11). Therefore, it appears that Old Republic can seek rescission of the Policies associated with Exhibits 10 and 11.

The Bid Letters attached to the BNY Policies which are Exhibits 31 and 32 to the Second Amended Complaint provide that Old Republic “reserves the right at its option to charge additional premium, reduce/rescind coverage, and/or deny claims with respect to loans submitted under the policy.” (2nd Am. Compl. Exs. 31 and 32). Therefore, it appears that Old Republic can seek rescission of these two BNY Policies based on the Bid Letters which are Exhibits 31 and 32.

4. Bid Letters and Fraud

Countrywide also argues that the representations made in the Bid Letters promise future action that cannot be fraud. However, as discussed above, Old Republic alleges that the Bid Letters covered loans already made by Countrywide and alleges sufficient facts to show a scheme to defraud.

5. Rescission and Waiver

Countrywide argues that Old Republic has waived its right to rescission. Countrywide cites to Illinois State Bar Ass'n v. Coregis Ins. Co., 355 Ill. App. 3d 156, 166-167 (1st Dist. 2004), which discussed the waiver of rescission in the context of §154 and a policy which was voidable, not void, for a material misrepresentation. The Policies at issue in this case state that the Policies are void, not voidable, for a material misrepresentation and Countrywide has not established that §154 applies to the Policies at issue.

Furthermore, even if it was assumed that the Policies at issue are voidable, the issue of waiver of the right to rescind could not be decided as a matter of law. "Waiver is defined as 'the voluntary relinquishment of a known right.'" Coregis, 355 Ill. App. 3d at 167 (citation omitted). Countrywide bears the burden of proving that Old Republic clearly and unequivocally manifested an intent to waive its right to rescind. R&B Kapital Dev. LLC v. North Shore Community Bank, 358 Ill. App. 3d 912, 922 (1st Dist. 2005).

While Countrywide is correct that a "[r]ight of rescission must be exercised promptly" and an "unreasonable delay in taking the necessary steps to set aside a fraudulent contract will have the effect of affirming it," Coregis, 355 Ill. App. 3d at 167 (citation omitted), Countrywide has not shown an unreasonable delay on the part of Old Republic as a matter of law. Countrywide relies on Old Republic's Answer to Interrogatory No. 1 of Countrywide's First Set of Interrogatories. Interrogatory No. 1 asked Old Republic to identify Countrywide's alleged misrepresentations and Old Republic answered by referring to Paragraphs 29 through 46 of the Amended Complaint. While Paragraph 37 of the earlier Amended Complaint alleges that Old Republic "began to discover" systematic misrepresentations in 2007, this is insufficient to establish that waiting to file suit until December 2008 was unreasonable and a waiver of the right to rescind as a matter of law. The fact that Old Republic issued policies to Countrywide in 2007 does not establish as a matter of law a waiver of the right to rescind. Countrywide is not entitled to judgment on the pleadings on this issue.

C. Mutual Mistakes of Fact (Counts V, X and XIV)

In Counts V, X and XIV, Old Republic seeks rescission of certain Policies based on "mutual mistakes of fact." "Rescission is a proper remedy for either a unilateral or mutual mistake of fact when the party seeking rescission shows by clear and convincing evidence that (1) the mistake is of a material nature; (2) the mistake is of such a consequence that enforcement is unconscionable; (3) the mistake occurred notwithstanding the exercise of due care by the party seeking rescission; and (4) rescission can place the other party in status quo." Estate of Blakely v. Federal Kemper Life Assurance Co., 267 Ill. App. 3d 100, 107 (2d Dist. 1994)(citation omitted). Old Republic does not allege any mutual mistakes in these Counts. Rather, Old Republic incorporates its allegations of intentional misrepresentations by Countrywide and Old Republic's reliance on these misrepresentations. There are no factual allegations of any mistake, mutual or otherwise. Furthermore, Old Republic has not alleged any facts showing that Countrywide could be placed in status quo should rescission be granted. Judgment on the pleadings is appropriate on Counts V, X and XIV.

D. Fraud in Submitting Claims (Counts IV, IX and XIII)

Countrywide argues that Counts IV, IX and XIII, which allege fraud on the part of Countrywide in submitting claims to Old Republic are barred. It appears that Countrywide is once again arguing that Old Republic cannot seek rescission based on §154, but as discussed above Countrywide has not established that §154 applies.

Countrywide also suggests that Counts IV, IX and XIII are deficient because the incompleteness of the proof of claims was evident on their face and cannot form a basis for fraud. Counts IV, IX and XIII are not based solely on the alleged incompleteness of the proof of claims. However, as discussed above, these counts are not pled with sufficient specificity and particularity.

E. "Global Rescission"

Countrywide argues that it would be "grossly unfair" to allow Old Republic to rescind entire Policies thereby avoiding its duties for loans that meet the Policy requirements. (Countrywide's Motion at 22). Countrywide relies on United Guaranty Mortgage Indemnity Co. v. Countrywide Financial Corp., __ F. Supp. 2d __ 2009 WL 3199844 (C.D. Cal. Oct. 5, 2009). In United Guaranty, the court considered the language of the specific policies at issue and the commitment letters at issue, which specifically spelled out procedures and remedies for misrepresentation on a loan by loan basis, and found that the insurer was not entitled to global rescission. *Id.* at *21. In this case, the Policies themselves allow for rescission of the entire Policy and certain of the Bid Letters also allow for rescission of the entire Policy. Countrywide is not entitled to judgment on the pleadings on this issue.

F. Breach of Contract and Breach of Warranty Counts

Countrywide argues that Old Republic's breach of contract and breach of warranty counts do not state causes of action.

1. Counts XV and XVII (Breach of Contract)

Countrywide contends that Count XV, which alleges that Countrywide breached certain policies and seeks rescission and damages, and Count XVII, which alleges breach of the Bid Letters and seeks damages, are deficient. First Countrywide argues that §154 precludes these claims but the applicability of §154 has not been established as a matter of law. Second, Countrywide argues that Old Republic is improperly seeking to recover as damages its costs of handling claims which are an ordinary cost of doing business. Countrywide cites to First Lehigh Bank v. North River Insurance Co., 1989 U.S. Dist. LEXIS 14422 (E.D. Pa. Dec. 4, 1989), in which the court rejected the insurer's position that it was entitled to recover the costs of its investigation pursuant to its fraud claim. Counts XV and XVII are claims for breach of contract and not fraud and it is not clear as a matter of law that Old Republic cannot seek damages in connection with its costs of "processing and paying ineligible claims." (2nd Am. Compl. ¶154).

However, Counts XV and XVII also seek as relief Old Republic's costs incurred in prosecuting this action. The Second Amended Complaint contains no facts which allow for the recovery of such costs. Therefore, these requests for relief are stricken.

2. Count XVIII (Breach of Warranty)

Count XVIII alleges breach of warranty in connection with the Bid Letters and seeks damages. Countrywide argues that this count is deficient because it is barred by §154. Again, Countrywide has not established as a matter of law that §154 applies.

G. Conclusion – Motion for Judgment on the Pleadings By Countrywide

Countrywide's motion for judgment on the pleadings is granted in part. Countrywide is entitled to judgment on the pleadings on those claims where Old Republic seeks to rescind the Policies associated with the Bid Letters which allow only for rescission of individual loans and not rescission of the Policy. Additionally, based on Old Republic's failure to plead its allegations of fraud in the submission of proofs of loss with sufficient specificity and particularity, dismissal of those claims in Counts IV, IX and XIII is granted with leave to amend. If Old Republic is basing fraud claims on the submission of data during the underwriting process, these allegations must be repled with specificity. The motion for judgment on the pleadings is granted as to Counts V, X and XIV. Finally, all requests for relief for the costs of this litigation are stricken.

IV. BNY's Motion to Dismiss

BNY is moving to dismiss the claims against it in the Second Amended Complaint pursuant to §2-615 and §2-619. A §2-615 motion to dismiss "challenges the legal sufficiency of the complaint." Chicago City Day School v. Wade, 297 Ill. App. 3d 465, 469 (1st Dist. 1998) The relevant inquiry is whether sufficient facts are contained in the pleadings which, if proved, would entitle a plaintiff to relief. Id. "Such a motion does not raise affirmative factual defenses but alleges only defects on the face of the complaint." Id. "A section 2-615 motion admits as true all well-pleaded facts and reasonable inferences that can be drawn from those facts, but not conclusions of law or conclusions of fact unsupported by allegations of specific facts." Talbert v. Home Savings of America, 265 Ill. App. 3d 376, 379-80 (1st Dist. 1994). A §2-615 motion will not be granted "unless it is clearly apparent that no set of facts can be proved that would entitle the plaintiff to recovery." Baird & Warner Res. Sales, Inc. v. Mazzone, 384 Ill. App. 3d 586, 590 (1st Dist. 2008).

A §2-619 motion to dismiss "admits the legal sufficiency of the complaint and affirms all well-pled facts and their reasonable inferences, but raises defects or other matters either internal or external from the complaint that would defeat the cause of action." Cohen v. Compact Powers Sys., LLC, 382 Ill. App. 3d 104, 107 (1st Dist. 2008). A dismissal under Section 2-619 permits "the disposal of issues of law or easily proved facts early in the litigation process." Id. Section 2-619(a)(9) authorizes dismissal where "the claim asserted against defendant is barred by other affirmative matter avoiding the legal effect of or defeating the claim." 735 ILCS 5/2-619(a)(9) (2008).

Old Republic in response to BNY's motion to dismiss argues that it has sufficiently alleged proper claims against BNY. Old Republic further argues that BNY is a necessary party to the lawsuit. This Memorandum will first address whether Old Republic has stated causes of action against BNY.

A. Count I (§2-615 and §2-619)

1. BNY's Status as an "Assured" - §2-615

Count I alleges a claim for contractual rescission against BNY and CB based on Stipulation 10 of the Policies because of material misrepresentations made by Defendants in the solicitation of the BNY Policies and in making claims. Old Republic seeks an order rescinding the BNY Policies and requiring a refund to Old Republic of any monies paid under the BNY Policies. However, Stipulation 10 of the Policies applies to the "Assured" under the Policy. BNY argues that it is not an "Assured" for purposes of Stipulation 10.

Each BNY Policy contained the following endorsement:

Notwithstanding any terms to the contrary in the Policy and each endorsement thereto, the Company [Old Republic] acknowledges that the duties and obligations of the Assured [BNY] under the Policy will be performed by the servicer of the Loans [Countrywide] and not by the Assured [BNY], other than the duty to pay the premium which shall remain with the Assured [BNY]. The Company will treat such servicer as the Assured [Countrywide] for all such purposes under the Policy. The Assured [BNY] shall remain the beneficiary of the payments made by the Company under the Policy.

(*Id.* at Exs. 12-22). Under this endorsement, the servicer of the loans, and not BNY, was the Assured for all purposes other than paying the premiums and receiving any payments made under the Policies. Contrary to Old Republic's assertions, this language is clear and unambiguous that all duties and obligations under the Policies were to be performed by the servicer. In the Second Amended Complaint, Old Republic itself alleges that BNY had no duties or obligations under the Policies. (2nd Am. Compl. at ¶36(c)). BNY has only the duty and obligation to pay premiums.

Old Republic argues that if Countrywide breached Stipulation 10 then the BNY Policies should be rescinded and BNY cannot receive the benefits of the contract. (Response at 10). This argument goes to whether BNY is a necessary party who would be bound by any decision as to whether the BNY Policies should be rescinded, but does not support a claim against BNY that BNY violated Stipulation 10. Therefore, Old Republic has not stated a breach of contract claim against BNY in Count I. Count I is dismissed without prejudice pursuant to §2-615.

2. BNY's Status as an "Assured" - §2-619

BNY also argues that the Pooling and Servicing Agreement ("PSA") between CHL, CHLS and BNY establishes that BNY was not the "Assured" under the Policies. (BNY's

Memorandum, Adam B. Deutsch Affidavit at Ex. 1). However, it is unnecessary to consider this argument as BNY has established pursuant to §2-615 that it was not the Assured under the BNY Policies for the purpose of performing any duties or obligations of the Policies at issue in the Second Amended Complaint.

B. Counts II and VII (§2-615 and §2-619)

Count II and VII of the Second Amended Complaint allege “contractual claim[s] for declaratory judgment” against BNY Mellon and BNY Mellon Trust based on Stipulation 7 of the BNY Policies. Stipulation 7 states in relevant part as follows:

7. TRANSFER OR PREPAYMENT OF LOANS REPORTED FOR INSURANCE

All liability for Loss under this Policy with respect to any individual Loan shall terminate upon sale or transfer of such loan (including without limiting the generality of application of this section, transfers pursuant to, or resulting from merger or consolidation of the Assured with any other corporation or company). Such sales or transfers may be made to a transferee holding a similar Policy issued by the Company only with prior written approval of the Company. * * *

(2nd Am. Compl. Exs. 12-22).

1. Section 2-615

Counts II and VII allege that on July 1, 2008, the Bank of New York was “merged and/or consolidated with other financial services entities to become the Bank of New York Mellon” and therefore the BNY Policies are terminated. (2nd Am. Compl. ¶¶90, 91, 116, 117). Counts II and VII, however, contain no allegations that any loan was sold or transferred in the alleged merger. Contrary to Old Republic’s arguments, the plain and unambiguous language of Stipulation 7 requires that a loan be sold or transferred, not merely that a merger occurs. Therefore, Counts II and VII fail to state a claim and are dismissed without prejudice pursuant to §2-615.

2. Section 2-619

Because Counts II and VII is dismissed pursuant to §2-615, it is unnecessary to consider BNY’s §2-619 argument.

C. Counts III, IV, VIII, IX (§2-615 and §2-619)

1. Section 2-615

BNY contends that Counts III, IV, VIII and IX of the Second Amended Complaint should be dismissed as to BNY as the misconduct alleged in these accounts is solely conduct by Countrywide and there are no allegations of fact in the Second Amended Complaint to establish an agency relationship between BNY and Countrywide with respect to the Policies or Bid Letters.

Where a plaintiff is seeking to impose liability based on an agency relationship, the complaint must allege facts which support a conclusion that the purported agent has the actual or apparent authority to act on the part of the alleged principal. Connick v. Suzuki Motor Co., 174 Ill. 2d 482, 498 (1996). "A plaintiff pleads a cause of action for agency when he or she alleges facts showing one acting for another under circumstances that imply knowledge on the part of the alleged principal of such acts." Hofner v. Glen Ingram & Co., 140 Ill. App. 3d 874, 880-881 (1st Dist. 1985).

While the Second Amended Complaint alleges conclusions that Countrywide was acting on behalf of BNY, it contains no facts which support these conclusions. (E.g., 2nd Am. Compl. ¶¶27-30, 36, 40, 49-50, 64-66, 84, 94-95, 98, 105, 120-21, 124 and 131). Counts III, IV, VIII and IX are dismissed without prejudice as to BNY pursuant to §2-615.

2. Section 2-619

BNY also contends that Counts III, IV, VIII and IX should be dismissed because the Pool and Servicing Agreement ("PSA") between BNY and Countrywide establishes that there is no agency relationship. The PSA which governed the relationship between BNY and Countrywide with regard to servicing the loans provides:

None of the Trustee, the Sellers, the Certificateholders, the NIM Insurer, the Certificate Insurer or the Depositor shall have any responsibility or liability for any action or failure to act by the Master Servicer, and none of them is obligated to supervise the performance of the Master Servicer hereunder or otherwise.

(Affidavit of Adam B. Deutsch at Ex. 1, §3.03). Section 8.01 of the PSA which sets forth the duties of the Trustee does not impose any duty on BNY to supervise or otherwise control the actions of Countrywide. (Id. at §8.01). Nor does the PSA contain any language which gives BNY the right to control Countrywide with respect to the loans or the BNY Policies insuring the loans. (Id.).

Old Republic argues that the language of the PSA should not be controlling because the conduct of the parties shows the existence of an agency relationship. (Opposition at 21, f.n. 16). However, Old Republic has not alleged facts showing such conduct. In Oliveira-Brooks v. Re/Max International, Inc., 372 Ill. App. 3d 127, 134 (1st Dist. 2007), relied on by Old Republic, the court rejected the plaintiff's claim of an agency relationship because the written agreements intended to exclude the possibility of such an agency relationship and the conduct of the parties did not show the existence of an agency relationship. Given that the PSA disclaims any agency relationship between BNY and Countrywide, Counts III, IV, VIII and IX are also dismissed against BNY without prejudice pursuant to §2-619.

D. Counts V and X (§2-615)

In Counts V and X, Old Republic seeks rescission of certain Policies based on "mutual mistakes of fact." "Rescission is a proper remedy for either a unilateral or mutual mistake of

fact when the party seeking rescission shows by clear and convincing evidence that (1) the mistake is of a material nature; (2) the mistake is of such a consequence that enforcement is unconscionable; (3) the mistake occurred notwithstanding the exercise of due care by the party seeking rescission; and (4) rescission can place the other party in status quo.” Estate of Blakely v. Federal Kemper Life Assurance Co., 267 Ill. App. 3d 100, 107 (2d Dist. 1994)(citation omitted). Old Republic does not allege any mutual mistakes in these Counts. Rather, Old Republic incorporates its allegations of intentional misrepresentations by Countrywide and Old Republic’s reliance on these misrepresentations. Furthermore, Old Republic has not alleged any facts showing that BNY could be placed in status quo should rescission be granted. Dismissal of Counts V and X as to BNY is appropriate. *with prejudice*

E. Counts VI and XI (§2-615)

In Counts VI and XI, Old Republic alleges that BNY breached its obligations under the BNY Policies. However, the BNY Policies themselves establish that BNY had no obligations under the Policies other than to pay the premiums. Old Republic does not allege any failure to pay the premiums. These counts also allege that “BNY or its agents” have breached the BNY Policies, but as shown there are inadequate allegations to show the existence of an agency relationship. Counts VI and XI are dismissed without prejudice.

F. Old Republic’s Claims for Rescission and Their Effect on BNY

1. Section 154 and Waiver

In Counts I, III, IV, VIII and IX, Old Republic seeks rescission of the BNY Policies based on the actions of Countrywide. BNY argues that §154 of the Illinois Insurance Code bars any rescission claim and adopts Countrywide’s arguments. As discussed above, Countrywide did not establish the applicability of §154 as a matter of law. BNY also argues that Old Republic has waived its right to seek rescission, but as discussed in connection with Countrywide’s motion for judgment on the pleadings, such waiver has not been established as a matter of law.

2. Effect on BNY

Any rescission of the BNY Policies would affect the rights of BNY as beneficiary to any payments made under the Policies. Because BNY’s rights would be affected by any rescission of the BNY Policies, BNY is a necessary party in this action. “A necessary party is one whose participation is required to (1) protect its interest in the subject matter of the controversy which would be materially affected by a judgment entered in its absence; (2) reach a decision protecting the interests of the parties already before the court; or (3) allow the court to completely resolve the controversy.” Zurich Insurance Co. v. Baxter International, Inc., 275 Ill. app. 3d 30 (2d Dist 1995). BNY’s presence in this action is necessary to protect its own interests in the BNY Policies.

G. Conclusion – Motion to Dismiss By BNY

Count I is dismissed without prejudice as to BNY pursuant to §2-615. Counts II and VII are dismissed without prejudice as to BNY pursuant to §2-615. Counts VI and XI are dismissed without prejudice as to BNY pursuant to §2-615. Counts V and X are dismissed with prejudice as to BNY pursuant to §2-615. Counts III, IV, VIII and IX are dismissed as to BNY without prejudice pursuant to §2-615 and §2-619. BNY, however, is a necessary party to this action as Old Republic's right to rescind or terminate the BNY Policies based on Countrywide's actions has not been decided. If Old Republic wishes to assert amended claims against BNY which have been dismissed without prejudice, it must file a motion seeking leave to file such amended claims with the proposed pleading attached to the motion:

V. Countrywide's Motion to Strike First Amended Affirmative Defenses to Its Counterclaim

Countrywide is seeking to strike Old Republic's First Amended Affirmative Defenses to Countrywide's Counterclaim pursuant to §2-619.1.

A. First Affirmative Defense

In its First Affirmative Defense, Old Republic alleges that Countrywide has no right to any payments under the BNY Policies and therefore lacks any standing to seek payment under these Policies. Countrywide argues that the First Affirmative Defense should be stricken pursuant to §2-619 because the BNY Policies and the PSA show that Countrywide has standing. Countrywide argues that since it is an Assured under the BNY Policies, it has standing to seek payment under the BNY Policies. In the alternative, Countrywide argues that it is an intended third party beneficiary under the BNY Policies.

The BNY Policies attached as Exhibits 3 to 13 of the Amended Counterclaim contain the following relevant endorsement:

Notwithstanding any terms to the contrary in the Policy and each endorsement thereto, the Company [Old Republic] acknowledges that the duties and obligations of the Assured [BNY] under the Policy will be performed by the servicer of the Loans [Countrywide] and not by the Assured [BNY], other than the duty to pay the premium which shall remain with the Assured [BNY]. The Company will treat such servicer as the Assured for all such purposes under the Policy. The Assured [BNY] shall remain the beneficiary of the payments made by the Company under the Policy.

(2nd Am. Compl. Exs. 12-22).

The express language of the relevant endorsement provides that Countrywide is an Assured only as to the duties and obligations of the Policy and BNY is the beneficiary of the payments made under the Policy. The endorsement states that BNY, not Countrywide, is entitled

to payment under the BNY Policies, and does not support any standing to bring suit for payment on the Policies.

Countrywide cites to §3.01 of the PSA, (Chen Affidavit, Ex. 1 at §3.01), in support of its position that it is an intended third party beneficiary of the BNY Policies. However, §3.01 does not support Countrywide's right to recover payments under the BNY Policy. Countrywide has not shown that the First Affirmative Defense should be stricken.

B. Second Affirmative Defense

The Second Affirmative Defenses alleges that Countrywide's claims are barred by the doctrine of unclean hands. Countrywide argues that this affirmative defense is barred by §154 of the Illinois Insurance Code. As discussed in detail in connection with Countrywide's motion for judgment on the pleadings, Countrywide has not established the application of §154 as a matter of law.

Countrywide further argues that Old Republic cannot assert unclean hands because Countrywide is not seeking any equitable remedies. Countrywide is correct that under Illinois law the doctrine of unclean hands can be asserted only against a party claiming equitable relief. *E.g., Zahl v. Krupa*, 365 Ill. App. 3d 653, 658 (2d Dist. 2006). However, under California law, unclean hands is an affirmative defense to a breach of contract claim. *E.g., Cal-Agrex, Inc. v. Tassel*, 258 F.R.D. 340, 348 n. 2 (N.D. Cal. 2009) citing *Camp v. Jeffer, Mangels, Butler & Marmaro*, 35 Cal. App. 4th 520, 638 (1995). As it is not clear at this time that Illinois law applies to the actions alleged in the Amended Counterclaim, the Second Affirmative Defense will not be stricken on this basis.

Countrywide further argues that Old Republic cannot assert unclean hands as a defense to ten Policies at issue in Countrywide's Amended Counterclaim which were issued prior to 2005 because Countrywide has admitted that it has no claims in connection with these pre-2005 Policies. (Countrywide's Motion at 12). Old Republic denies making any such admission and contends that the fact that its Second Amended Complaint alleges that since 2007 Countrywide has engaged in systematic fraud, does not mean that Countrywide was not guilty of fraud before that time. (Old Republic's Opposition at 13-14). While Old Republic may ultimately be unable to establish unclean hands on the part of Countrywide with regard to the pre-2005 Policies, striking the affirmative defense on this basis would not be appropriate at this time.

However, Countrywide is correct that the Second Affirmative Defense which is based on Old Republic's Second Amended Complaint is not sufficiently pled as to the pre-2005 Policies. Old Republic is given leave to amend the Second Affirmative Defense as to the pre-2005 Policies.

C. Third Affirmative Defense

The Third Affirmative Defense alleges that all the Policies which are the subject of Countrywide's Amended Counterclaim are void under Stipulation 10 of the Policies.

Countrywide argues that this affirmative defense is barred by §154 of the Illinois Insurance Code. As previously discussed, Countrywide has not established this as a matter of law.

Countrywide also argues that the Third Affirmative Defense merely reiterates the claims of the Second Amended Complaint and is not an affirmative defense. Countrywide has filed an Amended Counterclaim, Old Republic may assert any defenses it has to the Amended Counterclaim. Old Republic's allegation that the Policies are void based on Countrywide's fraud is a valid affirmative defense to the Amended Counterclaim.

Finally, Countrywide argues that fraud and rescission cannot be a defense as to any of the pre-2005 Policies. As discussed in connection with the Second Affirmative Defense, striking the Third Affirmative Defense on this basis would not be appropriate at this time.

D. Fourth Affirmative Defense

The Fourth Affirmative Defense alleges that the BNY Policies at issue in the Amended Counterclaim were terminated under Stipulation 7 of the Policies. Countrywide seeks to strike this affirmative defense based on the same arguments made by BNY in its motion to dismiss. The Fourth Affirmative Defense is stricken without prejudice.

E. Fifth Affirmative Defense

The Fifth Affirmative Defense alleges that any claim of Countrywide where the Proof of Loss was filed more than twelve months prior to the filing of Countrywide's original Counterclaim is time-barred under Stipulation 13 of the Policies. Stipulation 13 provides:

No suit, action or proceeding for the recovery of any claim under this Policy shall be instituted or sustainable in any court of law or equity unless Proof of Loss has been duly filed . . . and unless such suit, action or proceeding be commenced within twelve months after Proof of Loss has been filed; provided, however, that if by the laws of the State within which the Policy is issued such limitation is invalid, then any such claims shall be void unless such action, suit or proceedings be commenced within the shortest limit of time permitted by the laws of such State to be fixed herein.

(2nd Am. Compl. Exs. 12-32).

Countrywide first argues that the Fifth Affirmative Defense should be stricken because the date of Old Republic's filing of its lawsuit, not the date Countrywide filed its original Counterclaim is the proper date for calculating the contractual limitations period. The two cases cited by Countrywide, however, Burgard v. Mascoutah Lumber Co., 6 Ill. App. 2d 210 (4th Dist. 1955), and Johnson v. City of Evanston, 39 Ill. App. 3d 419, 423 (1st Dist. 1976), stand for the proposition that a defendant in a declaratory action may receive relief without filing a counterclaim. Neither case involves an issue of the statute of limitations or a contractual limitations provision.

Countrywide next argues that the Policies were issued in Illinois and therefore the Illinois Tolling Statute, 215 ILCS 5/143.1, should apply. However, as previously discussed, Countrywide has not shown that the Policies were issued in Illinois or that Illinois law should apply.

Countrywide has not established as a matter of law that none of its claims are barred by Stipulation 13 and the Fifth Affirmative Defense will not be stricken.

F. Conclusion – Motion to Strike Affirmative Defenses

Countrywide's Motion to Strike Old Republic's First Amended Affirmative Defenses is granted pursuant to §2-615 as to the Fourth Affirmative Defense without prejudice. Old Republic may seek leave to file an amended Fourth Affirmative Defense. The §2-615 motion to strike the Second Affirmative Defense is granted as it pertains to pre-2005 policies, but Old Republic is granted leave to file an amended Second Affirmative Defense. The remainder of the motion is denied.

VI. Old Republic's Motion to Compel

Old Republic served a First Set of Document Requests ("Requests") on Countrywide and BNY. (Motion, Ex. 3). Countrywide filed its Objections and Responses to the Requests. (Motion, Ex. 4). Old Republic has filed a Motion to Compel Countrywide to respond to Requests Nos. 13, 28, 29 and 38.

A. The Disputed Requests

Request No. 13 asks for all documents "relating to the drafting, approval, establishment, modification, or implementation, since 2001, of any Countrywide guideline for the underwriting or approval of HELs or HELOCs including . . . any documents referring to any criticism or analysis of those guidelines and their implementation. Countrywide objected that the Request is overbroad, unduly burdensome and not stated with reasonable particularity.

Request No. 28 asks for all documents "referring or relating to any of the criteria for, or procedures for underwriting and approving, any 'stated income' HEL or HELOC insured by any of the Policies." Countrywide objected that the Request is overly broad, unduly burdensome, vague, duplicative, does not describe the documents sought with sufficient particularity and is not reasonably calculated to discover "material and necessary" information.

Request No. 29 seeks all documents "relating to the communication of any of the criteria for, or procedures for underwriting and approving any 'stated income' HEL or HELOC insured by any of the Policies to any person with any responsibility for or involvement in brokering, underwriting or approving any of these loans." Countrywide objected that the Request is overly broad, unduly burdensome, vague, duplicative, does not describe the documents sought with sufficient particularity and is not reasonably calculated to discover "material and necessary" information.

Request No. 38 seeks all documents “relating to any communication between or among Countrywide, Old Republic, or BNY referring or relating to the negotiation or placement of any of the Policies. Countrywide objected that the Request is overly broad, unduly burdensome, vague, duplicative, does not describe the documents sought with sufficient particularity and is not reasonably calculated to discover “material and necessary” information.

B. Request Nos. 13, 28 and 29

The information sought in Requests Nos. 13, 28 and 29 is clearly relevant given the allegations of the Second Amended Complaint contrary to Countrywide’s assertions. However, the Requests are expansive. Countrywide claims production would be burdensome. At this stage, Old Republic and Countrywide should engage in further Rule 201(k) discussions as to possible ways to narrow the scope of the requests or make the requests more specific and provide for efficient and economical production of documents.

C. Request No. 38

Countrywide argues that Request No. 38 is irrelevant because its communications with BNY regarding the negotiation and placement of the BNY Policies are irrelevant to the issues of this case. This assertion is not convincing. Statements made by Countrywide to BNY regarding the negotiation and placement of the BNY Policies may lead to admissible evidence supporting the claims at issue in this case. Request No. 38 is relevant but expansive. Again, the parties should engage in discussion as to the production under Request No. 38.

D. Conclusion – Motion to Compel by Old Republic

Countrywide is required to respond to Request Nos. 13, 28 and 29 after further Rule 201(k) discussions.


Judge Mary K. Rochford