

SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

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FILER

AMERICAN HOME MORTGAGE INVESTMENT CORP

CIK: **1256536** | IRS No.: **200103914** | State of Incorporation: **MD** | Fiscal Year End: **1231**

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SIC: **6798** Real estate investment trusts

Mailing Address
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 10-K

**FOR ANNUAL AND TRANSITION REPORTS PURSUANT TO SECTIONS 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

(Mark One)

☒ Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Fiscal Year Ended December 31, 2006.

OR

☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Transition Period From _____ to _____.

Commission File Number 001-31916

AMERICAN HOME MORTGAGE INVESTMENT CORP.

(Exact Name of Registrant as Specified in Its Charter)

Maryland

(State or Other Jurisdiction of
Incorporation or Organization)

20-0103914

(I.R.S. Employer
Identification No.)

538 Broadhollow Road, Melville, New York 11747

(Address of Principal Executive Offices) (Zip Code)

(516) 949-3900

(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

TITLE OF EACH CLASS

NAME OF EACH EXCHANGE

Common Stock, \$0.01 par value per share

New York Stock Exchange

9.75% Series A Cumulative Redeemable Preferred Stock, \$0.01 par value per share

New York Stock Exchange

9.25% Series B Cumulative Redeemable Preferred Stock, \$0.01 par value per share

New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of December 31, 2006, the aggregate market value of the common stock held by non-affiliates of the registrant was approximately \$1.66 billion (computed by reference to the closing price as of the last business day of the registrant's most recently completed second fiscal quarter, June 30, 2006). For purposes of this information, the outstanding shares of common stock owned by directors and executive officers of the registrant were deemed to be shares of common stock held by affiliates.

As of February 22, 2007, the registrant had 50,222,899 outstanding shares of common stock, par value \$0.01 per share, which is the registrant's only class of common stock.

Documents Incorporated By Reference:

The information required to be furnished pursuant to Part III of this Annual Report on Form 10-K will be set forth in, and incorporated by reference from, the registrant's definitive proxy statement for the registrant's 2007 Annual Meeting of Stockholders, which definitive proxy statement will be filed by the registrant with the Securities and Exchange Commission not later than 120 days after the end of the registrant's fiscal year ended December 31, 2006.

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PART I
SPECIAL NOTES OF CAUTION

Cautionary Note Regarding Forward-Looking Statements

This report, including, but not limited to, the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” contains certain forward-looking statements within the meaning of the federal securities laws. Some of the forward-looking statements can be identified by the use of forward-looking words. When used in this report, statements that are not historical in nature, including, but not limited to, the words “anticipate,” “may,” “estimate,” “should,” “seek,” “expect,” “plan,” “believe,” “intend,” and similar words, or the negatives of those words, are intended to identify forward-looking statements. In addition, statements that contain a projection of revenues, earnings (loss), capital expenditures, dividends, capital structure or other financial terms are intended to be forward-looking statements. Certain statements regarding the following particularly are forward-looking in nature:

our business strategy;

future performance, developments, market forecasts or projected dividends;

projected acquisitions or joint ventures; and

projected capital expenditures.

It is important to note that the description of our business in general, and our mortgage-backed securities holdings in particular, is a statement about our operations as of a specific point in time. It is not meant to be construed as an investment policy, and the types of assets we hold, the amount of leverage we use, the liabilities we incur and other characteristics of our assets and liabilities are subject to reevaluation and change without notice.

The forward-looking statements in this report are based on our management’s beliefs, assumptions and expectations of our future economic performance, taking into account the information currently available to it. These statements are not statements of historical fact and are not guarantees of future performance, events or results. Forward-looking statements are subject to a number of factors, risks and uncertainties, some of which are not currently known to us, that may cause our actual results, performance or financial condition to be materially different from the expectations of future results, performance or financial position. These factors include, without limitation, those factors set forth in Item 1A of this report, entitled “Risk Factors,” as well as general economic, political, market, financial or legal conditions and any other factors, risks and uncertainties discussed in filings we make with the Securities and Exchange Commission (“SEC”).

In light of these risks, uncertainties and assumptions, any forward-looking events discussed in this report might not occur, and we qualify any and all of our forward-looking statements entirely by these cautionary factors. You are cautioned not to place undue reliance on forward-looking statements. Such forward-looking statements are inherently uncertain, and you must recognize that actual results may differ from expectations. We are not under any obligation, and we expressly disclaim any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by federal securities laws.

ITEM 1. BUSINESS

American Home Mortgage Investment Corp., a Maryland corporation (“AHM Investment” and, collectively with its subsidiaries, the “Company,” “we” or “us”), is in the business of investing in mortgage-backed securities and mortgage loans resulting from the securitization of residential mortgage loans that its subsidiaries originate and service. We also invest in securitized mortgage loans originated by others. Most of our portfolio consists of securitized adjustable-rate mortgage loans, or ARM loans, that are of prime and alternate “A” quality. Our aim is to earn interest income, net of interest expense, sufficient to meet our obligations and distribute dividends to our stockholders. An important element of our business strategy is self-originating many of the securitized loans in which we invest, so as to acquire those loans at a lower cost than would be required to purchase similar loans in the capital markets. If we can invest in securitized loans produced at a low cost, we expect that our net interest income from those loans will be enhanced. In addition to investing in securitized mortgage loans, we also are in the businesses of originating and selling mortgage loans to institutional investors for a profit, as well as servicing mortgage loans owned by others.

We are organized and operate as a real estate investment trust, or REIT, for federal income tax purposes, and our corporate structure includes both qualified REIT subsidiaries (“QRSs”) and taxable REIT subsidiaries (“TRSs”). We conduct most of our investment activities, including loan origination for our own portfolio, directly or through our QRSs. We conduct our businesses of originating loans for sale and servicing mortgages, as well as ancillary businesses such as mortgage reinsurance, in our TRSs. In addition, our TRSs operate our retail and mortgage broker acceptance branches where we accept mortgage applications from customers. The net interest income we earn from our investment activities generally will not be subject to federal income tax to the extent we dividend such income to our stockholders. By contrast, income that we earn on activities we conduct in our TRSs will be subject to federal and state corporate income tax. We may retain any after-tax income generated by our TRSs, and, as a result, may increase our consolidated equity capital and thereby grow our business through retained earnings. We may, however, dividend all or a portion of our after-tax TRS earnings to our stockholders, subject to REIT qualification limitations. See “Certain Federal Income Tax Considerations” below.

American Home Mortgage Holdings, Inc. (“AHM Holdings”), a Delaware corporation, is a direct, wholly owned subsidiary of AHM Investment that serves as the parent holding company for American Home Mortgage Corp. (“AHM Corp.”), a New York corporation, which (together with American Home Mortgage Acceptance, Inc. (“AHM Acceptance”), a Maryland corporation and direct, wholly owned subsidiary of AHM Investment) primarily originates our loans, and American Home Mortgage Servicing, Inc. (“AHM Servicing”), a Maryland corporation, which services our loans as well as certain loans for third parties.

As of December 31, 2006, we held a leveraged portfolio of mortgage loans held for investment and mortgage-backed securities in the amount of approximately \$15.6 billion in order to generate net interest income and serviced approximately 197,000 loans with an aggregate principal amount of approximately \$46.3 billion. As of December 31, 2006, we operated more than 550 loan production offices located in 47 states and the District of Columbia, and made loans throughout all 50 states and the District of Columbia. We originated approximately \$58.9 billion in aggregate principal amount of loans in 2006 and for the third quarter of 2006 were ranked as the nation’s 10th largest residential mortgage lender according to *National Mortgage News*.

The common stock of AHM Investment is traded on the New York Stock Exchange (“NYSE”) under the symbol “AHM.” AHM Investment’s 9.75% Series A Cumulative Redeemable Preferred Stock (“Series A Preferred Stock”) and 9.25% Series B Cumulative Redeemable Preferred Stock (“Series B Preferred Stock”) are also traded on the NYSE under the symbols “AHM PrA” and “AHM PrB,” respectively.

Our website is <http://www.americanhm.com>. We make available free of charge on our website our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, Forms 3, 4 and 5 filed on behalf of our directors and executive officers and any amendments to such reports filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. We also will provide any of

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the foregoing information without charge upon written request to American Home Mortgage Investment Corp., 538 Broadhollow Road, Melville, New York 11747, Attention: Investor Relations Director.

Also posted on our website within the “investor relations” section under the heading “corporate governance” are (i) the charters for the committees of our Board of Directors, which include the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee, (ii) our Corporate Governance Principles and (iii) our Code of Business Conduct and Ethics (the “Code of Ethics”) governing our directors, officers and employees. These documents also are available in print upon request of any stockholder to our Investor Relations Director. Within the time period required by the SEC and the NYSE, we will post on our website any modifications to the Code of Ethics and any waivers applicable to Senior Financial Officers (as defined in the Code of Ethics).

The certifications by our Chief Executive Officer and Chief Financial Officer required under Section 302 of the Sarbanes-Oxley Act of 2002 have been filed as Exhibits 31.1 and 31.2, respectively, to this Annual Report on Form 10-K. We also have submitted to the NYSE our 2006 Annual Chief Executive Officer Certification required pursuant to NYSE Corporate Governance Standards Section 303A.12(a), to the effect that, as of the date of such certification, the Chief Executive Officer of the Company was not aware of any violation by the Company of the NYSE’s Corporate Governance listing standards.

Description of Our Business

Our businesses include holding a leveraged portfolio of mortgage loans held for investment and mortgage-backed securities in order to earn net interest income, originating mortgage loans (and either securitizing those loans or selling them for a profit), and servicing our securitized loans for fee income. A growing portion of our portfolio of mortgage loans and mortgage-backed securities are self-originated, and our core strategy is to hold self-originated mortgage loans held for investment and mortgage-backed securities, which we have, to date, been able to produce at a lower cost than the price for comparable mortgage loans and mortgage-backed securities offered for sale in the capital markets. We are organized and operate as a REIT for federal income tax purposes. Our REIT-eligible assets and activities are held or performed at the parent level or in QRSs. Our primary QRS, AHM Acceptance, originates and securitizes REIT-eligible mortgage loans. Our assets and activities that are not REIT-eligible, such as part of our mortgage origination business and our servicing business, are held or conducted by certain of our direct or indirect TRSs, AHM Holdings, AHM Corp. and AHM Servicing. Our TRSs are subject to federal and state corporate income tax.

In general, under our current business strategy, we expect to maximize the operational and tax benefits provided by our REIT structure. Our TRSs accept and process loan applications. Loan applications that meet the requirements of the REIT, which typically consist of ARMs, are then sold by our TRSs to our QRS, while loan applications that do not meet these requirements are closed and sold to third-party purchasers. The associated servicing rights of all loans originated by our QRS are retained by our TRSs. We generate net interest income from our portfolio of mortgage loans and mortgage-backed securities, which is the difference between (1) the interest income we receive from mortgage loans and mortgage-backed securities and (2) the interest we pay on the debt used to finance these investments, plus certain administrative expenses.

Certain of our TRSs also engage in other businesses that are ancillary to their loan origination and servicing activities, including operating two mortgage reinsurance subsidiaries, a title abstract subsidiary and a vendor management company. These TRSs also are participants in mortgage lending joint ventures that are designed to generate assets for us.

In addition, in October 2006, the Company acquired Flower Bank, fsb, of Chicago, Illinois, a federally chartered savings bank, which, as of February 2007, has changed its name to American Home Bank.

Mortgage Holdings Segment

Our current investment strategy, which is subject to change at any time without notice to our stockholders, and which we expect may change from time to time, is to realize net interest income we expect from our investment in securitized loans held for investment and mortgage-backed securities. We also seek to mitigate risks associated with holding a leveraged portfolio of securitized mortgage loans held for investment and mortgage-backed securities. A key risk mitigation practice we attempt to employ is approximately matching the duration of our securitized mortgage loans held for investment with the duration of the liabilities we utilize to finance those loans. Toward this end, we issue collateralized debt obligations (“CDOs”) with payment requirements that wholly or partially mirror the receipts from our loans. We also use interest rate swaps to extend repurchase and other short-term borrowings. Additional risk mitigation strategies we employ include using cash flow matching to limit our exposure to changes in the slope of the yield curve and limiting the extension and repayment risk of our holdings by investing primarily in ARM and hybrid-ARM securitized loans. We attempt to actively manage our portfolio of securitized mortgage loans and mortgage-backed securities, and measure the likely impact of changing interest rates, prepayment speeds, delinquencies and other factors on the income the portfolio will produce and on the portfolio’s value. Still, we cannot ensure that our risk mitigation or portfolio management practices will preserve the income or value of our securitized mortgage loans and mortgage-backed securities. See Item 1A of this report, entitled “Risk Factors.”

A growing percentage of our portfolio of mortgage loans and mortgage-backed securities are self-originated, and our core strategy is to hold self-originated mortgage loans held for investment and mortgage-backed securities, which we have, to date, been able to produce at a lower cost than the price for comparable mortgage loans and mortgage-backed securities offered for sale in the capital markets. We believe that the cost advantage we obtain from self-originating loans, and holding such loans in securitized form in the REIT or in our primary QRS, is primarily the result of two economic factors. First, through self-origination, we avoid the intermediation costs associated with purchasing mortgage assets in the capital markets. Second, the REIT or our primary QRS is able to acquire loan applications from our TRSs, rather than purchase closed loans, at a price substantially less than the purchase price of a closed loan.

The size of our leveraged portfolio of mortgage loans held for investment and mortgage-backed securities was approximately \$15.6 billion as of December 31, 2006. Our mortgage-backed securities are funded through borrowings in the reverse repurchase market. Our loans held for investment are funded through reverse repurchase agreements and CDOs. Rollover risk is managed by laddering the maturities of the reverse repurchase borrowings. Our termed repurchase agreements generally have maturities ranging from one to twelve months.

Loan Origination Segment

Our loan origination business originates the securitized loans in which we invest as well as additional loans that we sell, typically at a gain. We are one of the nation’s largest home mortgage lenders; *National Mortgage News* ranked the Company as the nation’s 10th largest residential mortgage lender for the third quarter of 2006. During 2006, we made loans to approximately 196,000 borrowers and our total originations were approximately \$58.9 billion. Our loan origination business is the generator of a significant portion of our assets and the source of our gain on sale revenue. It also is the source of many of the customers whose loans are being serviced by us.

Our originations are sourced through our own sales force of approximately 2,450 loan officers and account executives, as well as through mortgage brokers and loan correspondents. As of December 31, 2006, we conducted our lending through over 550 retail and wholesale loan production offices located in 47 states and the District of Columbia. During 2006, our origination business obtained approximately 55% of our originations from mortgage brokers through our wholesale loan production offices and 35% of our originations through our retail loan production offices and Internet call center, while 10% of our originations were purchased from correspondents. Of the \$58.9 billion aggregate principal amount of loans we made during 2006, 54% were to fund refinancings while 46% were to fund home purchases.

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We offer a broad array of mortgage products and primarily make loans to borrowers with good credit profiles. The weighted-average FICO score for our \$58.9 billion of total originations in 2006 was 716. All of the loans we made in 2006 were secured by one- to four-family dwellings.

Our origination business seeks to utilize a combination of skilled loan officers, advanced technology, a broad product line and a high level of customer service to successfully compete in the marketplace. Once a customer applies for a loan, our mortgage banking operation processes and underwrites the customer's application and we fund the customer's loan by drawing on a warehouse line of credit. These loans are then typically either sold, securitized with the resulting mortgage-backed securities being sold, or held by us as a long-term investment.

Our loan origination business has rapidly grown its market share and scale since we became a public company in 1999. The aggregate principal amount of our total loan originations was approximately \$58.9 billion in 2006, compared to \$45.3 billion in 2005, \$23.1 billion in 2004, \$21.7 billion in 2003 and \$12.2 billion in 2002. Based on Freddie Mac's Office of the Chief Economist Economic and Housing Market Outlook estimates of total industry originations, our national market share was 0.56% in 2003, 0.79% in 2004, 1.39% in 2005 and 2.22% in 2006. We believe our growth has made our mortgage banking operation more profitable and more effective at serving our customers. Specifically, growth in originations has lowered the per-loan cost of our centralized support operations and, consequently, our overall per-loan cost of origination. Our growth has also given us a relatively large presence in the secondary mortgage market, and, as a result, has improved our ability to execute loan sales to third-party purchasers. In addition, our size has enabled us to negotiate better terms with warehouse lenders and credit enhancers such as Fannie Mae and Freddie Mac. Finally, our size has made it possible for us to profitably enter businesses ancillary to mortgage lending, such as mortgage reinsurance, title brokerage and vendor management.

We have grown our mortgage origination business both through the acquisition of smaller mortgage origination companies and through organic growth. In each of our acquisitions, we have generally retained and grown the acquired company's loan production offices while substantially eliminating their centralized support operations and associated costs. These acquisitions have significantly increased our origination capability. Our strategy is to continue to opportunistically seek acquisitions to grow our loan origination business. Growth in our business with mortgage brokers has resulted from adding additional branches and account executives in our wholesale channel and increasing the depth of our mortgage broker support capabilities.

Our newly originated loans held pending sale or securitization were \$1.5 billion as of December 31, 2006. These loans are financed through our commercial paper program and through borrowings from banks and securities dealers. The interest rate risk posed by our agency-eligible conforming loans and most of our non-conforming loans is hedged through forward sales, interest rate swaps or interest rate caps.

Mortgage Products

We offer a broad and competitive range of mortgage products that aim to meet the mortgage needs of primarily high-credit-quality borrowers. Our product line includes ARM loans, conventional conforming fixed-rate loans, alternate "A" loans, jumbo fixed rate loans, home equity or second mortgage loans, government fixed rate loans, non-prime loans and construction loans.

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The following table summarizes information with respect to the most significant categories of mortgage loans we originated for the years ended December 31, 2006 and 2005:

LOAN ORIGINATION SUMMARY

Loan Type	Number of Loans		Loan Originations		% of Total			
	Year Ended December 31,		Year Ended December 31,		Dollar Originations			
	2006	2005	2006	2005	2006	2005		
(Dollars in millions)								
Adjustable-rate	81,973	62,516	\$29,236.1	\$19,072.0	49.7	%	42.1	%
Conventional conforming fixed-rate	73,571	67,801	14,031.0	12,281.1	23.8		27.1	
Alternate "A" first lien	25,267	27,541	5,240.3	5,239.6	8.9		11.6	
Jumbo fixed rate	6,367	6,932	4,041.1	3,657.2	6.9		8.1	
Home equity/Second	54,198	55,369	3,610.2	3,362.5	6.1		7.4	
Government fixed-rate	16,944	10,592	2,439.9	1,440.6	4.1		3.2	
Construction	639	175	272.0	111.0	0.5		0.2	
Non-prime	112	617	28.8	134.0	0.0		0.3	
Loan originations	259,071	231,543	\$58,899.4	\$45,298.0	100.0	%	100.0	%

Adjustable-Rate Mortgage Loans. The ARM loan's defining feature is a variable interest rate that fluctuates over the life of the loan, usually 30 years. Interest rate fluctuations are based on an index that is related to Treasury bill rates, regional or national average cost of funds of savings and loan associations, or another widely published rate, such as LIBOR. The period between the rate changes is called an adjustment period and may change every month to one year. We also offer ARM loans with a fixed period of three years, five years or ten years. Some of our ARM loans may include interest rate caps, which limit the interest rate increase for each adjustment period.

Conventional Conforming Fixed-Rate Loans. These mortgage loans conform to the underwriting standards established by Fannie Mae or Freddie Mac. This product is limited to high-quality borrowers with good credit records and requires adequate down payments or mortgage insurance.

Alternate "A" First Lien Loans. Alternate "A" first lien mortgage loans consist primarily of first lien mortgage loans made to borrowers whose credit is generally within typical Fannie Mae or Freddie Mac guidelines, but have loan characteristics that make them non-conforming under these guidelines. From a credit risk standpoint, alternate "A" loan borrowers present a risk profile comparable to that of conforming loan borrowers, but entail special underwriting considerations, such as a higher loan-to-value ratio or limited income or asset verification.

Jumbo Loans. Jumbo loans are considered non-conforming mortgage loans because they have a principal loan amount in excess of the loan limits set by Fannie Mae and Freddie Mac (which limits were \$417,000, for single-family, one-unit mortgage loans in the continental United States originated during the year ended December 31, 2006). We offer jumbo loans with creative financing features, such as the pledging of security portfolios. Our jumbo loan program is geared to the more financially sophisticated borrower.

Home Equity or Second Mortgage Loans. These loans are generally secured by second liens on the related property. Home equity mortgage loans can take the form of a home equity line of credit, or HELOC, which generally bears an adjustable interest rate, while second mortgage loans are closed-end loans with fixed interest rates. Both types of loans are designed for borrowers with high-quality credit profiles. HELOCs generally provide for a 5- or 15-year draw period where the borrower withdraws needed cash and pays interest only, followed by a 10- to 20-year repayment period. Second mortgage loans are fixed in amount at the time of origination and typically amortize over 15 to 30 years with a balloon payment due after 15 years.

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Government Fixed-Rate Loans. These mortgage loans conform to the underwriting standards established by the Federal Housing Authority (“FHA”) or the Veterans Administration (“VA”). These loans may qualify for insurance from the FHA or guarantees from the VA. We have been designated by the U.S. Department of Housing and Urban Development (“HUD”) as a direct endorser of loans insured by the FHA and as an automatic endorser of loans partially guaranteed by the VA, allowing us to offer FHA or VA mortgages to qualified borrowers. FHA and VA mortgages must be underwritten within specific governmental guidelines, which include borrower income verification, asset verification, borrower creditworthiness, property value and property condition.

Construction Loans. We offer a variety of construction loans for owner-occupied, single-family residences. These loans are available on a rollover basis, meaning that the borrower can secure funding for the land purchase and construction of the home, then roll the financing over into a permanent mortgage loan. During the construction period, interest-only payments are made. Withdrawals during the construction period, to cover the costs associated with each stage of completion, are usually made in five to ten disbursements.

Non-Prime Mortgage Loans. Non-prime mortgage loans focus on customers whose borrowing needs are not served by traditional financial institutions. Borrowers of non-prime mortgage loans may have impaired or limited credit profiles, high levels of debt service to income, or other factors that disqualify them for prime loans. When we originate mortgage loans of borrowers with higher credit risk, we offset this risk with higher interest rates than would be charged for our conventional and government loans. Offering this category of mortgage loans on a limited basis allows us to provide loan products to borrowers with a variety of credit profiles.

Loan Underwriting

Our primary goal in making a decision whether to extend a loan is whether that loan conforms to the expectations and underwriting standards of the secondary mortgage market. Typically, these standards focus on a potential borrower’s credit history (often as summarized by credit scores), income and stability of income, liquid assets and net worth and the value and the condition of the property securing the loan. Whenever possible, we use “artificial intelligence” underwriting systems to determine whether a particular loan meets those standards and expectations. In those cases where artificial intelligence is not available, we rely on our credit officer staff to make the determination.

Quality Control

We perform monthly quality control testing on a statistical sample of the loans we originate. The quality control testing includes checks on the accuracy of the borrower’s income and assets and the credit report used to make the loan, reviews whether the loan buyer’s underwriting standards were properly applied and examines whether the loan complies with government regulations. Quality control findings are summarized in monthly reports that we use to identify areas that need corrective action or could use improvement. To date, those reports have not identified any material quality control concerns, although there can be no assurances that we will not experience material quality control concerns in the future.

Sale of Loans and Servicing Rights

With respect to mortgage loans that we originate but do not securitize, we typically seek to sell those loans within 45 days of origination. We sell those loans to Fannie Mae, Freddie Mac, large national banks, thrifts and smaller banks, securities dealers, real estate investment trusts and other institutional loan buyers. We also swap loans with Fannie Mae and Freddie Mac in exchange for mortgage-backed securities, which we then sell.

Typically, we sell loans with limited recourse. By doing so, with some exceptions, we reduce our exposure to default risk at the time we sell the loan, except that we may be required to repurchase the loan if it breaches the representations or warranties that we make in connection with the sale of the loan, in the event of an early payment default, or if the loan does not comply with the underwriting standards or other requirements of the ultimate investor.

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We sell the loans to investors pursuant to written agreements that establish an ongoing sale program under which those investors stand ready to purchase loans so long as the loans we offer for sale satisfy the investors' underwriting standards.

In 2006, the three institutions that bought the most loans from us were Countrywide Financial Corporation, Deutsche Bank and Wells Fargo Bank, N.A. , which accounted for 20%, 19% and 11%, respectively, of our total loan sales.

With respect to mortgage loans that we originate but do not securitize, we sold the mortgage servicing rights ("MSRs") in 60.9% of our loan sales at the time we sold those loans. The prices at which we are able to sell our MSRs vary over time and may be materially adversely affected by a number of factors, including, for example, the general supply of, and demand for, MSRs and changes in interest rates. From time to time, we retain the servicing rights on a portion of our loan originations. When we retain servicing rights, we earn an annual servicing fee.

On December 31, 2006, the carrying value of our MSRs was \$506.3 million. The MSRs are financed by borrowings from a bank syndicate.

Loan Servicing Segment

Our servicing business is conducted through AHM Servicing. Loans are serviced primarily for the trusts of our securitizations and for Fannie Mae, Ginnie Mae and other third-party purchasers of our loans. We have been rated "Average With Noted Strengths" for both first and second lien products by Standard & Poor's, and "RPS3+" for our prime, alternate-A and home equity products by Fitch.

Our servicing business enables us to retain an ongoing business relationship with our borrowers, which we believe makes it more likely that we will earn those borrowers' business when they need a new loan or wish to refinance an existing loan. Our servicing business collects mortgage payments, administers tax and insurance escrows, responds to borrower inquiries and enables us to maintain control over our collection and default mitigation processes and, we believe, to better manage the credit performance of borrowers. Our loan servicing business also provides us with a countercyclical source of revenue and a stable cash flow, as net income from servicing activities generally tends to increase during periods of rising interest rates when revenue from originations generally tends to diminish.

As of December 31, 2006, AHM Servicing serviced approximately 197,000 loans with an aggregate principal amount of approximately \$46.3 billion. The weighted-average servicing fee on our servicing portfolio as of December 31, 2006, was 0.347% of the principal amount of each loan we service. We expect our servicing business to grow as we increase our portfolio of self-originated mortgage loans and mortgage-backed securities.

The weighted-average interest rate of the single-family mortgage loans serviced for others as of December 31, 2006 was 7.08%. As of December 31, 2006, 76% of loans serviced for others were ARM loans and 24% were fixed-rate mortgage loans. The weighted-average servicing fee of our loans serviced for others was 0.347% as of December 31, 2006. The weighted-average interest rate of our fixed-rate loans serviced for others was 6.70% as of December 31, 2006.

The following table classifies our portfolio of mortgage loans serviced for others by product type at December 31, 2006 and 2005:

Product	Principal Balance		Percentage of Portfolio			
	December 31,		December 31,			
	2006	2005	2006		2005	
(In millions)						
ARMs	\$30,057.5	\$17,871.3	78.1	%	71.4	%
Fixed rate	8,007.5	6,700.5	20.8	%	26.7	%

Second liens	<u>415.2</u>	<u>472.9</u>	<u>1.1</u>	%	<u>1.9</u>	%
Loans serviced for others	<u>\$38,480.2</u>	<u>\$25,044.7</u>	<u>100.0</u>	%	<u>100.0</u>	%

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The following table presents the activity in our portfolio of mortgage loans serviced for others for the years ended December 31, 2006 and 2005:

	Year Ended December 31,	
	2006	2005
	(In millions)	
Balance at beginning of year	\$25,044.7	\$11,955.6
Loans sold or securitized with servicing retained	21,908.4	19,806.9
Prepayments and foreclosures	(8,341.1)	(6,300.5)
Amortization of principal	(131.8)	(417.3)
Balance at end of year	<u>\$38,480.2</u>	<u>\$25,044.7</u>

Banking Segment

The Company's banking business is conducted through American Home Bank (formerly known as Flower Bank, fsb) ("AH Bank"), which the Company acquired in October 2006. The Company expects that AH Bank will hold mortgages, consumer loans and securities as its primary assets and fund its holdings through deposits, including escrow balances. Although AH Bank is not expected to have a significant impact on the Company's financial results in the near future, the Company expects that, over time, AH Bank will diversify its sources of earnings and revenues, enabling it to become a more diversified, multi-dimensional financial services company. In particular, the Company expects to leverage its customer acquisition costs by offering mortgages, deposit accounts and additional lines of consumer credit to its existing customers and the general public.

Financial Information About Industry Segments

We primarily conduct our business in four principal segments: mortgage holdings, loan origination, loan servicing and banking. The business conducted by each segment is described above under "Description of Our Business." Additional financial information regarding our business segments as of December 31, 2006, December 31, 2005, and December 31, 2004, and for the years ended December 31, 2006, December 31, 2005, and December 31, 2004, is set forth in Note 24 to Consolidated Financial Statements, entitled "Segments and Related Information," and is incorporated herein by reference.

Hedging Activities

We hedge interest rate risk and price volatility on our mortgage loan interest rate lock commitments and mortgage loans during the time we commit to acquire or originate mortgages at a pre-determined rate until the time we sell or securitize mortgages. We also hedge interest rate risk associated with funding our portfolio of mortgage loans and mortgage-backed securities. To reduce the sensitivity of earnings to interest rate and market value fluctuations, we hedge the risk of changes in the fair value of MSRs. To mitigate interest rate and price volatility risks, we may enter into certain hedging transactions. The nature and quantity of our hedging transactions are determined based on various factors, including market conditions and the expected volume of mortgage acquisitions and originations.

Additional information regarding interest rate hedging is set forth in “Management’ s Discussion and Analysis of Financial Condition and Results of Operations” and in Note 1 to Consolidated Financial Statements, entitled “Summary of Significant Accounting Policies,” and is incorporated herein by reference.

Government Regulation

The Company’ s loan origination and loan servicing segments are subject to extensive and complex rules and regulations of, and examinations by, various federal, state, and local government authorities and government sponsored enterprises, including, without limitation, HUD, FHA, VA, Fannie Mae, Freddie Mac and Ginnie Mae.

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These rules and regulations impose obligations and restrictions on the Company's loan origination and credit activities, including, without limitation, the processing, underwriting, making, selling, securitizing and servicing of mortgage loans.

The Company's lending activities also are subject to various federal laws, including the Federal Truth-in-Lending Act and Regulation Z thereunder, the Homeownership and Equity Protection Act of 1994, the Federal Equal Credit Opportunity Act and Regulation B thereunder, the Fair Credit Reporting Act of 1970, the Real Estate Settlement Procedures Act of 1974 and Regulation X thereunder, the Fair Housing Act, the Home Mortgage Disclosure Act and Regulation C thereunder and the Federal Debt Collection Practices Act, as well as other federal statutes and regulations affecting its activities. The Company's loan origination activities also are subject to the laws and regulations of each of the states in which it conducts its activities.

These laws, rules, regulations and guidelines limit mortgage loan amounts and the interest rates, finance charges and other fees the Company may assess, mandate extensive disclosure and notice to its customers, prohibit discrimination, impose qualification and licensing obligations on it, establish eligibility criteria for mortgage loans, provide for inspections and appraisals of properties, require credit reports on prospective borrowers, regulate payment features, and prohibit kickbacks and referral fees, among other things. These rules and requirements also impose on the Company certain reporting and net worth requirements. Failure to comply with these requirements can lead to, among other things, loss of approved status, termination of contractual rights without compensation, demands for indemnification or mortgage loan repurchases, certain rights of rescission for mortgage loans, class action lawsuits, and administrative enforcement actions.

Although the Company believes that it has systems and procedures in place to ensure compliance with these requirements and that it currently is in compliance in all material respects with applicable federal, state and local laws, rules and regulations, there can be no assurance of full compliance with current laws, rules and regulations, that more restrictive laws, rules and regulations will not be adopted in the future, or that existing laws, rules and regulations or the mortgage loan documents with borrowers will not be interpreted in a different or more restrictive manner. The occurrence of any such event could make compliance substantially more difficult or expensive, restrict the Company's ability to originate, purchase, sell or service mortgage loans, further limit or restrict the amount of interest and other fees and charges earned from mortgage loans that the Company originates, purchases or services, expose it to claims by borrowers and administrative enforcement actions, or otherwise materially and adversely affect its business, financial condition and results of operations.

Members of Congress, government officials and political candidates have from time to time suggested the elimination of the mortgage interest deduction for federal income tax purposes, either entirely or in part, based on borrower income, type of loan or principal amount. Because many of the Company's loans are made to borrowers for the purpose of purchasing a home, the competitive advantage of tax deductible interest, when compared with alternative sources of financing, could be eliminated or seriously impaired by this type of governmental action. Accordingly, the reduction or elimination of these tax benefits could have a material adverse effect on the demand for the kind of mortgage loans the Company offers.

The Company also is performing various mortgage-related operations on the Internet. The Internet, and the laws, rules and regulations related to it, are relatively new and still evolving. As such, there exist many opportunities for the Company's business operations on the Internet to be challenged or to become subject to legislation, any of which may materially and adversely affect its business, financial condition and results of operations.

Information Systems

The Company's loan origination enterprise system controls most aspects of the Company's loan origination operations, from the processing of a loan application through the closing of the loan and the sale of the loan to institutional investors. The system also performs checks and balances on many aspects of the Company's operations and supports the Company's marketing efforts. The Company's enterprise system functions on a wide

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area network that connects all of its branches in “real time.” With its wide area network, a transaction at any one of its locations is committed centrally and is therefore immediately available to all personnel at all other locations. An important benefit of the enterprise system is that it aids the Company in controlling its business processes. The system assures that the Company’s underwriting policies are adhered to, that only loans that are fully approved are disbursed, and that the correct disclosures and loan documents for a borrower are used based upon such borrower’s state and loan program. The Company’s enterprise system also provides its management with operating reports and other key data. In addition, the Company has developed a proprietary website and supporting call center software through the efforts of its in-house computer programming staff.

The Company’s loan servicing system, LSAMS (“Loan Servicing and Accounting Management System”), manages most aspects of the loan servicing function, from loan funding to its ultimate payoff or disposition. The Company has developed enhancements and ancillary systems to further automate this function. Efficiencies have been gained through the use of Interactive Voice Response units that allow customers to ask questions and receive answers 24 hours a day. The Company also utilizes skill set routing along with CTI (“Computer-Telephone Integration”) to speed the work of customer service agents. The Company’s customers are able to utilize the Internet to check on current account information as well as to make monthly payments. DRI, a default management system, is used to streamline and provide timeline management of the loss mitigation, foreclosure process, track bankruptcies, expedite foreclosure claims processing and dispose of real estate owned (“REO”) property. The Company’s loan servicing system is scalable well beyond its current workload.

Seasonality

Seasonality affects the Company’s loan origination and loan servicing segments, as loan originations and payoffs are typically at their lowest levels during the first and fourth quarters due to a reduced level of home buying activity during the winter months. Loan originations and payoffs generally increase during the warmer months, beginning in March and continuing through October. As a result, the Company may experience higher earnings in the second and third quarters and lower earnings in the first and fourth quarters from its loan origination segment. Conversely, we may experience lower earnings in the second and third quarters and higher earnings in the first and fourth quarters from our loan servicing segment.

Competition

We face intense competition from mortgage REITs, commercial banks, savings and loan associations and other finance and mortgage banking companies, as well as from Internet-based lending companies and other lenders participating on the Internet. Entry barriers in the mortgage industry are relatively low and increased competition is likely. As we seek to expand our business, we will face a greater number of competitors, many of whom will be well established in the markets that we seek to penetrate. Many of our competitors are much larger than we are, have better name recognition than we do and have greater financial and other resources than we do. In addition, competition may lower the interest rates we are able to charge borrowers, thereby potentially lowering the amount of revenue we earn either upon selling our loans, or the amount of interest we earn upon retaining our loans. Increased competition also may reduce the volume of our loan originations and loan sales.

Employees

We recruit, hire and retain individuals with the specific skills that complement our corporate growth and business strategies. As of December 31, 2006, we employed 7,409 employees.

CERTAIN FEDERAL INCOME TAX CONSIDERATIONS

General

AHM Investment elected to be treated as a REIT for federal income tax purposes in the federal income tax return for its first taxable year ending December 31, 2003. In brief, if AHM Investment meets certain detailed conditions imposed by the REIT provisions of the Internal Revenue Code of 1986, as amended (the “Code”), including a requirement that we invest primarily in qualifying REIT assets (which generally include real estate and mortgage loans) and a requirement that we satisfy certain income tests, AHM Investment will not be taxed at the corporate level on the income that we currently distribute to our stockholders. Therefore, to this extent, AHM Investment’s stockholders will avoid double taxation, at the corporate level and then again at the stockholder level when the income is distributed, that they would otherwise experience if AHM Investment failed to qualify as a REIT.

If AHM Investment does not qualify as a REIT in any given year, we would be subject to federal income tax as a corporation for the year of the disqualification and for each of the following four years. This disqualification would result in federal income tax, which would reduce the amount of the after-tax cash available for distribution to our stockholders. AHM Investment believes that we have satisfied the requirements for qualification as a REIT since the year ended December 31, 2003. AHM Investment intends at all times to continue to comply with the requirements for qualification as a REIT under the Code, as described below.

In addition, to the extent AHM Investment holds a residual interest in a real estate mortgage investment conduit or is subject to the “taxable mortgage pool” (“TMP”) rules, AHM Investment’s status as a REIT will not be impaired, but a portion of the taxable income generated by the residual interest or AHM Investment’s mezzanine debt and other assets constituting a TMP may be characterized as “excess inclusion” income allocated to AHM Investment’s stockholders. Any such excess inclusion income (i) will not be allowed to be offset by the net operating losses of a stockholder, (ii) will be subject to tax as unrelated business taxable income to a tax-exempt stockholder, (iii) will result in the application of U.S. federal income tax withholding at the maximum rate (without reduction for any otherwise applicable income tax treaty) on any excess inclusion income allocable to a stockholder that is not a “United States Person” (as defined in the Code), and (iv) may result in AHM Investment having to pay tax on excess inclusion income to the extent the AHM Investment’s stockholders are certain “disqualified organizations.”

Requirements for Qualification as a REIT

To qualify for tax treatment as a REIT under the Code, we must meet certain tests, as described briefly below.

Ownership of Common Stock

Each taxable year for which we elect to be a REIT, a minimum of 100 persons must hold our shares of capital stock for at least 335 days of a 12-month year (or a proportionate part of a short tax year). In addition, at all times during the second half of each taxable year, no more than 50% in value of our capital stock may be owned directly or indirectly by five or fewer individuals. We are required to maintain records regarding the ownership of our shares and to demand statements from persons who own more than a certain number of our shares regarding their ownership of shares. We must keep a list of those stockholders who fail to reply to such a demand.

We are required to use the calendar year as our taxable year for income tax purposes.

Nature of Assets

On the last day of each calendar quarter, at least 75% of the value of our assets and any assets held by a QRS must consist of qualified REIT assets (primarily, real estate and mortgages secured by real estate) (“Qualified REIT Assets”), government assets, cash and cash items. We expect that substantially all of our assets

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will continue to be Qualified REIT Assets. On the last day of each calendar quarter, of the assets not included in the foregoing 75% assets test, the value of mortgage-backed securities that we hold issued by any one issuer may not exceed 5% in value of our total assets and we may not own more than 10% of any one issuer's outstanding securities (with an exception for a qualified electing TRS). Under that exception, the aggregate value of business that we may undertake through TRSs is limited to 20% or less of our total assets. We monitor the purchase and holding of our assets in order to comply with the above asset tests.

We may from time to time hold, through one or more TRSs, assets that, if we held directly, could generate income that would have an adverse effect on our qualification as a REIT or on certain classes of our stockholders.

Sources of Income

We must meet the following separate income-based tests each year:

1. *The 75% Test.* At least 75% of our gross income for the taxable year must be derived from Qualified REIT Assets including interest (other than interest based in whole or in part on the income or profits of any person) on obligations secured by mortgages on real property or interests in real property. The investments that we have made and will continue to make will give rise primarily to mortgage interest qualifying under the 75% income test.

2. *The 95% Test.* In addition to deriving 75% of our gross income from the sources listed above, at least an additional 20% of our gross income for the taxable year must generally be derived from those sources, or from dividends, interest or gains from the sale or disposition of stock or other assets that are not dealer property. We intend to limit substantially all of the assets that we acquire (other than stock in certain affiliate corporations as discussed below) to Qualified REIT Assets. Our strategy to maintain REIT status may limit the type of assets, including certain hedging contracts and other assets, that we otherwise might acquire.

Distributions

We must distribute to our stockholders on a pro rata basis each year an amount equal to at least (i) 90% of our taxable income before deduction of dividends paid and excluding net capital gain, plus (ii) 90% of the excess of the net income from foreclosure property over the tax imposed on such income by the Code, less (iii) any "excess noncash income." We intend to make distributions to our stockholders in sufficient amounts to meet the distribution requirement.

Taxation of Stockholders

For any taxable year in which we are treated as a REIT for federal income tax purposes, the amounts that we distribute to our stockholders out of current or accumulated earnings and profits will be includable by the stockholders as ordinary income for federal income tax purposes unless properly designated by us as capital gain dividends. Our distributions will not be eligible for the dividends received deduction for corporations and generally will not be treated as "qualified dividend income" eligible for reduced rates. Stockholders may not deduct any of our net operating losses or capital losses.

If we make distributions to our stockholders in excess of our current and accumulated earnings and profits, those distributions will be considered first a tax-free return of capital, reducing the tax basis of a stockholder's shares until the tax basis is zero. Such distributions in excess of the tax basis will be taxable as gain realized from the sale of our shares.

In reading this annual report on Form 10-K and the tax disclosure set forth above, please note that the Company is combined with all of its subsidiaries for financial accounting purposes. For federal income tax purposes, only AHM Investment and AHM Acceptance (and their assets and income) constitute the REIT, and the Company's remaining subsidiaries constitute a separate consolidated group subject to regular corporate income taxes.

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The provisions of the Code are highly technical and complex. This summary is not intended to be a detailed discussion of the Code or its rules and regulations, or of related administrative and judicial interpretations. We have not obtained a ruling from the Internal Revenue Service with respect to tax considerations relevant to our organization or operation, or to an acquisition of our stock. This summary is not intended to be a substitute for prudent tax planning and each of our stockholders is urged to consult his or her own tax advisor with respect to these and other federal, state, local and foreign tax consequences of the acquisition, ownership and disposition of shares of our stock and any potential changes in applicable law.

Taxation of AHM Investment

In each year that AHM Investment qualifies as a REIT, it generally will not be subject to federal income tax on that portion of its REIT taxable income or capital gain that it distributes to stockholders. AHM Investment is subject to corporate level taxation on any undistributed income. In addition, AHM Investment faces corporate level taxation due to any failure to make timely distributions, on the built-in gain on assets acquired from a taxable corporation such as a TRS, on the income from any property that it takes in foreclosure and on which it makes a foreclosure property election, and on the gain from any property that is treated as “dealer property” in AHM Investment’s hands.

ITEM 1A. RISK FACTORS

In addition to the other information contained in this Annual Report on Form 10-K, the following risk factors should be considered carefully in evaluating the Company’s business. The Company’s business, financial condition or results of operations could be materially adversely affected by any of these risks. Additional risks not presently known to the Company or that the Company currently deems immaterial may also adversely affect its business, financial condition or results of operations.

Risks Related to Our Business

We have a limited operating history with respect to our portfolio strategy.

Prior to December of 2003, our business consisted primarily of the origination and sale of mortgage loans. Since then, our business’s financial results have also been founded on a leveraged portfolio of mortgage assets held for net interest income. If we are unsuccessful in managing the risks inherent in our portfolio, we may expect income shortfalls, significant losses and significant losses in the value of our holdings.

An interruption or reduction in the securitization market would harm our financial position.

We are dependent on the securitization market for both the sale and financing of a substantial portion of the loans we originate or purchase. The securitization market is dependent upon a number of factors, including general economic conditions, conditions in the securities market generally and conditions in the asset-backed securities market specifically. In addition, in the event of poor performance of our previously securitized loans, our access to the securitization market could be harmed. Accordingly, a decline in the securitization market or a change in the market’s demand for our loans could harm our results of operations, financial condition and business prospects.

Our results from holding mortgage assets may be harmed by changes in the level of interest rates, changes to the difference between short- and longer-term interest rates, changes to the difference between interest rates for mortgage assets compared to other debt instruments, and an absence of or reduction in the availability, at favorable terms, of repurchase financing and other liquidity sources typically utilized by mortgage REITs.

The value of, and return from, the mortgage-backed securities we hold may be volatile and will be affected by changes in the marketplace for mortgage-backed securities and debt securities in general, as well as market interest rates. The impact of changes in the marketplace for mortgage-backed securities and debt securities on our

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results will be magnified because our mortgage-backed securities holdings are highly leveraged. Additionally, much of the financing we use to hold our mortgage-backed securities is cancelable by our lenders on short notice. If our lenders cease to provide financing to us on favorable terms, we would be forced to liquidate some or all of our mortgage-backed securities, possibly at a substantial loss.

Our business requires a significant amount of cash, and if it is not available, our business and financial performance will be significantly harmed.

We require substantial cash to fund our loan originations, to pay our loan origination expenses, to hold our loans pending securitization or sale and to fund our portfolio of mortgage-backed securities. We also need cash to meet our working capital, REIT dividend distribution requirements and other needs. Cash could be required to meet margin calls under the terms of our borrowings in the event that there is a decline in the market value of our loans that collateralize our debt, if the terms of our debt become less attractive or for other reasons.

In addition, if our income as calculated for federal income tax purposes exceeds our cash flow from operations, we could be forced to borrow or raise capital on unfavorable terms in order to make the distributions to avoid federal income tax and maintain our REIT status.

We expect that our primary sources of cash will consist of:

our repurchase facilities, warehouse lines of credit, mortgage servicing credit facilities and our commercial paper program;

the net interest income we earn on our mortgage asset holdings;

the income we earn from originating and selling mortgage loans; and

the income we earn from servicing mortgage loans.

Pending sale or securitization of a pool of mortgage loans, we will originate mortgage loans that we finance through borrowings from our warehouse lines of credit and commercial paper program. It is possible that our warehouse lenders could experience changes in their ability to advance funds to us, independent of our performance or the performance of our loans. In addition, if the regulatory capital requirements imposed on our lenders change, our lenders may be required to increase significantly the cost of the lines of credit that they provide to us.

As of December 31, 2006, we financed loans through eight warehouse lines of credit. Each of these facilities is cancelable by the lender for cause at any time. As of December 31, 2006, the aggregate balance outstanding under these facilities was approximately \$1.3 billion. Seven of these facilities are subject to periodic renewal and one has no expiration date. We cannot provide any assurances that we will be able to extend these existing facilities on favorable terms, or at all. If we are not able to renew any of these credit facilities or arrange for new financing on terms acceptable to us, or if we default on our covenants or are otherwise unable to access funds under any of these facilities, we may not be able to originate new loans or continue to fund our operations, which would have a material adverse effect on our business, financial condition, liquidity and results of operations.

In connection with those loans we securitize other than through guaranteed performance swaps and similar transactions with Fannie Mae, Freddie Mac, Ginnie Mae and the Federal Home Loan Banks, we plan to provide credit enhancement for a portion of the securities that we sell, called “senior securities,” to improve the price at which we sell them. Our current expectation is that this credit enhancement for the senior securities will be primarily in the form of either designating another portion of the securities we issue as “subordinate securities” (on which the credit risk from the loans is concentrated), paying for financial guaranty insurance policies for the loans, or both. If we use financial guaranty insurance policies, and the expense of these insurance policies increases, the net interest income we receive will be reduced. While

we plan to use credit enhancement features in the future, these features may not be available at costs that would allow us to achieve the desired level of net interest income from the securitizations that we anticipate being able to achieve.

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We may not be able to achieve our optimal leverage.

We use leverage as a strategy to increase the return to our investors. However, we may not be able to achieve our desired leverage for various reasons, including, but not limited to, the following:

we determine that the leverage would expose us to excessive risk;

our lenders do not make funding available to us on acceptable terms; or

our lenders require that we provide additional collateral to cover our borrowings.

Our use of repurchase facilities to borrow funds may be limited or curtailed in the event of disruptions in the repurchase market.

We rely upon repurchase facilities in order to finance our portfolio of mortgage-backed securities. Our repurchase facilities are dependent on our counterparties' ability to resell our obligations to third-party purchasers. There have been in the past, and in the future there may be, disruptions in the repurchase market. If there is a disruption of the repurchase market generally, or if one of our counterparties is itself unable to access the repurchase market, our access to this source of liquidity could be adversely affected.

Our use of repurchase agreements to borrow funds may give our lenders greater rights in the event that either we or a lender files for bankruptcy.

Our borrowings under repurchase agreements may qualify for special treatment under the bankruptcy code, giving our lenders the ability to avoid the automatic stay provisions of the bankruptcy code and to take possession of and liquidate our collateral under the repurchase agreements without delay in the event that we file for bankruptcy. Furthermore, the special treatment of repurchase agreements under the bankruptcy code may make it difficult for us to recover our pledged assets in the event that a lender files for bankruptcy. Thus, the use of repurchase agreements exposes our pledged assets to risk in the event of a bankruptcy filing by either a lender or us.

Our efforts to match fund our mortgage-backed securities with our borrowings may not be effective to protect against losses due to movements in interest rates.

The interest rates on our borrowings generally adjust more frequently than the interest rates on our ARM mortgage-backed securities. Accordingly, in a period of rising interest rates, we could experience a decrease in net income or a net loss because the interest rates on our borrowings adjust faster than the interest rates on our ARM mortgage-backed securities.

Although we attempt to limit our exposure to changing interest rates by matching as closely as possible the duration of our liabilities and hedges with the duration of our mortgage loan holdings, our liabilities, hedges and assets could react differently than we expect in response to changes in interest rates, which would cause us to suffer significant losses. Matched funding is difficult, if not impossible, to achieve, and there can be no assurances that our efforts to match fund will protect us against losses.

Our credit facilities contain covenants that restrict our operations and any default under our credit facilities would have a material adverse effect on our financial condition.

Our existing warehouse and repurchase facilities and commercial paper program contain restrictions and covenants and require us to maintain or satisfy specified financial ratios and tests, including maintenance of asset quality and portfolio performance tests. Failure to meet or satisfy any of these covenants, financial ratios or financial tests could result in an event of default under these agreements. These agreements are typically recourse borrowing facilities that are secured by specific mortgage loans pledged under those agreements. The agreements also contain cross-default provisions, so that if an event of default occurs under any agreement, the lenders could

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elect to declare all amounts outstanding under all of our agreements to be immediately due and payable, enforce their interests against collateral pledged under the agreements and, in certain circumstances, restrict our ability to make additional borrowings.

Our warehouse and repurchase facilities contain additional restrictions and covenants that may:

restrict the ability of our TRSs to make distributions to us;

restrict our ability to make certain investments or acquisitions; and

restrict our ability to engage in certain mergers or consolidations.

These restrictions may interfere with our ability to obtain financing or to engage in other business activities, which may have a material adverse effect on our business, financial condition, liquidity and results of operations.

Our credit facilities are subject to margin calls based on the lender's opinion of the value of our loan collateral. An unanticipated large margin call could harm our liquidity.

The amount of financing we receive under our credit facilities depends in large part on the lender's valuation of the mortgage loans that secure the financings. Each such facility provides the lender the right, under certain circumstances, to reevaluate the loan collateral that secures our outstanding borrowings at any time. In the event the lender determines that the value of the loan collateral has decreased, it has the right to initiate a margin call. A margin call would require us to provide the lender with additional collateral or to repay a portion of the outstanding borrowings. Any such margin call could harm our liquidity, results of operations, financial condition and business prospects.

If warehouse lenders and securitization underwriters face exposure stemming from legal violations committed by the companies to whom they provide financing or underwriting services, this could increase our borrowing costs and harm the market for whole loans and mortgage-backed securities.

In June of 2003, a California jury found a warehouse lender and securitization underwriter liable in part for fraud on consumers committed by a lender to whom it provided financing and underwriting services. The jury found that the investment bank was aware of the fraud and substantially assisted the lender in perpetrating the fraud by providing financing and underwriting services that allowed the lender to continue to operate, and held the bank liable for 10% of the plaintiff's damages. This is the first case we know of in which an investment bank was held partly responsible for violations committed by the bank's mortgage lender customer. If other courts or regulators adopt this theory, investment banks may face increased litigation as they are named as defendants in lawsuits and regulatory actions against the mortgage companies with which they do business. Some investment banks may exit the business, charge more for warehouse lending or reduce the prices they pay for whole loans in order to build in the costs of this potential litigation. This could, in turn, harm our results of operations, financial condition and business prospects.

If the prepayment rates for our mortgage assets are higher than expected, our results of operations may be significantly harmed.

The rate and timing of unscheduled payments and collections of principal on our loans is impossible to predict accurately and will be affected by a variety of factors including, without limitation, the level of prevailing interest rates, the availability of lender credit and other economic, demographic, geographic, tax and legal factors. In general, however, if prevailing interest rates fall significantly below the interest rate on a loan, the borrower is more likely to prepay the then higher-rate loan than if prevailing rates remain at or above the interest rate on the loan. Unscheduled principal prepayments could adversely affect our results of operations to the extent we are unable to reinvest the funds we receive at an equivalent or higher yield rate, if at all. In addition, a large amount of prepayments, especially prepayments on loans with interest rates that are high relative to the rest of the asset pool, will likely decrease the net interest income we receive.

We may suffer credit losses with respect to, and be required to repurchase, loans that we originate and sell, regardless of credit enhancements that we purchase.

Although we typically purchase credit enhancements from Fannie Mae and Freddie Mac with respect to the agency-eligible ARM loans that we originate and sell, we may nevertheless suffer credit losses with respect to these loans if we do not originate the loans correctly. We also may be required to repurchase the loans under these circumstances. In addition, we may suffer credit losses on non-agency eligible securities to the extent that they do not have, or have only limited, credit enhancements. Credit enhancements will not protect us from such credit losses or repurchase obligations.

Our hedging strategy may adversely affect our borrowing cost and expose us to other risks.

From time to time, we may enter into hedging transactions with respect to one or more of our assets or liabilities. Our hedging activities may include entering into interest rate swaps, caps and floors, options to purchase these items, and futures and forward contracts. Currently, we intend to primarily use term reverse repurchase agreements and interest rate swap agreements to manage the interest rate risk of our portfolio of mortgage assets. However, our actual hedging decisions will be determined in light of the facts and circumstances existing at the time and may differ from our currently anticipated hedging strategy. Developing an effective strategy for dealing with movements in interest rates is complex and no strategy can completely insulate us from risks associated with such fluctuations. Our hedging activities may not effectively hedge against adverse interest rate movement.

The results from our mortgage origination business will be harmed by rising interest rates.

Rising interest rates have substantially reduced the number of potential customers that can achieve a lower interest rate from refinancing, and to a lesser extent the number of potential customers that can afford to buy homes, and consequently are substantially reducing the amount of loans originated by our loan origination business and the revenue therefrom. In addition, rising interest rates are likely to reduce the margins achieved by our loan origination business. While rising interest rates generally will have a beneficial impact on our mortgage servicing business, the negative impact from rising interest rates on our mortgage origination business generally has been greater than the offsetting beneficial impact, and consequently, in a period of rising interest rates, our earnings are projected to decline.

The results from our mortgage servicing business will be harmed by falling interest rates.

AHM Holdings historically has suffered losses from its mortgage servicing business. If interest rates remain low enough to cause a large number of borrowers whose loans are being serviced by our servicing business to refinance, we will experience high amortization and possibly continued impairment of our servicing assets, and would likely experience a loss from our mortgage servicing business.

An increase in interest rates could reduce the value of our loan inventory and commitments and our hedging strategy may not protect us from interest rate risk and may lead to losses.

The value of our loan inventory will be based, in part, on market interest rates. Accordingly, we may experience losses on loan sales if interest rates change rapidly or unexpectedly. If interest rates rise after we fix a price for a loan or commitment but before we close and sell such loan, the value of the loan will decrease. If the amount we receive from selling the loan is less than our cost of originating the loan, we may incur net losses, and our business and operating results could be harmed. While we will use hedging and other strategies to minimize our exposure to interest rate risks, no hedging or other strategy can completely protect us. In addition, the nature and timing of hedging transactions may influence the effectiveness of these strategies. Poorly designed strategies or improperly executed transactions could actually increase our risk and losses. In addition, hedging strategies involve transaction and other costs. Our hedging strategy and the hedges that we make may not adequately offset the risks of interest rate volatility and our hedges may result in losses.

We may fail to generate expected returns on our mortgage-related assets because of interest rate caps associated with adjustable-rate mortgages.

ARM assets are typically subject to periodic and lifetime interest rate caps and floors, which limit the amount by which the interest yield of an ARM asset may change during any given period. However, our borrowing costs will not be subject to similar restrictions. Hence, in a period of rising interest rates, interest rate costs on our borrowings could increase without limitation by caps, while the interest-rate yields on our ARM assets would generally be limited by caps. This could result in the receipt of less cash income on our ARM assets than needed in order to pay the interest cost on our related borrowings. These factors could lower our net interest income or cause a net loss during periods of rising interest rates, which would negatively impact our financial condition, cash flows and results of operations.

We are subject to losses due to fraudulent and negligent acts on the part of loan applicants, mortgage brokers, other vendors and our employees.

When we originate mortgage loans, we rely heavily upon information supplied by third parties, including the information contained in the loan application, property appraisal, title information and employment and income documentation. If any of this information is intentionally or negligently misrepresented and such misrepresentation is not detected prior to loan funding, the value of the loan may be significantly lower than expected. Whether a misrepresentation is made by the loan applicant, the mortgage broker, another third party or one of our employees, we generally bear the risk of loss associated with the misrepresentation. A loan subject to a material misrepresentation is typically unsaleable or subject to repurchase if it is sold prior to detection of the misrepresentation, the persons and entities involved are often difficult to locate and it is often difficult to collect any monetary losses that we have suffered from the misrepresentation.

We have controls and processes designed to help us identify misrepresented information in our loan origination operations, but, we may not detect all misrepresented information in our loan originations.

A material difference between the assumptions used in the determination of the value of our residual interests and our actual experience could harm our financial position.

As of December 31, 2006, the value on our balance sheet of our residual interests from securitization transactions was \$206.1 million. The value of these residuals is a function of the forecasted delinquency, loss, prepayment speed and discount rate assumptions we use. It is extremely difficult to validate the assumptions we use in valuing our residual interests. In the future, if our actual experience differs materially from these assumptions, our cash flow, financial condition, results of operations and business prospects could be harmed.

We depend upon distributions from our operating subsidiaries to fund our operations and may be subordinate to the rights of their existing and future creditors.

We conduct substantially all of our operations through our subsidiaries. Without independent means of generating operating revenue, we depend on distributions and other payments from the subsidiaries to make distributions to our stockholders. Our subsidiaries must first satisfy their cash needs, which may include salaries of our executive officers, insurance, professional fees and service of indebtedness that may be outstanding at various times before making distributions. Financial covenants under future credit agreements, or provisions of the laws of Maryland, where we and our principal operating QRS are organized, or Delaware or New York, where our other operating subsidiaries are organized, may limit our subsidiaries' ability to make sufficient dividend, distribution or other payments to permit us to make distributions to stockholders.

By virtue of our holding company status, our Series A Preferred Stock and Series B Preferred Stock are structurally junior in right of payment to all existing and future liabilities of our subsidiaries. The inability of our operating subsidiaries to make distributions to us could have a material adverse effect on our results of operations, financial condition and business.

Our financial results fluctuate as a result of seasonality and other factors, including the demand for mortgage loans, which makes it difficult to predict our future performance.

Our business is generally subject to seasonal trends. These trends reflect the general pattern of resales of homes, which typically peak during the spring and summer seasons. AHM Holdings' quarterly results have fluctuated in the past and are expected to fluctuate in the future, reflecting the seasonality of the industry. Further, if the sale of a loan is postponed, the recognition of income from the sale is also postponed. If such a delay causes us to recognize income in the next quarter, our results of operations for the previous quarter could be harmed. Unanticipated delays could also increase our exposure to interest rate fluctuations by lengthening the period during which our variable rate borrowings under credit facilities are outstanding. If our results of operations do not meet the expectations of our stockholders and securities analysts, then the price of our securities may be harmed.

We may not be able to manage our growth efficiently, which may harm our results and may, in turn, harm the market price of our securities and our ability to distribute dividends.

Over the last several years, AHM Holdings experienced significant growth in its business activities and in the number of its employees. We will seek continued growth through both acquisitions and internal growth. AHM Holdings' growth has required, and our growth will continue to require, increased investment in management and professionals, personnel, financial and management systems and controls and facilities, which could cause our operating margins to decline from historical levels, especially in the absence of revenue growth.

We face risks in connection with any completed or potential acquisition, which could have a material adverse impact on our growth or our operations.

AHM Holdings has completed multiple acquisitions over the past few years, and we from time to time will continue to consider additional strategic acquisitions of mortgage lenders and other mortgage banking and finance-related companies. Upon completion of an acquisition, we are faced with the challenges of integrating the operations, services, products, personnel and systems of acquired companies into our business, identifying and eliminating duplicated efforts and systems and incorporating different corporate strategies, addressing unanticipated legal liabilities and other contingencies, all of which divert management's attention from ongoing business operations. Any acquisition we make may also result in potentially dilutive issuances of equity securities, the incurrence of additional debt and the amortization of expenses related to goodwill and other intangible assets. We may not be successful in integrating any acquired business effectively into the operations of our business. In addition, there is substantial competition for acquisition opportunities in the mortgage industry. This competition could result in an increase in the price of, and a decrease in the number of, attractive acquisition candidates. As a result, we may not be able to successfully acquire attractive candidates on terms we deem acceptable. We may not be able to overcome the risks associated with acquisitions and such risks may adversely affect our growth and results of operations.

We face intense competition that could harm our market share and our revenues.

We face intense competition from commercial banks, savings and loan associations and other finance and mortgage banking companies, as well as from Internet-based lending companies and other lenders participating on the Internet. Entry barriers in the mortgage industry are relatively low and increased competition is likely. As we seek to expand our business, we will face a greater number of competitors, many of whom will be well established in the markets we seek to penetrate. Many of our competitors are much larger than we are, have better name recognition than we do and have far greater financial and other resources than we do. We may not be able to effectively compete against them or any future competitors.

In addition, competition may lower the rates we are able to charge borrowers, thereby potentially lowering the amount of income on future loan sales and sales of servicing rights. Increased competition also may reduce the volume of our loan originations and loan sales. We may not be able to compete successfully in this evolving market.

The success and growth of our business will depend on our ability to adapt to technological changes.

Our mortgage origination business is currently dependent on our ability to effectively interface with our customers and efficiently process loan applications and closings. The origination process is becoming more dependent on technology advancement, such as the ability to process applications over the Internet, accept electronic signatures, provide process status updates instantly and other customer expected conveniences. As these requirements increase in the future, we will have to remain competitive with new technology and such advances may require significant capital expenditures.

An interruption in or breach of our information systems may result in lost business.

We rely heavily upon communications and information systems to conduct our business. Any failure or interruption or breach in security of our information systems or the third-party information systems on which we rely could cause underwriting or other delays and could result in fewer loan applications being received, slower processing of applications and reduced efficiency in loan servicing. We are required to comply with significant federal and state regulations with respect to the handling of customer information, and a failure, interruption or breach of our information systems could result in regulatory action and litigation against us. Failures or interruptions may occur and they may not be adequately addressed by us or the third parties on which we rely. The occurrence of any failures or interruptions could harm our results of operations, financial condition and business prospects.

We face intense competition for personnel that could harm our business and in turn negatively affect the market price of our securities and our ability to distribute dividends.

Generally, our business is dependent on the highly skilled, and often highly specialized, individuals we employ. Our failure to recruit and retain qualified employees, including employees qualified to manage a portfolio of structured products or mortgage-backed securities, could harm our future operating results and may, in turn, negatively affect the market price of our securities and our ability to pay dividends.

Specifically, we depend on our loan originators to generate customers by, among other things, developing relationships with consumers, real estate agents and brokers, builders, corporations and others, which we believe leads to repeat and referral business. Accordingly, we must be able to attract, motivate and retain skilled loan originators. In addition, our growth strategy contemplates hiring additional loan originators. The market for such persons is highly competitive and historically has experienced a high rate of turnover. Competition for qualified loan originators may lead to increased costs to hire and retain them. We cannot guarantee that we will be able to attract or retain qualified loan originators. If we cannot attract or retain a sufficient number of skilled loan originators, or even if we can retain them but at higher costs, our business and results of operations could be harmed.

The conduct of the independent brokers through whom we originate our wholesale loans could subject us to fines or other penalties.

The mortgage brokers through whom we originate wholesale loans have parallel and separate legal obligations to which they are subject. While these laws may not explicitly hold the originating lenders responsible for the legal violations of mortgage brokers, federal and state agencies increasingly have sought to impose such liability. Recently, for example, the United States Federal Trade Commission (the “FTC”) entered into a settlement agreement with a mortgage lender where the FTC characterized a broker that had placed all of its loan production with a single lender as the “agent” of the lender; the FTC imposed a fine on the lender in part because, as “principal,” the lender was legally responsible for the mortgage broker’s unfair and deceptive acts and practices. The United States Department of Justice in the past has sought to hold mortgage lenders responsible for the pricing practices of mortgage brokers, alleging that the mortgage lender is directly responsible for the total fees and charges paid by the borrower under the Fair Housing Act even if the lender neither dictated what the mortgage broker could charge nor kept the money for its own account. We exercise little or no control

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over the activities of the independent mortgage brokers from whom we obtain our wholesale loans. Nevertheless, we may be subject to claims for fines or other penalties based upon the conduct of our independent mortgage brokers.

We depend on brokers for a substantial portion of our loan production.

We depend on brokers as the source of the majority of our loan originations. Our brokers are not contractually obligated to do business with us. Further, our competitors also have relationships with the same brokers and actively compete with us in our efforts to expand our broker networks. Accordingly, we may not be successful in maintaining our existing relationships or expanding our broker networks. The failure to do so could negatively impact the volume and pricing of our loans, which could have a material adverse effect on our business, financial condition, liquidity and results of operations.

The loss of key purchasers of our loans or a reduction in prices paid could harm our financial condition.

In 2006, 49% of the loans that we sold were to three large national financial institutions, two of which compete with us directly for retail originations. If these financial institutions or any other significant purchaser of our loans cease to buy our loans and equivalent purchasers cannot be found on a timely basis, then our business and results of operations could be harmed. Our results of operations could also be harmed if these financial institutions or other purchasers lower the price they pay to us or adversely change the material terms of their loan purchases from us. The prices at which we sell our loans vary over time. A number of factors determine the price we receive for our loans. These factors include:

the number of institutions that are willing to buy our loans;

the amount of comparable loans available for sale;

the levels of prepayments of, or defaults on, loans;

the types and volume of loans that we sell;

the level and volatility of interest rates; and

the quality of our loans.

We may be required to return proceeds obtained from the sale of loans, which would negatively impact our results of operations.

When we sell a loan to an investor, we are required to make representations and warranties regarding the loan, the borrower and the property. These representations are made based in part on our due diligence and related information provided to us by the borrower and others. If any of these representations or warranties is later determined not to be true, we may be required to repurchase the loan, including principal and interest, from the investor and/or indemnify the investor for any damages or losses caused by the breach of such representation or warranty. In connection with some non-prime loan sales, we may be required to return a portion of the premium paid by the investor if the loan is prepaid within the first year after its sale. If, to any significant extent, we are required to repurchase loans, indemnify investors or return loan premiums, it could have a material adverse effect on our business and results of operations.

Changes in existing government sponsored and federal mortgage programs could negatively affect our mortgage banking business.

Our ability to generate revenue through mortgage sales to institutional investors largely depends on programs sponsored by Fannie Mae, Freddie Mac, Ginnie Mae and others which facilitate the issuance of mortgage-backed securities in the secondary market. A portion of our business also depends on various programs of the Federal Housing Administration (FHA) and the Veterans Administration (VA). Any discontinuation of, or

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significant reduction in, the operation of those programs could have a material adverse effect on our mortgage banking business and results of operations. Also, any significant adverse change in the level of activity in the secondary market or the underwriting criteria of these entities would reduce our revenues.

We must comply with numerous government regulations and we are subject to changes in law that could increase our costs and adversely affect our business.

Our mortgage banking business is subject to the laws, rules and regulations of various federal, state and local government agencies regarding the origination, processing, underwriting, sale and servicing of mortgage loans. These laws, rules and regulations, among other things, limit the interest rates, finance charges and other fees we may charge, require us to make extensive disclosure, prohibit discrimination and impose qualification and licensing obligations on us. They also impose on us various reporting and net worth requirements. We also are subject to inspection by these government agencies. Our mortgage banking business is also subject to laws, rules and regulations regarding the disclosure of non-public information about our customers to non-affiliated third parties. Our failure to comply with any of these requirements could lead to, among other things, the loss of approved status, termination of contractual rights without compensation, demands for indemnification or mortgage loan repurchases, class action lawsuits and administrative enforcement actions.

Regulatory and legal requirements are subject to change. If such requirements change and become more restrictive, it would be more difficult and expensive for us to comply and could affect the way we conduct our business, which could adversely impact our results of operations. While we believe we are currently in material compliance with the laws, rules and regulations to which we are subject, we may not be in full compliance with applicable laws, rules and regulations. If we cannot comply with those laws or regulations, or if new laws limit or eliminate some of the benefits of purchasing a mortgage, our business and results of operations may be materially adversely affected.

As a mortgage lender, we must comply with numerous licensing requirements, and our inability to remain in compliance with such requirements could adversely affect our operations and our reputation generally.

Like other mortgage companies, we must comply with the applicable licensing and other regulatory requirements of each jurisdiction in which we are authorized to lend. These requirements are quite complex and vary from jurisdiction to jurisdiction. We monitor and regularly review our compliance with such requirements. From time to time we are subject to examination by regulators, and if it is determined that we are not in compliance with the applicable requirements, we may be fined, and our license to lend in one or more jurisdictions may be suspended or revoked. We have in the past violated, and we may in the future violate, certain aspects of the licensing requirements in some jurisdictions. Although the past violations of which we are aware have not had a material adverse effect on our business, operations or reputation, future violations or past violations of which we are not aware may have such an effect.

The loss of our relationships with government agencies and related entities would have an adverse effect on our business.

Our agreements with Fannie Mae, Freddie Mac, Ginnie Mae, the FHA and the VA afford us a number of advantages and may be canceled by the counterparty for cause. Cancellation of one or more of these agreements would have a material adverse impact on our operating results and could result in further disqualification with other counterparties, loss of technology and other materially adverse consequences.

We are exposed to environmental liabilities with respect to properties to which we take title, which could increase our costs of doing business and adversely impact our results of operations.

In the course of our business, at various times, we may foreclose and take title (for security purposes) to residential properties and could be subject to environmental liabilities with respect to such properties. To date,

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we have not been required to perform any environmental investigation or remediation activities, nor have we been subject to any environmental claims relating to these activities. However, this may not remain the case in the future. We may be held liable to a governmental entity or to third parties for property damage, personal injury and investigation and clean-up costs incurred by these parties in connection with environmental contamination, or may be required to investigate or remediate hazardous or toxic substances or chemical releases at a property. The costs associated with an environmental investigation or remediation activities could be substantial. In addition, as the owner or former owner of a contaminated site, we may be subject to common law claims by third parties seeking damages and costs resulting from environmental contamination emanating from such property.

Our Board of Directors or management may change our operating policies and strategies without prior notice or stockholder approval and such changes could harm our business and results of operations and the value of our securities.

Our Board of Directors and, in certain cases, our management, have the authority to modify or waive our current operating policies and our strategies without prior notice and without stockholder approval. We cannot predict the effect any changes to our current operating policies and strategies would have on our business, operating results and value of our stock and it is possible that the effects might be adverse.

Certain provisions of Maryland law and our charter and bylaws could hinder, delay or prevent a change in control of our company.

Certain provisions of Maryland law and our charter and bylaws could have the effect of discouraging, delaying or preventing transactions that involve an actual or threatened change in control of our company. These provisions include the following:

Classified Board of Directors. Our Board of Directors is divided into three classes with staggered terms of office of three years each. The classification and staggered terms of office of our directors make it more difficult for a third party to gain control of our Board of Directors. At least two annual meetings of stockholders, instead of one, generally would be required to effect a change in a majority of our Board of Directors.

Removal of Directors. Under our charter, subject to any rights of one or more classes or series of preferred stock to elect or remove one or more directors, a director may be removed only for cause and only by the affirmative vote of at least two-thirds of all votes entitled to be cast by our stockholders generally in the election of directors.

Number of Directors, Board Vacancies, Term of Office. We may, in the future, elect to be subject to certain provisions of Maryland law which vest in the Board of Directors the exclusive right to determine the number of directors and the exclusive right, by the affirmative vote of a majority of the remaining directors, to fill vacancies on the Board even if the remaining directors do not constitute a quorum. These provisions of Maryland law, which are applicable even if other provisions of Maryland law or our charter or bylaws provide to the contrary, also provide that any director elected to fill a vacancy shall hold office for the remainder of the full term of the class of directors in which the vacancy occurred, rather than the next annual meeting of stockholders as would otherwise be the case, and until his or her successor is elected and qualifies.

Stockholder Requested Special Meetings. Our bylaws provide that our stockholders have the right to call a special meeting only upon the written request of the stockholders entitled to cast not less than a majority of all the votes entitled to be cast by the stockholders at such meeting.

Advance Notice Provisions for Stockholder Nominations and Proposals. Our bylaws require advance written notice for stockholders to nominate persons for election as directors at, or to bring other business before, any meeting of stockholders. This

bylaw provision limits the ability of stockholders to make nominations of persons for election as directors or to introduce other proposals unless we are notified in a timely manner prior to the meeting.

Exclusive Authority of Our Board to Amend the Bylaws. Our bylaws provide that our Board of Directors has the exclusive power to adopt, alter or repeal any provision of the bylaws or to make new bylaws. Thus, our stockholders may not effect any changes to our bylaws.

Preferred Stock. Under our charter, our Board of Directors has authority to issue preferred stock from time to time in one or more series and to establish the terms, preferences and rights of any such series of preferred stock, all without approval of our stockholders. The issuance of shares of preferred stock could adversely impact the voting power of the holders of common stock and could have the effect of delaying or preventing a change in control or other corporate action.

Duties of Directors with Respect to Unsolicited Takeovers. Maryland law provides protection for Maryland corporations against unsolicited takeovers by limiting, among other things, the duties of the directors in unsolicited takeover situations. The duties of directors of Maryland corporations do not require them to (i) accept, recommend or respond to any proposal by a person seeking to acquire control of the corporation, (ii) authorize the corporation to redeem any rights under, or modify or render inapplicable, any stockholders' rights plan, (iii) make a determination under the Maryland Business Combination Act or the Maryland Control Share Acquisition Act (to the extent either Act is otherwise applicable), or (iv) act or fail to act solely because of the effect that the act or failure to act may have on an acquisition or potential acquisition of control of the corporation or the amount or type of consideration that may be offered or paid to the stockholders in an acquisition. Moreover, under Maryland law, the act of the directors of a Maryland corporation relating to or affecting an acquisition or potential acquisition of control is not subject to any higher duty or greater scrutiny than is applied to any other act of a director. Maryland law also contains a statutory presumption that an act of a director of a Maryland corporation satisfies the applicable standards of conduct for directors under Maryland law.

Ownership Limit. In order to preserve our status as a REIT under the Code, our charter prohibits (with certain exceptions) any single stockholder, or any group of affiliated stockholders, from beneficially owning more than (i) 6.5% of our outstanding common stock, or more than 6.5% of our outstanding common and preferred stock, (ii) more than 9.8% of either the total number or the value of the total number of outstanding shares of the Series A Preferred Stock or (iii) more than 9.8% of either the total number or the value of the total number of outstanding shares of the Series B Preferred Stock, unless and to the extent to which our Board of Directors decides to waive or modify this ownership limit.

Maryland Business Combination Act. The Maryland Business Combination Act provides that, unless exempted, a Maryland corporation may not engage in business combinations, including mergers, dispositions of 10% or more of its assets, issuances of shares of stock and other specified transactions, with an "interested stockholder" or an affiliate of an interested stockholder for five years after the most recent date on which the interested stockholder became an interested stockholder, and thereafter unless specified criteria are met. An interested stockholder is generally a person owning or controlling, directly or indirectly, 10% or more of the voting power of the outstanding stock of a Maryland corporation. Our Board of Directors has adopted a resolution exempting the company from this statute. However, our Board of Directors may repeal or modify this resolution in the future, in which case the provisions of the Maryland Business Combination Act will be applicable to business combinations between us and other persons.

Maryland Control Share Acquisition Act. Maryland law provides that “control shares” of a corporation acquired in a “control share acquisition” shall have no voting rights except to the extent approved by a vote of two-thirds of the votes eligible to be cast on the matter under the Maryland Control Share Acquisition Act. “Control shares” means shares of stock that, if aggregated with all other shares of stock previously acquired by the acquiror, would entitle the acquiror to exercise voting power in electing directors within one of the following ranges of the voting power: one-tenth or more but less than one-third, one-third or more but less than a majority or a majority or more of all voting power. A “control share acquisition” means the acquisition of control shares, subject to certain exceptions. If voting rights or control shares acquired in a control share acquisition are not approved at

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a stockholders' meeting, then subject to certain conditions and limitations, the issuer may redeem any or all of the control shares for fair value. If voting rights of such control shares are approved at a stockholders' meeting and the acquiror becomes entitled to vote a majority of the shares of stock entitled to vote, all other stockholders may exercise appraisal rights. Our bylaws contain a provision exempting acquisitions of our shares from the Maryland Control Share Acquisition Act. However, our Board of Directors may amend our bylaws in the future to repeal or modify this exemption, in which case any control shares of ours acquired in a control share acquisition will be subject to the Maryland Control Share Acquisition Act.

Loss of Investment Company Act exemption would adversely affect us and negatively affect the market price of shares of our securities and our ability to distribute dividends.

We are not regulated as an investment company under the Investment Company Act of 1940, as amended, and we intend to operate so as to not become regulated as an investment company under the Investment Company Act. We intend to be "primarily engaged in the business of purchasing or otherwise acquiring mortgages and other liens on and interests in real estate." Specifically, we intend to invest at least 55% of our assets in mortgage loans or mortgage-backed securities that represent the entire ownership in a pool of mortgage loans ownership and at least an additional 25% of our assets in mortgages, mortgage-backed securities, securities of REITs and other real estate-related assets.

If we fail to qualify for an exemption under the Investment Company Act, we may be required to restructure our activities. For example, if the market value of our investments in equity securities were to increase by an amount that resulted in less than 55% of our assets being invested in mortgage loans or mortgage-backed securities that represent the entire ownership in a pool of mortgage loans, we might have to sell equity securities in order to qualify for exemption under the Investment Company Act. In the event we must restructure our activities, our results of operations could be adversely affected.

Risks Relating to Our Status as a REIT

Complying with REIT requirements may limit our ability to hedge effectively.

The REIT provisions of the Code substantially limit our ability to hedge mortgage-backed securities and related borrowings. Under these provisions, our annual income from certain qualified hedges, together with any other income not generated from qualified REIT real estate assets, must be less than 25% of our gross income. As a result, we might in the future be required to limit our use of advantageous hedging techniques. Unhedged positions could leave us exposed to greater risks associated with changes in interest rates than we would otherwise bear.

We may fail to qualify as a REIT and be subject to tax.

If we are compelled to sell qualifying REIT assets, or we have insufficient cash flow to originate or purchase qualifying REIT assets, we may have insufficient qualifying REIT assets, in which case we may fail to qualify as a REIT.

To qualify as a REIT, we must satisfy the requirements discussed in Item 1 of this report, "Business—Certain Federal Income Tax Considerations," including the requirement that not more than 20% of the value of our total assets may be represented by the securities of one or more TRSs at the close of any calendar quarter, subject to certain "cure" periods. We monitor the value of our investment in our TRSs in relation to our other assets to comply with the 20% asset test. We may not be successful in that effort. In certain cases, we may need to borrow from third parties to acquire additional qualifying REIT assets or increase the amount and frequency of dividends from our TRSs in order to comply with the 20% asset test. Moreover, the Internal Revenue Service may disagree with our determinations of value. If the Internal Revenue Service determines that the value of our investment in our TRSs was more than 20% of the value of our total assets at the close of any calendar quarter, we could lose our REIT status.

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Our TRSs earn income from activities that are prohibited for REITs and owe income taxes on the taxable income from these activities. For example, our TRSs earn income from loan origination and sales activities, as well as from other origination and servicing functions, which would generally not be qualifying income for purposes of the gross income tests applicable to REITs or might otherwise be subject to adverse tax liability if the income were generated by a REIT.

We may, at some point in the future, borrow funds from one or more of our TRSs. Although any such intercompany borrowings will be structured so as to constitute indebtedness for all tax purposes, the Internal Revenue Service may challenge such arrangements, in which case the borrowing may be characterized as a dividend distribution to us by our TRS. Any such characterization may cause us to fail one or more of the REIT requirements.

Even if we continue to qualify as a REIT, we may nevertheless be subject to taxes (and possibly excise taxes) on undistributed income, net income from certain prohibited transactions (including certain transactions between us and our TRSs), and state and local taxes. Prohibited transactions could include transactions in which loans are sold by our QRS rather than by our TRSs. In addition, in the event that any transactions between us or our QRS and our TRSs are determined not to be on an arm's-length basis, we could be subject to excise taxes on such transactions. We believe that all such transactions are conducted on an arm's-length basis, but the Internal Revenue Service may successfully contest the arm's-length nature of such transactions and we may not otherwise be able to avoid application of excise taxes or other additional taxes. Any such taxes could affect our overall profitability and the amounts of distributions to our stockholders.

Our management has limited experience operating a REIT and our management's past experience may not be sufficient to successfully manage our business as a REIT.

The requirements for qualifying as a REIT are highly technical and complex. We have limited experience as a REIT and our management has limited experience in complying with the income, asset and other limitations imposed by the REIT provisions of the Code. The REIT provisions are complex and the failure to comply with those provisions in a timely manner could prevent us from qualifying as a REIT or could force us to pay unexpected taxes and penalties. In such event, our net income would be substantially reduced, and we could incur a loss, which could materially harm our results of operation, financial condition and business prospects.

Risks Related to Our Capital Stock

Various factors may cause the market price of our capital stock to become volatile, which could harm our ability to access the capital markets in the future.

The following factors, many of which are beyond our control, could contribute to the volatility of the price of our capital stock:

all of the risk factors described in this report;

actual or anticipated variations in our quarterly results;

changes in our level of dividend payments;

changes in the value of our mortgage holdings and related liabilities;

changes in the prospects for, or results from, our mortgage holdings, mortgage origination or mortgage servicing businesses;

new products or services offered by us or our subsidiaries and our competitors;

our actual results being different from our earnings guidance or other projections;

changes in projections of our financial results by securities analysts;

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general conditions or trends in the mortgage holding, mortgage origination and mortgage servicing businesses;

announcements by us of significant acquisitions, strategic relationships, investments or joint ventures;

negative changes in the public' s perception of the prospects for returns from holding mortgage assets and from the mortgage origination and servicing businesses, which could depress our stock price, regardless of actual results;

interest rate fluctuations or general economic conditions, such as inflation or a recession;

any obstacles in continuing to qualify as a REIT, including obstacles due to changes in law applicable to REITs;

additions or departures of our key personnel; and

issuing new securities.

This volatility may make it difficult for us to access the capital markets through additional secondary offerings of our common stock and additional preferred stock offerings, regardless of our financial performance, and such difficulty may preclude us from being able to take advantage of certain business opportunities or meet our obligations, which could, in turn, harm our results of operations, financial condition and business prospects.

There may be substantial sales of our common stock after an offering, which would cause a decline in our stock price.

Sales of substantial amounts of our common stock in the public market following an offering of our securities, or the perception that such sales could occur, could have a material adverse effect on the market price of our common stock.

The amount of our dividends may be less than projected.

The amount of any dividend paid by us will depend on a number of factors, including the amount of income generated from our mortgage holdings, the amount of income generated from our mortgage origination and servicing businesses and the amount of such earnings retained by our TRSs to provide for future growth.

Our ability to pay our dividends depends upon the availability of funds and our actual operating results. If funds are not available or our actual operating results are below our expectations, we may need to sell assets or borrow funds to pay these distributions.

Dividends or distributions on shares of our securities may reduce the funds of our company that are legally available for payment of future dividends on any outstanding common or preferred stock. In addition, if we do not generate sufficient cash flow from ongoing operations (including principal payments and interest payments on our mortgage-backed securities) to fund our dividends, we may need to sell mortgage-backed securities or borrow funds by entering into repurchase agreements or otherwise borrowing funds under our lines of credit to pay the distributions. If we were to borrow funds on a regular basis to make distributions in excess of operating cash flow, it is likely that our operating results and our stock price would be adversely affected.

Our Board of Directors may authorize the issuance of additional shares that may cause dilution and may depress the price of our common stock.

Our charter permits our Board of Directors, without stockholder approval, to:

authorize the issuance of additional common or preferred stock in connection with future equity offerings, acquisitions of securities or other assets of companies; and

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classify or reclassify any unissued common stock or preferred stock and to set the preferences, rights and other terms of the classified or reclassified shares, including the issuance of shares of preferred stock that have preference rights over the common stock with respect to dividends, liquidation, voting and other matters or shares of common stock that have preference rights over our common stock with respect to voting.

The issuance of additional shares of our common stock could be substantially dilutive to our outstanding shares and may depress the price of our common stock.

Due to an exception to the stock ownership limitations applicable to our status as a REIT, our Chief Executive Officer and President holds a significant percentage of our outstanding securities.

Under our charter, the Company's founder, our Chief Executive Officer and President, Michael Strauss, is exempted from the general ownership limitation that applies to holders of our securities in connection with maintaining our status as a REIT and is permitted to beneficially own up to 20% of the value of the total number of our outstanding common and preferred shares of stock. As of December 31, 2006, Mr. Strauss beneficially owned approximately 9.0% of our outstanding common stock. Accordingly, Mr. Strauss has the ability to influence any of our affairs requiring stockholder approval, including, for example, the election and removal of directors, amendments to our charter and approval of significant corporate transactions.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our executive offices and principal administrative offices occupy approximately 140,000 square feet located at 538 Broadhollow Road, Melville, New York 11747, an office building that we purchased on November 25, 2003.

In addition, we own an office building located at 950 North Elmhurst Road, Mt. Prospect, Illinois 60056, which consists of approximately 36,000 square feet, and which serves as the headquarters for our Eastern Retail Sales Division.

As of December 31, 2006, the Company leased real estate premises at an additional 641 locations in 47 states, ranging in size from 100 to 79,810 square feet with remaining lease terms ranging from one month to eight years. The aggregate annual rent for these locations is approximately \$41 million.

These properties are primarily utilized by the Company's loan origination segment. The Company's loan servicing segment primarily operates out of the Company's Irving, Texas, servicing center.

ITEM 3. LEGAL PROCEEDINGS

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

We did not submit any matter to a vote of our security holders during the quarter ended December 31, 2006.

PART II**ITEM 5. MARKET FOR REGISTRANT' S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Our common stock is listed on the NYSE under the symbol “AHM” and began trading on the NYSE on December 4, 2003. Our trading symbol on the NYSE has been “AHM” since June 1, 2004. From December 4, 2003, until June 1, 2004, our common stock traded on the NYSE under the symbol “AHH.”

The following table shows the high, low and closing sales prices for our common stock during each fiscal quarter during the years ended December 31, 2006 and 2005 and the cash distributions per share declared during each such period:

	Stock Prices			Cash Distributions
	High	Low	Close	Declared Per Share
Year Ended December 31, 2006				
Fourth Quarter	\$36.40	\$32.17	\$35.12	\$ 1.06
Third Quarter	36.96	30.16	34.87	1.01
Second Quarter	36.90	30.01	36.86	0.96
First Quarter	33.99	27.40	31.21	0.91
Year Ended December 31, 2005				
Fourth Quarter	\$33.98	\$25.45	\$32.57	\$ 0.91
Third Quarter	40.75	28.45	30.30	0.86
Second Quarter	36.92	26.87	34.96	0.76
First Quarter	34.28	26.80	28.64	0.71

As of February 22, 2007, the closing sales price of our common stock, as reported on the NYSE, was \$30.01. As of February 22, 2007, there were 537 holders of record of our common stock.

Dividends are payable on the last calendar day of each January, April, July and October (or, if such date is not a business day, the next succeeding business day) on our Series A Preferred Stock and Series B Preferred Stock. The Series A Preferred Stock and Series B Preferred Stock rank senior to our common stock with respect to dividend rights, redemption rights and rights upon our voluntary or involuntary

liquidation, dissolution or winding up. The terms of the Series A Preferred Stock and Series B Preferred Stock require that all accumulated dividends in arrears be paid prior to the payment of any dividends on our common stock.

To maintain our qualification as a REIT, we intend to make regular quarterly distributions to our stockholders. In order to qualify as a REIT for federal income tax purposes, we must distribute to our stockholders with respect to each year at least 90% of our taxable income. Although we generally intend to distribute to our stockholders each year an amount equal to our taxable income for that year, distributions paid by us will be at the discretion of our Board of Directors and will depend on, among other things, our actual cash flow, our financial condition, capital requirements, the annual distribution requirements under the REIT provisions of the Code, as well as any other factors that our Board of Directors deems relevant.

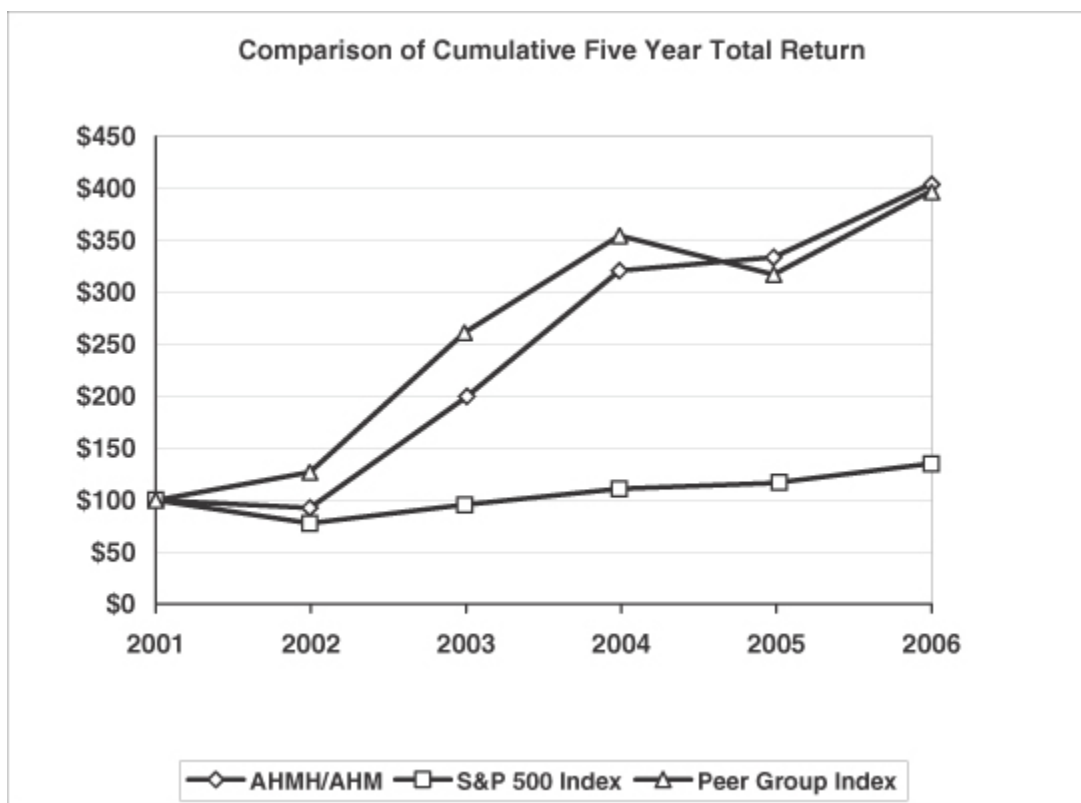
Securities Authorized for Issuance Under Equity Compensation Plans

Information regarding our equity compensation plans as of December 31, 2006 is disclosed in Item 12 of this report, “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.”

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Performance Graph

The following graph compares the performance of an investment in the Company's Common Stock over the last five fiscal years with the S&P 500 Index and a "peer group" selected by management. From December 31, 2001, to December 3, 2003, prior to the Company's conversion into a REIT, the peer group includes Countrywide Financial Corp., Flagstar Bancorp, Inc., Irwin Financial Corporation, E Loan, Inc., and Finet.com, Inc. (this peer group also previously included Resource Bancshares Mortgage Group Inc., which was acquired in May 2002 and thus is no longer included). From December 3, 2003, to December 31, 2006, in light of the Company's internal reorganization and conversion into a REIT, the peer group includes Countrywide Financial Corp., Flagstar Bancorp, Inc., Thornburg Mortgage, Inc., Redwood Trust, Inc., and Annaly Mortgage Management, Inc. The performance graph assumes the value of the investment in the Company's Common Stock and each index was \$100 on December 31, 2001, and that all dividends have been reinvested. The performance shown in the graph represents past performance and should not be considered an indication of future performance.



Cumulative Total Return

Date	AHMH/AHM (1)	S&P 500 Index	Peer Group Index
December 31, 2001	\$ 100.00	\$ 100.00	\$ 100.00
December 31, 2002	92.35	77.90	127.43
December 31, 2003	199.06	95.84	262.42
December 31, 2004	322.29	111.15	356.05
December 31, 2005	335.26	116.61	318.48
December 31, 2006	404.94	135.03	398.36

- (1) As described above, from December 31, 2001, to December 3, 2003, the results in the table relate to AHM Holdings. From December 3, 2003, until December 31, 2006, the results in the table relate to AHM Investment Corp. AHM Investment's Common Stock began trading on the NYSE under the symbol "AHH" on December 4, 2003, and its symbol on the NYSE was changed to "AHM" as of June 1, 2004. Through December 3, 2003, AHM Holdings' common stock was traded on the Nasdaq National Market under the symbol "AHMH."

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Recent Issuances of Unregistered Securities

During the quarter ended December 31, 2006, the Company did not issue any securities that were not registered under the Securities Act of 1933, as amended (the “Securities Act”).

Issuer Purchases of Equity Securities

During the quarter ended December 31, 2006, there were no purchases by the Company of its equity securities.

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data as of December 31, 2006 and 2005 and for the years ended December 31, 2006, 2005 and 2004 have been derived from our audited consolidated financial statements, beginning on page F-1 of this report. The selected financial data as of December 31, 2004, 2003 and 2002 and for the years ended December 31, 2003 and 2002 have been derived from prior year audited consolidated financial statements. The selected consolidated financial data as of and for each of the years in the two-year period ended December 31, 2002 is derived from the consolidated financial statements of AHM Holdings. These consolidated financial statements include all adjustments which we consider necessary for a fair presentation of our consolidated financial position and results of operations for these periods. You should not assume that the results below indicate results that we will achieve in the future. The operating data are derived from unaudited financial information that we compiled.

You should read the information below along with all the other financial information and analysis presented in this report, including, but not limited to, our financial statements and related notes, and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

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(In thousands, except per share data)	As of and for the Years Ended December 31,				
	2006	2005	2004	2003	2002
Statement of Income Data:					
Net interest income	\$182,455	\$201,032	\$112,933	\$49,031	\$24,837
Provision for loan losses	(17,380)	(2,142)	–	–	–
Gain on sales of mortgage loans	810,006	335,065	134,099	376,605	216,595
Gain on sales of current period securitized mortgage loans	–	194,256	40,120	149	–
Gain on sales of mortgage-backed securities and derivatives	12,257	50,936	63	2,210	–
Unrealized (loss) gain on mortgage-backed securities and derivatives	(7,028)	(8,536)	75,460	3,272	–
Net loan servicing fees (loss)	37,320	15,561	(4,467)	(6,365)	(12,758)
Total revenues (1)	1,026,444	793,947	365,241	432,131	232,821
Total non-interest expenses	678,288	550,882	315,904	310,114	165,261
Income before income tax expense (benefit)	348,156	243,065	49,337	122,017	67,560
Income tax expense (benefit)	84,629	(17,721)	(25,575)	48,223	28,075
Net income	263,527	260,786	74,912	73,794	39,485
Net income available to common shareholders	250,309	247,569	70,924	73,794	39,485
Per share data:					

Basic earnings per share	\$5.00		\$5.64		\$1.89		\$4.16		\$2.72	
Diluted earnings per share	4.96		5.58		1.86		4.07		2.65	
Dividends declared per common share	3.94		3.24		2.43		0.91		0.15	
Dividend payout ratio (2)	79.44 %		58.06 %		130.65 %		22.36 %		5.66 %	

Weighted average number of shares outstanding:

Basic	50,030	43,897	37,612	17,727	14,509
Diluted	50,421	44,375	38,087	18,113	14,891

Balance Sheet Data and Ratios (end of period):

Cash and cash equivalents	\$398,166	\$575,650	\$192,821	\$53,148	\$24,416
Securities	9,308,032	10,602,115	6,016,866	1,763,628	–
Mortgage loans held for sale, net	1,523,737	2,208,749	4,853,394	1,216,353	811,188
Mortgage loans held for investment, net	6,329,721	3,479,721	–	–	–
Mortgage servicing rights, net	506,341	319,671	151,436	117,784	109,023
Total assets	18,828,985	17,754,745	11,555,797	3,404,690	1,119,050
Warehouse lines of credit	1,304,541	3,474,191	735,783	1,121,760	728,466
Commercial paper	1,273,965	1,079,179	529,790	–	–
Reverse repurchase agreements	8,571,459	9,806,144	7,071,168	1,344,327	–

Collateralized debt obligations	4,854,801		1,057,906		2,022,218		–		–	
Total liabilities	17,558,699		16,547,729		10,729,535		3,006,720		954,954	
Total stockholders' equity	1,270,286		1,207,016		826,262		397,970		164,096	
Debt to stockholders' equity ratio (3)	13.22		13.22		12.73		6.51		5.11	
Stockholders' equity to assets	6.75 %		6.80 %		7.15 %		11.69 %		14.66 %	

Performance Ratios:

Return on average assets (ROA)	1.25	%	1.88	%	0.85	%	3.86	%	5.28	%
Return on average common equity (ROE) (4)	22.74	%	28.05	%	10.58	%	34.11	%	32.52	%

Operating Data:

Loan originations	\$58,899,354	\$45,298,006	\$23,069,085	\$21,705,250	\$12,196,000
Retail	20,802,657	20,362,095	11,238,235	16,386,791	10,329,000
Wholesale	32,227,235	24,298,621	11,830,850	5,318,459	1,867,000
Correspondent	5,869,462	637,290	–	–	–
Loans sold to third parties	55,974,228	28,465,935	13,685,246	20,758,110	12,331,000
Loan servicing portfolio—loans sold or securitized	38,480,246	25,044,676	11,955,608	8,272,294	8,541,723
Loans securitized and held	–	4,498,672	1,847,987	586,573	–

(1) Total revenues consist of net interest income, provision for loan losses and non-interest income.

(2) This ratio is calculated by dividing dividends declared per common share by diluted earnings per share.

(3) This ratio is calculated by dividing debt, which is comprised of reverse repurchase agreements, collateralized debt obligations, warehouse lines of credit, commercial paper and other borrowings, by stockholders' equity.

- (4) This measure is calculated by dividing net income available to common shareholders by the average common stockholders' equity outstanding during the year expressed as a percentage.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Critical Accounting Policies and Estimates

Our accounting policies are described in Note 1 to the Consolidated Financial Statements. We have identified the following accounting policies that are critical to the presentation of our financial statements and that require critical accounting estimates by management.

Securities—We record our securities at fair value. The fair values of our securities are generally based on market prices provided by certain dealers who make markets in these financial instruments.

Mortgage Loans Held for Sale—Mortgage loans held for sale are carried at the lower of cost or aggregate market value. For mortgage loans held for sale that are hedged with forward sale commitments, the carrying value is adjusted for the change in market during the time the hedge was deemed to be highly effective. The market value is determined by outstanding commitments from investors or current yield requirements calculated on an aggregate basis.

Mortgage Loans Held for Investment—Mortgage loans held for investment are carried at the aggregate of their remaining unpaid principal balances, plus net deferred origination costs, less any related charge-offs and allowance for loan losses. Our periodic evaluation of the adequacy of the allowance for loan losses is based on our past loan loss experience, known and inherent risks in the loan portfolio, adverse circumstances which may affect the borrowers' ability to repay, the estimated value of the underlying real estate collateral and current market conditions within the geographic areas surrounding the underlying real estate. The allowance for loan losses is increased by provision to loan losses charged to income and reduced by charge-offs, net of recoveries.

Mortgage Servicing Rights ("MSRs")—When we acquire servicing assets through either purchase or origination of loans and sell or securitize those loans with servicing assets retained, the fair value attributable to the servicing assets is capitalized as MSRs on the consolidated balance sheets. We estimate the fair value of the servicing assets by obtaining market information from one of the market's primary independent MSR brokers.

Derivative Assets and Derivative Liabilities—Our mortgage-committed pipeline includes interest rate lock commitments ("IRLCs") that have been extended to borrowers who have applied for loan funding and meet certain defined credit and underwriting criteria and have locked their terms and rates. IRLCs associated with loans expected to be sold are recorded at fair value with changes in fair value recorded to current earnings.

We use other derivative instruments, including mortgage forward delivery contracts and treasury futures options, to economically hedge the IRLCs, which are also classified and accounted for as free-standing derivatives and thus are recorded at fair value with the changes in fair value recorded to current earnings.

We use mortgage forward delivery contracts designated as fair value hedging instruments to hedge 100% of our agency-eligible conforming fixed-rate loans and most of our non-conforming fixed-rate loans held for sale. At the inception of the hedge, we formally document the relationship between the forward delivery contracts and the mortgage inventory, as well as our objective and strategy for undertaking the hedge transactions. In the case of our conventional conforming fixed-rate loan products, the notional amount of the forward delivery contracts, along with the underlying rate and terms of the contracts, are equivalent to the unpaid principal amount of the mortgage inventory being hedged; hence, the forward delivery contracts effectively fix the forward sales price and thereby substantially eliminate interest rate and price risk to us. We classify and account for these forward delivery contracts as fair value hedges. The derivatives are carried at fair value with the changes in fair value recorded to current earnings. When the hedges are deemed to be highly effective, the book value of the hedged loans held for sale is adjusted for its change in fair value during the hedge period.

We enter into interest rate swap agreements to manage our interest rate exposure when financing our mortgage-backed securities and certain ARM loans. Certain swap agreements accounted for as cash flow hedges

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and certain swap agreements not designated as cash flow hedges are both carried on the balance sheet at fair value. The fair values of our swap agreements are generally based on market prices provided by certain dealers who make markets in these financial instruments or by third-party pricing services.

We use agency trust principal only total return swaps and swaptions to economically hedge our MSRs. Our total return swaps and swaptions are classified and accounted for as free-standing derivatives and thus are recorded at fair value with the changes in fair value recorded to current earnings.

Goodwill—Goodwill represents the excess purchase price over the fair value of net assets stemming from business acquisitions, including identifiable intangibles. We test for impairment, at least annually, by comparing the fair value of goodwill, as determined by using a discounted cash flow method, with its carrying value. Any excess of carrying value over the fair value of the goodwill would be recognized as an impairment loss in continuing operations. The discounted cash flow calculation related to our loan origination segment includes a forecast of the expected future loan originations and the related revenues and expenses. The discounted cash flow calculation related to our Mortgage Holdings segment includes a forecast of the expected future net interest income, gain on mortgage-backed securities and the related revenues and expenses. These cash flows are discounted using a rate that is estimated to be a weighted-average cost of capital for similar companies. We further test to ensure that the fair value of all our business units does not exceed our total market capitalization.

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Financial Condition

The following table presents our consolidated balance sheets as of December 31, 2006 and 2005:

AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands)

	December 31,	
	2006	2005
Assets:		
Cash and cash equivalents	\$398,166	\$575,650
Accounts receivable and servicing advances	432,418	329,132
Securities	9,308,032	10,602,115
Mortgage loans held for sale, net	1,523,737	2,208,749
Mortgage loans held for investment, net	6,329,721	3,479,721
Derivative assets	32,142	44,594
Mortgage servicing rights	506,341	319,671
Premises and equipment, net	86,211	68,782
Goodwill	133,128	99,527
Other assets	79,089	26,804
Total assets	<u>\$18,828,985</u>	<u>\$17,754,745</u>

Liabilities and Stockholders' Equity:

Liabilities:

Warehouse lines of credit	\$1,304,541	\$3,474,191
Commercial paper	1,273,965	1,079,179
Reverse repurchase agreements	8,571,459	9,806,144
Deposits	24,016	—
Collateralized debt obligations	4,854,801	1,057,906
Payable for securities purchased	289,716	261,539
Derivative liabilities	12,644	16,773
Trust preferred securities	336,078	203,688
Accrued expenses and other liabilities	361,923	298,230
Notes payable	417,467	319,309
Income taxes payable	112,089	30,770
Total liabilities	<u>17,558,699</u>	<u>16,547,729</u>
Stockholders' Equity:		
Preferred Stock	134,040	134,040
Common Stock	502	496
Additional paid-in capital	963,617	947,512

Retained earnings	257,283	203,778
Accumulated other comprehensive loss	<u>(85,156)</u>	<u>(78,810)</u>
Total stockholders' equity	<u>1,270,286</u>	<u>1,207,016</u>
Total liabilities and stockholders' equity	<u>\$18,828,985</u>	<u>\$17,754,745</u>

Total assets at December 31, 2006 were \$18.83 billion, a \$1.07 billion increase from \$17.76 billion at December 31, 2005. The increase in total assets primarily reflects an increase in mortgage loans held for investment of \$2.85 billion, partially offset by a decrease in securities of \$1.29 billion and a decrease in mortgage

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loans held for sale of \$685.0 million. At December 31, 2006, 49.4% of our total assets were securities, 33.6% were mortgage loans held for investment and 8.1% were mortgage loans held for sale, compared to 59.7%, 19.6% and 12.4%, respectively, at December 31, 2005.

The following tables summarize our mortgage-backed securities owned at December 31, 2006 and 2005, classified by type of issuer and by ratings categories:

	December 31, 2006					
	Trading Securities		Securities Available for Sale		Total	
	Carrying		Carrying		Carrying	
	Value	Portfolio Mix	Value	Portfolio Mix	Value	Portfolio Mix
(Dollars in thousands)						
Agency securities	\$—	—	%	\$212,591	2.5	%
Privately issued:						
AAA	267,093	32.8		8,260,110	97.3	
AA	47,500	5.8		7,380	0.1	
A	166,635	20.5		4,196	0.0	
BBB	128,023	15.7		1,646	0.0	
BB	4,666	0.6		—	—	
Unrated	199,666	24.6		5,044	0.1	
Total	<u>\$813,583</u>	<u>100.0</u>	<u>%</u>	<u>\$8,490,967</u>	<u>100.0</u>	<u>%</u>
	December 31, 2005					
	Trading Securities		Securities Available for Sale		Total	
	Carrying		Carrying		Carrying	
	Value	Portfolio Mix	Value	Portfolio Mix	Value	Portfolio Mix
(Dollars in thousands)						
Agency securities	\$—	—	%	\$130,320	1.8	%

Privately issued:

AAA	2,619,546	81.1	7,216,527	97.9	9,836,073	92.8
AA	47,253	1.5	9,989	0.1	57,242	0.5
A	166,507	5.2	7,558	0.1	174,065	1.6
BBB	164,344	5.1	3,441	0.0	167,785	1.7
Unrated	<u>229,418</u>	<u>7.1</u>	<u>7,201</u>	<u>0.1</u>	<u>236,619</u>	<u>2.2</u>
Total	<u><u>\$3,227,068</u></u>	<u><u>100.0</u></u> %	<u><u>\$7,375,036</u></u>	<u><u>100.0</u></u> %	<u><u>\$10,602,104</u></u>	<u><u>100.0</u></u> %

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The following tables classify our mortgage-backed securities portfolio by type of interest rate index at December 31, 2006 and 2005:

	December 31, 2006					
	Trading Securities		Securities Available for Sale		Total	
	Carrying	Portfolio	Carrying	Portfolio	Carrying	Portfolio
	Value	Mix	Value	Mix	Value	Mix
	(Dollars in thousands)					
Index:						
One-month LIBOR	\$361,116	44.4 %	\$105,955	1.2 %	\$467,071	5.0 %
Six-month LIBOR	208,689	25.7	4,254,594	50.1	4,463,283	48.0
One-year LIBOR	198,613	24.4	3,704,981	43.6	3,903,594	42.0
One-year constant maturity treasury	349	0.0	335,599	4.0	335,948	3.6
One-year monthly treasury average	44,816	5.5	89,838	1.1	134,654	1.4
Total	<u>\$813,583</u>	<u>100.0 %</u>	<u>\$8,490,967</u>	<u>100.0 %</u>	<u>\$9,304,550</u>	<u>100.0 %</u>
	December 31, 2005					
	Trading Securities		Securities Available for Sale		Total	
	Carrying	Portfolio	Carrying	Portfolio	Carrying	Portfolio
	Value	Mix	Value	Mix	Value	Mix
	(Dollars in thousands)					
Index:						
One-month LIBOR	\$402,311	12.5 %	\$10,836	0.1 %	\$413,147	3.9 %
Six-month LIBOR	2,538,016	78.6	4,838,532	65.6	7,376,548	69.6
One-year LIBOR	218,530	6.8	2,128,376	28.9	2,346,906	22.1

One-year constant maturity treasury	2,054	0.1	397,292	5.4	399,346	3.8
One-year monthly treasury average	<u>66,157</u>	<u>2.0</u>	<u>—</u>	<u>—</u>	<u>66,157</u>	<u>0.6</u>
Total	<u><u>\$3,227,068</u></u>	<u><u>100.0 %</u></u>	<u><u>\$7,375,036</u></u>	<u><u>100.0 %</u></u>	<u><u>\$10,602,104</u></u>	<u><u>100.0 %</u></u>

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The following tables classify our mortgage loans held for investment and mortgage-backed securities portfolio by product type at December 31, 2006 and 2005:

	December 31, 2006											
	Trading Securities			Securities Available for Sale			Loans Held for Investment			Total		
	Carrying	Portfolio		Carrying	Portfolio		Carrying	Portfolio		Carrying	Portfolio	
	Value	Mix		Value	Mix		Value	Mix		Value	Mix	
	(Dollars in thousands)											
Product:												
ARMs less than 3 years	\$601,468	73.9 %		\$369,835	4.4 %		\$3,088,408	48.8 %		\$4,059,711	26.0 %	
3/1 Hybrid ARM	141,224	17.4		138,268	1.6		41,245	0.7		320,737	2.0	
5/1 Hybrid ARM	70,891	8.7		6,592,347	77.6		374,641	5.9		7,037,879	45.0	
7/1 Hybrid ARM	—	—		1,390,517	16.4		—	—		1,390,517	8.9	
Home equity/Second	—	—		—	—		208,299	3.3		208,299	1.3	
Other ARM	—	—		—	—		482,067	7.6		482,067	3.1	
Fixed rate	—	—		—	—		2,135,061	33.7		2,135,061	13.7	
Total	<u>\$813,583</u>	<u>100.0 %</u>		<u>\$8,490,967</u>	<u>100.0 %</u>		<u>\$6,329,721</u>	<u>100.0 %</u>		<u>\$15,634,271</u>	<u>100.0 %</u>	

	December 31, 2005											
	Trading Securities			Securities Available for Sale			Loans Held for Investment			Total		
	Carrying	Portfolio		Carrying	Portfolio		Carrying	Portfolio		Carrying	Portfolio	
	Value	Mix		Value	Mix		Value	Mix		Value	Mix	
	(Dollars in thousands)											
Product:												

ARMs less than 3 years	\$700,164	21.7	%	\$487,122	6.6	%	\$2,628,977	75.6	%	\$3,816,263	27.1	%
3/1 Hybrid ARM	194,313	6.0		262,598	3.6		11,563	0.3		468,474	3.3	
5/1 Hybrid ARM	2,332,591	72.3		6,625,316	89.8		121,227	3.5		9,079,134	64.5	
Home equity/Second	—	—		—	—		611,370	17.6		611,370	4.3	
Other	—	—		—	—		106,584	3.0		106,584	0.8	
Total	<u>\$3,227,068</u>	<u>100.0</u>	<u>%</u>	<u>\$7,375,036</u>	<u>100.0</u>	<u>%</u>	<u>\$3,479,721</u>	<u>100.0</u>	<u>%</u>	<u>\$14,081,825</u>	<u>100.0</u>	<u>%</u>

During the year ended December 31, 2006, we purchased \$4.9 billion of mortgage-backed securities.

During the year ended December 31, 2006, we sold \$3.9 billion of mortgage-backed securities.

During the year ended December 31, 2006, we added \$4.1 billion of loans held for investment to our portfolio.

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Results of Operations

The following tables present our consolidated and segment statements of income for the years ended December 31, 2006, 2005 and 2004:

AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts)

	Year Ended December 31,		
	2006	2005	2004
Net interest income:			
Interest income	\$1,328,494	\$727,685	\$314,306
Interest expense	(1,146,039)	(526,653)	(201,373)
Total net interest income	182,455	201,032	112,933
Provision for loan losses	(17,380)	(2,142)	—
Total net interest income after provision for loan losses	165,075	198,890	112,933
Non-interest income:			
Gain on sales of mortgage loans	810,006	335,065	134,099
Gain on sales of current period securitized mortgage loans	—	194,256	40,120
Gain on sales of mortgage-backed securities and derivatives	12,257	50,936	63
Unrealized (loss) gain on mortgage-backed securities and derivatives	(7,028)	(8,536)	75,460
Loan servicing fees	145,429	76,096	40,571

Amortization and impairment of mortgage servicing rights	–	(60,535)	(45,038)
Change in fair value of mortgage servicing rights:			
Due to realization of cash flows	(102,820)	–	–
Due to changes in valuation assumptions, net of hedge gain	(5,289)	–	–
Net loan servicing fees (loss)	37,320	15,561	(4,467)
Other non-interest income	8,814	7,775	7,033
Total non-interest income	861,369	595,057	252,308
Non-interest expenses:			
Salaries, commissions and benefits, net	414,008	359,949	189,393
Occupancy and equipment	77,357	58,855	37,642
Data processing and communications	25,905	24,788	16,165
Office supplies and expenses	19,147	19,722	13,730
Marketing and promotion	21,625	20,311	10,409
Travel and entertainment	31,310	21,007	14,190
Professional fees	24,322	14,232	12,159
Other	64,614	32,018	22,216
Total non-interest expenses	678,288	550,882	315,904

Net income before income tax expense (benefit)	348,156	243,065	49,337
Income tax expense (benefit)	<u>84,629</u>	<u>(17,721)</u>	<u>(25,575)</u>
Net income	<u>\$263,527</u>	<u>\$260,786</u>	<u>\$74,912</u>
Dividends on preferred stock	<u>13,218</u>	<u>13,217</u>	<u>3,988</u>
Net income available to common shareholders	<u>\$250,309</u>	<u>\$247,569</u>	<u>\$70,924</u>
Per share data:			
Basic	\$5.00	\$5.64	\$1.89
Diluted	\$4.96	\$5.58	\$1.86
Weighted average number of shares–basic	50,030	43,897	37,612
Weighted average number of shares–diluted	50,421	44,375	38,087

AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
MORTGAGE HOLDINGS SEGMENT
(In thousands)

	Year Ended December 31,		
	2006	2005	2004
Net interest income:			
Interest income	\$725,610	\$357,920	\$191,563
Interest expense	<u>(615,601)</u>	<u>(262,403)</u>	<u>(124,397)</u>
Total net interest income	<u>110,009</u>	<u>95,517</u>	<u>67,166</u>
Provision for loan losses	<u>(9,440)</u>	<u>(947)</u>	<u>—</u>
Total net interest income after provision for loan losses	<u>100,569</u>	<u>94,570</u>	<u>67,166</u>
Non-interest income:			
Gain on sales of mortgage-backed securities and derivatives	12,257	37,383	3,459
Unrealized (loss) gain on mortgage-backed securities and derivatives	<u>(7,303)</u>	<u>(85,778)</u>	<u>7,679</u>
Total non-interest income	<u>4,954</u>	<u>(48,395)</u>	<u>11,138</u>
Non-interest expenses:			
Salaries, commissions and benefits, net	13,469	7,576	229
Occupancy and equipment	6	6	7
Data processing and communications	145	114	15

Office supplies and expenses	78	5	—
Marketing and promotion	14	2	2
Travel and entertainment	64	5	3
Professional fees	3,700	3,050	3,653
Other	<u>11,559</u>	<u>(1,854)</u>	<u>24,900</u>
Total non-interest expenses	<u>29,035</u>	<u>8,904</u>	<u>28,809</u>
Net income before income tax expense (benefit)	76,488	37,271	49,495
Income tax expense (benefit)	<u>—</u>	<u>—</u>	<u>—</u>
Net income	<u><u>\$76,488</u></u>	<u><u>\$37,271</u></u>	<u><u>\$49,495</u></u>
Dividends on preferred stock	<u>13,218</u>	<u>13,217</u>	<u>3,988</u>
Net income available to common shareholders	<u><u>\$63,270</u></u>	<u><u>\$24,054</u></u>	<u><u>\$45,507</u></u>

AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
LOAN ORIGINATION SEGMENT
(In thousands)

	Year Ended December 31,		
	2006	2005	2004
Net interest income:			
Interest income	\$602,021	\$369,765	\$122,743
Interest expense	<u>(514,794)</u>	<u>(257,062)</u>	<u>(73,071)</u>
Total net interest income	<u>87,227</u>	<u>112,703</u>	<u>49,672</u>
Provision for loan losses	<u>(7,940)</u>	<u>(1,195)</u>	<u>—</u>
Total net interest income after provision for loan losses	<u>79,287</u>	<u>111,508</u>	<u>49,672</u>
Non-interest income:			
Gain on sales of mortgage loans	810,011	335,065	134,099
Gain on sales of current period securitized mortgage loans	—	194,256	40,120
Gain (loss) on sales of mortgage-backed securities and derivatives	—	13,553	(3,396)
Unrealized gain on mortgage-backed securities and derivatives	275	77,242	67,781
Other non-interest income	<u>5,857</u>	<u>5,203</u>	<u>7,030</u>
Total non-interest income	<u>816,143</u>	<u>625,319</u>	<u>245,634</u>

Non-interest expenses:

Salaries, commissions and benefits, net	384,041	340,492	184,163
Occupancy and equipment	75,999	57,654	37,110
Data processing and communications	25,547	24,113	15,877
Office supplies and expenses	18,296	18,131	12,685
Marketing and promotion	21,365	20,213	10,398
Travel and entertainment	30,998	20,547	14,042
Professional fees	20,455	10,329	7,855
Other	34,631	26,495	(5,767)
Total non-interest expenses	611,332	517,974	276,363
Net income before income tax expense (benefit)	284,098	218,853	18,943
Income tax expense (benefit)	87,187	(12,470)	(16,941)
Net income	\$196,911	\$231,323	\$35,884
Dividends on preferred stock	—	—	—
Net income available to common shareholders	\$196,911	\$231,323	\$35,884

AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
LOAN SERVICING SEGMENT
(In thousands)

	Year Ended December 31,		
	2006	2005	2004
Net interest income:			
Interest income	\$—	\$—	\$—
Interest expense	(15,381)	(7,188)	(3,905)
Total net interest income	(15,381)	(7,188)	(3,905)
Provision for loan losses	—	—	—
Total net interest income after provision for loan losses	(15,381)	(7,188)	(3,905)
Non-interest income:			
Loan servicing fees	145,383	76,096	40,571
Amortization and impairment of mortgage servicing rights	—	(60,535)	(45,038)
Change in fair value of mortgage servicing rights:			
Due to realization of cash flows	(102,781)	—	—
Due to changes in valuation assumptions, net of hedge gain (loss)	(5,289)	—	—
Net loan servicing fees (loss)	37,313	15,561	(4,467)
Other non-interest income	2,885	2,572	3

Total non-interest income	<u>40,198</u>	<u>18,133</u>	<u>(4,464)</u>
Non-interest expenses:			
Salaries, commissions and benefits, net	16,315	11,881	5,001
Occupancy and equipment	1,258	1,195	525
Data processing and communications	177	561	273
Office supplies and expenses	766	1,586	1,045
Marketing and promotion	246	96	9
Travel and entertainment	244	455	145
Professional fees	144	853	651
Other	<u>18,341</u>	<u>7,377</u>	<u>3,083</u>
Total non-interest expenses	<u>37,491</u>	<u>24,004</u>	<u>10,732</u>
Net income before income tax benefit	(12,674)	(13,059)	(19,101)
Income tax benefit	<u>(2,655)</u>	<u>(5,251)</u>	<u>(8,634)</u>
Net income	<u><u>\$(10,019)</u></u>	<u><u>\$(7,808)</u></u>	<u><u>\$(10,467)</u></u>
Dividends on preferred stock	<u>—</u>	<u>—</u>	<u>—</u>
Net income available to common shareholders	<u><u>\$(10,019)</u></u>	<u><u>\$(7,808)</u></u>	<u><u>\$(10,467)</u></u>

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AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
BANKING SEGMENT
(In thousands)

	<u>Year Ended December 31,</u> <u>2006</u>
Net interest income:	
Interest income	\$ 863
Interest expense	(263)
Total net interest income	600
Provision for loan losses	—
Total net interest income after provision for loan losses	600
Non-interest income:	
Loss on sales of mortgage loans	(5)
Loan servicing fees	46
Change in fair value of mortgage servicing rights:	
Due to realization of cash flows	(39)
Net loan servicing fees	7
Other non-interest income	72

Total non-interest income	74
Non-interest expenses:	
Salaries, commissions and benefits, net	183
Occupancy and equipment	94
Data processing and communications	36
Office supplies and expenses	7
Travel and entertainment	4
Professional fees	23
Other	83
Total non-interest expenses	430
Net income before income tax expense	244
Income tax expense	97
Net income	\$ 147
Dividends on preferred stock	—
Net income available to common shareholders	\$ 147

Comparison of the Years Ended December 31, 2006 and 2005

Overview

Net income for the year ended December 31, 2006 was \$263.5 million compared to \$260.8 million for the year ended December 31, 2005, an increase of \$2.7 million, or 1.1%. Through the third quarter of 2005, we securitized a substantial portion of our mortgage loans held for sale each quarter and had intended for each of these transactions to qualify as a sale under Statement of Financial Accounting Standards

("SFAS") No. 140, *"Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities"* ("SFAS No. 140"). Our December 2004 securitization ("Q4-04 Securitization") did not qualify as a sale at December 31,

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2004 and was accounted for as a financing in accordance with SFAS No. 140 because we retained a small amount of securities which were benefited by derivative contracts embedded in the securitization trust. These securities were sold during the first quarter of 2005, qualifying the Q4-04 Securitization as a sale at March 31, 2005 in accordance with SFAS No. 140. Net income for the year ended December 31, 2005 includes approximately \$71.4 million of revenues related to the delay in recognizing the Q4-04 Securitization as a sale into the first quarter of 2005. The increase in net income was the result of a \$266.3 million increase in non-interest income, partially offset by a \$127.4 million increase in non-interest expenses, a \$102.4 million increase in income tax expense, an \$18.6 million decrease in net interest income and a \$15.2 million increase in provision for loan losses. The \$266.3 million increase in non-interest income consists of a \$474.9 million increase in gain on sales of mortgage loans, a \$21.8 million increase in net loan servicing fees and a \$1.1 million increase in other non-interest income, partially offset by a \$194.3 million decrease in gain on sales of current period securitized mortgage loans and a \$37.2 million decrease in realized and unrealized gains on mortgage-backed securities and derivatives in the year ended December 31, 2006 versus the year ended December 31, 2005.

Net Interest Income

The following table presents the average balances for our interest-earning assets, interest-bearing liabilities, corresponding annualized effective rates of interest and the related interest income or expense for the year ended December 31, 2006 compared to the year ended December 31, 2005:

(Dollars in thousands)	Year Ended December 31,					
	2006			2005		
	Average Balance	Interest	Average Yield/ Cost	Average Balance	Interest	Average Yield/ Cost
Interest earning assets:						
Securities, net (1)	\$9,491,612	\$524,999	5.53 %	\$7,329,458	\$343,839	4.69 %
Mortgage loans held for sale	7,285,310	476,813	6.54 %	5,698,155	351,650	6.17 %
Mortgage loans held for investment	4,668,578	326,682	7.00 %	626,296	32,196	5.14 %
	<u>21,445,500</u>	<u>1,328,494</u>	6.19 %	<u>13,653,909</u>	<u>727,685</u>	5.33 %
Interest bearing liabilities:						
Warehouse lines of credit (2)	6,374,157	356,796	5.60 %	2,863,982	147,339	5.14 %
Commercial paper (3)	2,511,157	126,854	5.05 %	2,160,859	76,993	3.56 %
Reverse repurchase agreements (4)	8,979,463	461,801	5.14 %	7,184,534	260,423	3.62 %

Deposits	5,215	207	3.97	%	—	—	—
Collateralized debt obligations (5)	2,797,000	156,754	5.60	%	706,355	26,485	3.75 %
Trust preferred securities	256,953	22,744	8.85	%	65,836	5,029	7.64 %
Notes payable	354,902	20,883	5.88	%	213,935	10,384	4.85 %
	<u>21,278,847</u>	<u>1,146,039</u>	5.39	%	<u>13,195,501</u>	<u>526,653</u>	3.99 %
Net interest income		<u>\$182,455</u>				<u>\$201,032</u>	
Interest rate spread			<u>0.80</u>	%			<u>1.34</u> %
Net interest margin			<u>0.85</u>	%			<u>1.47</u> %

- (1) The average yield does not give effect to changes in the fair value that are reflected as a component of stockholders' equity.
- (2) Includes \$2.8 million of net interest expense on interest rate swap agreements for the 2005 period.
- (3) Includes \$606 thousand of net interest income on interest rate swap agreements for the 2006 period.
- (4) Includes \$2.2 million of net interest income and \$17.2 million of net interest expense on interest rate swap agreements for the 2006 and 2005 periods, respectively.
- (5) Includes \$679 thousand of net interest expense on interest rate swap agreements for the 2006 period.

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The following table presents the effects of changes in interest rates and changes in volume of interest-earning assets and interest-bearing liabilities on our interest income and interest expense for the year ended December 31, 2006 compared to the year ended December 31, 2005:

(In thousands)	Year Ended December 31, 2006 Compared to Year Ended December 31, 2005		
	Average Rate	Average Volume	Total
Securities, net	\$68,438	\$112,722	\$181,160
Mortgage loans held for sale	22,173	102,990	125,163
Mortgage loans held for investment	45,863	248,623	294,486
Interest income	136,474	464,335	600,809
Warehouse lines of credit	14,110	195,347	209,457
Commercial paper	35,911	13,950	49,861
Reverse repurchase agreements	126,046	75,332	201,378
Deposits	—	207	207
Collateralized debt obligations	18,617	111,652	130,269
Trust preferred securities	2,802	14,913	17,715
Notes payable	2,550	7,949	10,499
Interest expense	200,036	419,350	619,386
Net interest income	<u>\$(63,562)</u>	<u>\$44,985</u>	<u>\$(18,577)</u>

Interest Income: Interest income on securities for the year ended December 31, 2006 was \$525.0 million, compared to \$343.8 million for the year ended December 31, 2005, a \$181.2 million, or 52.7%, increase. This increase reflects primarily the growth of our securities portfolio and higher interest rates in 2006 versus 2005.

Interest income on our mortgage loans held for sale for the year ended December 31, 2006 was \$476.8 million, compared to \$351.6 million for the year ended December 31, 2005, an increase of \$125.2 million, or 35.6%. The increase in interest income on mortgage loans held for sale was primarily the result of an increase in average volume in 2006 versus 2005 due to higher mortgage origination volume, and higher interest rates in 2006 versus 2005.

In June 2005, we began our strategy of holding certain loans in our investment portfolio. For the year ended December 31, 2006, we recognized \$326.7 million of interest income on loans held for investment, compared to \$32.2 million for the year ended December 31, 2005.

Interest Expense: As of December 31, 2006, we entered into reverse repurchase agreements, a form of collateralized short-term borrowing, with eighteen different financial institutions and had borrowed funds from ten of these counterparties. We borrow funds under these arrangements based on the fair value of our mortgage-backed securities and loans held for investment. Total interest expense on reverse repurchase agreements for the year ended December 31, 2006 was \$461.8 million, compared to interest expense for the year ended December 31, 2005 of \$260.4 million, a \$201.4 million increase. The increase in reverse repurchase agreements interest expense in 2006 versus 2005 was primarily the result of an increase in average rate due to generally higher short-term interest rates in 2006 versus 2005, and an increase in borrowings used to fund the growth of our mortgage-backed securities and loans held for investment portfolio.

We fund our loan inventory primarily through borrowing facilities with several mortgage warehouse lenders and through a \$3.3 billion commercial paper, or secured liquidity note ("SLN"), program. Interest expense on warehouse lines of credit for the year ended December 31, 2006 was \$356.8 million, compared to interest expense for the year ended December 31, 2005 of \$147.3 million, a \$209.5 million increase. The increase in

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warehouse lines of credit interest expense was primarily the result of an increase in average volume due to higher mortgage origination volume and an increase in average rate due to generally higher short-term interest rates in 2006 versus 2005.

In May 2004, we formed a wholly-owned special purpose entity for the purpose of issuing commercial paper in the form of SLNs to finance certain portions of our mortgage loans. Interest expense on commercial paper for the year ended December 31, 2006 was \$126.9 million, versus \$77.0 million for the year ended December 31, 2005, a \$49.9 million increase. The increase in commercial paper interest expense was the result of an increase in average interest rates in 2006 versus 2005 and an increase in average volume. The increase in average volume in 2006 versus 2005 related to higher borrowings used to fund our loan inventory. By funding a portion of our loan inventory through the commercial paper program, we were able to reduce our average funding cost versus borrowing exclusively through warehouse lenders.

Interest expense on collateralized debt obligations for the year ended December 31, 2006 was \$156.8 million, compared to interest expense for the year ended December 31, 2005 of \$26.5 million, a \$130.3 million increase. The increase in collateralized debt obligation interest expense was the result of an increase in average volume and an increase in average interest rates in 2006 versus 2005. The increase in average volume in 2006 versus 2005 related to higher borrowings used to fund our securitizations which were accounted for as financings.

Provision for Loan Losses

Provision for loan losses for the year ended December 31, 2006 was \$17.4 million, compared to \$2.1 million for the year ended December 31, 2005. The provision for loan losses in 2006 consists of a \$12.1 million increase in allowance for loan losses and charge-offs of \$5.3 million. The provision for loan losses in 2005 consists of a \$2.1 million increase in allowance for loan losses. The increase in provision for loan losses in 2006 versus 2005 was the result of an increase in loans held for investment and an increase in the amount of non-performing loans associated with the loans held for investment. At December 31, 2006, the principal amount of our loan held for investment was \$6.3 billion, compared to \$3.4 billion at December 31, 2005.

Gain on Mortgage Loans, Mortgage-Backed Securities and Derivatives

Gain on Sales and Securitizations of Mortgage Loans: During the year ended December 31, 2006, gain on sales and securitizations of mortgage loans in our Loan Origination segment totaled \$810.3 million, or 1.45%, of mortgage loans sold or securitized, compared to \$620.1 million, or 1.41%, of mortgage loans sold or securitized during the year ended December 31, 2005. The increase primarily reflects an \$11.9 billion increase in mortgage loans sold or securitized to \$56.0 billion in 2006 from \$44.1 billion in 2005. The 2005 period includes \$43.4 million recognized in connection with the Q4-04 Securitization.

The following table presents the components of gain on sales and securitizations of mortgage loans in our Loan Origination segment during the years ended December 31, 2006 and 2005:

Gains on Sales and Securitizations of Mortgage Loans (Dollars in thousands)	Year Ended December 31,	
	2006	2005
Gain on sales of mortgage loans	\$810,011	\$335,065
Gain on sales of current period securitized mortgage loans	—	194,256
Gain on sales of free standing derivatives	—	13,553
Unrealized gain on self-originated mortgage-backed securities retained in period	—	72,806

Unrealized gain on free standing derivatives	275	4,436
Total gain on sales and securitizations of mortgage loans	<u>\$810,286</u>	<u>\$620,116</u>
Total mortgage loans sold or securitized	<u>\$55,974,228</u>	<u>\$44,115,641</u>
Total gain on sales and securitizations of mortgage loans as a % of total mortgage loans sold or securitized	1.45 %	1.41 %

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Portfolio Gains and Losses: During the year ended December 31, 2006, portfolio gains and losses in our Mortgage Holdings segment were a portfolio gain of \$5.0 million compared to a portfolio loss of \$48.4 million during the year ended December 31, 2005. The increase in portfolio gains in 2006 compared to 2005 was the result of a \$47.7 million net decrease in unrealized loss on mortgage-backed securities and free standing derivatives excluding interest carry income, a \$30.8 million increase in interest carry income on free standing derivatives, partially offset by a \$25.1 million decrease in gain on sales of mortgage-backed securities and derivatives.

The following table presents the components of portfolio gains and losses in our Mortgage Holdings segment during the years ended December 31, 2006 and 2005:

Portfolio Gains and Losses (In thousands)	Year Ended December 31,	
	2006	2005
Gain on sales of mortgage-backed securities and derivatives	\$ 12,257	\$37,383
Unrealized loss on mortgage-backed securities	(22,873)	(117,931)
Unrealized (loss) gain on free standing derivatives	(7,902)	39,451
Net unrealized loss on mortgage-backed securities and free standing derivatives excluding interest carry income (expense)	(30,775)	(78,480)
Interest carry income (expense) on free standing derivatives included in unrealized gain (loss)	23,472	(7,298)
Total portfolio gain (loss)	<u>\$ 4,954</u>	<u>\$(48,395)</u>

The following table presents the components of gain on sales of mortgage-backed securities and derivatives shown in our consolidated statements of income:

Components of Gain on Sales of Mortgage-backed Securities and Derivatives (In thousands)	Year Ended December 31,	
	2006	2005
Gain on sales of mortgage-backed securities and derivatives	\$ 12,257	\$ 37,383
Gain on sales of free standing derivatives	—	13,553
Gain on sales of mortgage-backed securities and derivatives	<u>\$ 12,257</u>	<u>\$ 50,936</u>

The following table presents the components of unrealized loss on mortgage-backed securities and derivatives shown in our consolidated statements of income:

Components of Unrealized Loss on Mortgage-backed Securities and Derivatives (In thousands)	Year Ended December 31,	
	2006	2005
Unrealized gain on self-originated mortgage-backed securities retained in period	\$ –	\$72,806
Unrealized loss on mortgage-backed securities	(22,873)	(117,931)
Unrealized (loss) gain on free standing derivatives	(7,627)	43,887
Unrealized gain (loss) on free standing derivatives–interest carry	23,472	(7,298)
Unrealized loss on mortgage-backed securities and derivatives	<u>\$ (7,028)</u>	<u>\$ (8,536)</u>

Net Loan Servicing Fees

Net loan servicing fees were \$37.3 million for the year ended December 31, 2006 compared to \$15.6 million for the year ended December 31, 2005.

Loan Servicing Fees: Loan servicing fees increased to \$145.4 million for the year ended December 31, 2006 from \$76.1 million for the year ended December 31, 2005, an increase of \$69.3 million, or 91.1%, primarily as a

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result of a \$36.3 million increase in contractually specified servicing fees and a \$27.1 million increase in escrow earnings. The increase in loan servicing fees in 2006 versus 2005 reflects an increase in loans serviced for others. At December 31, 2006, the principal amount of loans serviced for others, including loans held for sale and loans held for investment, was \$46.3 billion, compared to \$30.7 billion at December 31, 2005.

Change in Fair Value of MSRs: Effective at the beginning of the first quarter of 2006, we adopted SFAS No. 156, “*Accounting for Servicing of Financial Assets, an amendment of FASB Statement No. 140*” (“SFAS No. 156”), and elected the fair value option to subsequently measure our MSRs. Under the fair value option, all changes in the fair value of MSRs are reported in the consolidated statements of income. For the year ended December 31, 2006, the change in fair value of MSRs was \$108.1 million. The change in fair value of MSRs in 2006 includes a \$102.8 million reduction in fair value due to the realization of servicing cash flows and a \$16.2 million reduction due to changes in valuation assumptions, partially offset by a \$10.9 million gain on MSR- related hedges.

Amortization and Impairment of MSRs: Amortization and impairment of MSRs includes amortization of MSRs of \$51.8 million and a temporary impairment provision of \$8.8 million for the year ended December 31, 2005. Effective at the beginning of the first quarter of 2006, we adopted the SFAS No. 156 fair value option and did not recognize amortization and impairment of MSRs during 2006.

The following table presents the components of net loan servicing fees for the years ended December 31, 2006 and 2005:

(In thousands)	Year Ended December 31,	
	2006	2005
Loan servicing fees	\$145,429	\$76,096
Amortization and impairment of mortgage servicing rights	—	(60,535)
Change in fair value of mortgage servicing rights:		
Due to realization of cash flows	(102,820)	—
Due to changes in valuation assumptions	(16,218)	—
Due to gain on related hedges	10,929	—
Net loan servicing fees	<u>\$37,320</u>	<u>\$15,561</u>

Other Non-Interest Income

Other non-interest income totaled \$8.8 million for the year ended December 31, 2006, compared to \$7.8 million for the year ended December 31, 2005. For the year ended December 31, 2006, other non-interest income primarily includes reinsurance premiums earned totaling approximately \$4.9 million, other fee income of \$1.6 million, rental income of \$1.2 million, and revenue from title services of \$0.8 million. For the year ended December 31, 2005, other non-interest income primarily includes reinsurance premiums earned totaling approximately \$4.3 million, rental income of \$1.5 million, revenue from title services of \$1.2 million, and other fee income of \$0.4 million.

Non-Interest Expenses

Our non-interest expenses for the year ended December 31, 2006 were \$678.3 million compared to \$550.9 million for the year ended December 31, 2005, an increase of \$127.4 million, or 23.1%. The increase primarily reflects a \$93.4 million rise in our Loan Origination segment non-interest expenses to \$611.3 million, or 1.04% of total loan originations in 2006, from \$518.0 million, or 1.14% of total loan originations in 2005.

Our operating expenses represent costs that are not eligible to be added to the book value of the loans because they are not considered to be certain direct origination costs under the rules of SFAS No. 91,

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“Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Costs of Leases.” Direct origination costs are added to the book value of loans and either reduce the gain on sale of loans if the loans are sold or are amortized over the life of the loan.

Salaries, Commissions and Benefits, net: Salaries, commissions and benefits, net, for the year ended December 31, 2006 were \$414.0 million, compared to \$359.9 million for the year ended December 31, 2005, an increase of \$54.1 million, or 15.0%. The increase in expenses reflects higher origination volume and a resulting higher commission expense and higher salaries due to an increase in employees to 7,409 at December 31, 2006 from 6,544 at December 31, 2005.

Other Operating Expenses: Operating expenses, excluding salaries, commissions and benefits, were \$264.3 million for the year ended December 31, 2006 compared to \$190.9 million for the year ended December 31, 2005, an increase of \$73.4 million, or 38.4%. The increase in operating expenses in 2006 versus 2005 includes a \$32.6 million increase in other non-interest expense and an \$18.5 million increase in occupancy and equipment expense. The increase in other non-interest expenses in 2006 versus 2005 was primarily due to a \$10.7 million increase in lender-paid private mortgage insurance, an \$8.0 million increase in reserves associated with our servicing assets, and the remainder was primarily associated with our acquisition of Waterfield Financial Corporation in January 2006. The increase in occupancy and equipment expense was due to higher lease obligations and certain fixed asset expenses relating to the increased number of branches in 2006.

Income Tax Expense

We recognized \$84.6 million of income tax expense for the year ended December 31, 2006, compared to a \$17.7 million income tax benefit for the year ended December 31, 2005. The increase in income tax expense in 2006 versus 2005 reflects an increase in income before income taxes relating to our TRS. The increase in TRS income before income taxes was primarily the result of an increase in gain on sale of loans, due to our decision to sell a higher percentage of our loan originations to third parties in 2006 versus 2005. During the year ended December 31, 2006, we sold 95.1% of our loan originations to third parties, versus 62.9% for the year ended December 31, 2005.

Loan Originations

We originate and sell or securitize one-to-four family residential mortgage loans. Total loan originations for the year ended December 31, 2006 were \$58.9 billion compared to \$45.3 billion for the year ended December 31, 2005, a 30.0% increase. Mortgage brokers, through our wholesale loan production offices, accounted for 55% of our loan originations for the year ended December 31, 2006 compared to 54% for the year ended December 31, 2005. Originations conducted through our retail loan production offices and Internet call center were 34% of our loan originations for the year ended December 31, 2006 compared to 45% for the year ended December 31, 2005. During the year ended December 31, 2006, 11% of our loan originations were purchased from correspondents compared to 1% of our originations in the year ended December 31, 2005.

Comparison of the Years Ended December 31, 2005 and 2004

Overview

Net income for the year ended December 31, 2005 was \$260.8 million compared to \$74.9 million for the year ended December 31, 2004, an increase of \$185.9 million, or 248.1%. Net income for the year ended December 31, 2005 includes approximately \$71.4 million of revenues related to the delay in recognizing the Q4-04 Securitization as a sale into the first quarter of 2005. The increase in net income was the result of a \$342.7 million increase in non-interest income and an \$88.1 million increase in net interest income, partly offset by a \$235.0 million increase in non-interest expenses, a \$7.8 million decrease in income tax benefit and a \$2.1 million increase in provision for loan losses. The \$342.7 million increase in non-interest income consists of a \$201.0 million increase in gain on sales of mortgage loans, a \$154.1 million increase in gain on sales of current period

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securitized mortgage loans, a \$20.0 million increase in net loan servicing fees and a \$0.7 million increase in other non-interest income, partly offset by a \$33.1 million decrease in realized and unrealized gains on mortgage-backed securities and derivatives in the year ended December 31, 2005 versus the year ended December 31, 2004.

Net Interest Income

The following table presents the average balances for our interest-earning assets, interest-bearing liabilities, corresponding annualized effective rates of interest and the related interest income or expense for the year ended December 31, 2005 compared to the year ended December 31, 2004:

(Dollars in thousands)	Year Ended December 31,					
	2005			2004		
	Average Balance	Interest	Average Yield/ Cost	Average Balance	Interest	Average Yield/ Cost
Interest earning assets:						
Mortgage-backed securities, net (1)	\$7,329,458	\$343,839	4.69 %	\$5,268,631	\$191,563	3.64 %
Mortgage loans held for sale	5,698,155	351,650	6.17 %	2,289,517	122,743	5.36 %
Mortgage loans held for investment	626,296	32,196	5.14 %	—	—	—
	<u>13,653,909</u>	<u>727,685</u>	<u>5.33 %</u>	<u>7,558,148</u>	<u>314,306</u>	<u>4.16 %</u>
Interest bearing liabilities:						
Warehouse lines of credit (2)	2,863,982	147,339	5.14 %	1,349,435	53,650	3.98 %
Commercial paper	2,160,859	76,993	3.56 %	744,335	16,541	2.22 %
Reverse repurchase agreements (3)	7,184,534	260,423	3.62 %	4,976,437	124,637	2.50 %
Collateralized debt obligations	706,355	26,485	3.75 %	56,207	1,775	3.16 %
Trust preferred securities	65,836	5,029	7.64 %	—	—	—
Notes payable	<u>213,935</u>	<u>10,384</u>	<u>4.85 %</u>	<u>118,592</u>	<u>4,770</u>	<u>4.02 %</u>

	<u>13,195,501</u>	<u>526,653</u>	3.99	%	<u>7,245,006</u>	<u>201,373</u>	2.78	%
Net interest income		<u>\$201,032</u>				<u>\$112,933</u>		
Interest rate spread			<u>1.34</u>	%			<u>1.38</u>	%
Net interest margin			<u>1.47</u>	%			<u>1.49</u>	%
<p>(1) The average yield does not give effect to changes in the fair value that are reflected as a component of stockholders' equity.</p> <p>(2) Includes \$2.8 million and \$12.8 million of net interest expense on interest rate swap agreements for 2005 and 2004, respectively.</p> <p>(3) Includes \$17.2 million and \$41.3 million of net interest expense on interest rate swap agreements for 2005 and 2004, respectively.</p>								

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The following table presents the effects of changes in interest rates and changes in volume of interest-earning assets and interest-bearing liabilities on our interest income and interest expense for the year ended December 31, 2005 compared to the year ended December 31, 2004:

(In thousands)	Year Ended December 31, 2005 Compared to Year Ended December 31, 2004		
	Average	Average	Total
	Rate	Volume	
Mortgage-backed securities, net	\$64,862	\$87,414	\$152,276
Mortgage loans held for sale	21,095	207,812	228,907
Mortgage loans held for investment	–	32,196	32,196
Interest income	85,957	327,422	413,379
Warehouse lines of credit	19,447	74,242	93,689
Commercial paper	14,552	45,900	60,452
Reverse repurchase agreements	68,165	67,621	135,786
Collateralized debt obligations	394	24,316	24,710
Trust preferred securities	–	5,029	5,029
Notes payable	1,148	4,466	5,614
Interest expense	103,706	221,574	325,280
Net interest income	<u>\$(17,749)</u>	<u>\$105,848</u>	<u>\$88,099</u>

Interest Income: Interest income on mortgage-backed securities for the year ended December 31, 2005 was \$343.8 million, compared to \$191.5 million for the year ended December 31, 2004, a \$152.3 million, or 79.5%, increase. This increase reflects primarily the growth of our mortgage-backed securities portfolio and higher interest rates in 2005 versus 2004.

Interest income on our mortgage loans held for sale for the year ended December 31, 2005 was \$351.6 million compared to \$122.7 million for the year ended December 31, 2004, an increase of \$228.9 million, or 186.5%. The increase in interest income on mortgage loans held for sale was primarily the result of an increase in average volume in 2005 versus 2004 due to accounting for the Q4-04 Securitization as a financing for most of the first quarter of 2005 and higher mortgage origination volume.

For the year ended December 31, 2005, we recognized \$32.2 million of interest income on loans held for investment, related to our strategy of holding certain loans in our investment portfolio beginning in June 2005.

Interest Expense: We fund our loan inventory primarily through borrowing facilities with several mortgage warehouse lenders and through a \$3.3 billion commercial paper, or secured liquidity note (“SLN”), program. Interest expense on warehouse lines of credit for the year ended December 31, 2005 was \$147.3 million, compared to interest expense for the year ended December 31, 2004 of \$53.6 million, a \$93.7 million increase. The increase in warehouse lines of credit interest expense was primarily the result of an increase in average volume due to higher mortgage origination volume and an increase in average rate due to generally higher short-term interest rates in 2005 versus 2004. In May 2004, we formed a wholly-owned special purpose entity for the purpose of issuing commercial paper in the form of SLNs to finance certain portions of our mortgage loans. Interest expense on commercial paper for the year ended December 31, 2005 was \$77.0 million versus \$16.5 million for the year ended December 31, 2004, a \$60.5 million increase. By funding a portion of our loan inventory through the commercial paper program, we were able to reduce our average funding cost versus borrowing exclusively through warehouse lenders.

As of December 31, 2005, we entered into reverse repurchase agreements, a form of collateralized short-term borrowing, with fourteen different financial institutions and had borrowed funds from nine of these

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counterparties. We borrow funds under these arrangements based on the fair value of our mortgage-backed securities and loans held for investment. Total interest expense on reverse repurchase agreements for the year ended December 31, 2005 was \$260.4 million, compared to interest expense for the year ended December 31, 2004 of \$124.6 million, a \$135.8 million increase. The increase in reverse repurchase agreements interest expense in 2005 versus 2004 was primarily the result of an increase in average rate due to generally higher short-term interest rates in 2005 versus 2004, and an increase in borrowings used to fund the growth of our mortgage-backed securities and loans held for investment portfolio.

Total interest expense on collateralized debt obligations for the year ended December 31, 2005 was \$26.5 million, compared to interest expense for the year ended December 31, 2004 of \$1.8 million, a \$24.7 million increase. The increase in collateralized debt obligation interest expense in 2005 versus 2004 was related to accounting for the Q4-04 Securitization as a financing for most of the first quarter of 2005 and an increase in borrowings used to fund the growth of our loans held for investment portfolio in the fourth quarter of 2005.

Gain on Mortgage Loans, Mortgage-Backed Securities and Derivatives

Gain on Sales and Securitizations of Mortgage Loans: During the year ended December 31, 2005, gain on sales and securitizations of mortgage loans in our Loan Origination segment totaled \$620.1 million, or 1.41%, of mortgage loans sold or securitized, compared to \$238.6 million, or 1.23%, of mortgage loans sold or securitized during the year ended December 31, 2004. The increase primarily reflects a \$24.6 billion increase in mortgage loans sold or securitized to \$44.1 billion in 2005 from \$19.5 billion in 2004. The 2005 period includes \$43.4 million recognized in connection with the Q4-04 Securitization. The change in fair value of IRLCs included in gain on sales of mortgage loans in the 2004 period was reduced as a result of our adoption of SEC Staff Accounting Bulletin ("SAB") No. 105.

The following table presents the components of gain on sales and securitizations of mortgage loans in our Loan Origination segment during the years ended December 31, 2005 and 2004:

<u>Gains on Sales and Securitizations of Mortgage Loans</u> (Dollars in thousands)	<u>Year Ended December 31,</u>	
	<u>2005</u>	<u>2004</u>
Gain on sales of mortgage loans	\$335,065	\$134,099
Gain on sales of current period securitized mortgage loans	194,256	40,120
Gain (loss) on sales of free standing derivatives	13,553	(3,396)
Unrealized gain on self-originated mortgage-backed securities retained in period	72,806	67,781
Unrealized gain on free standing derivatives	4,436	—
Total gain on sales and securitizations of mortgage loans	<u>\$620,116</u>	<u>\$238,604</u>
Total mortgage loans sold or securitized	<u>\$44,115,641</u>	<u>\$19,468,855</u>

Total gain on sales and securitizations of mortgage loans as a % of total mortgage loans
sold or securitized

1.41 % 1.23 %

Portfolio Gains and Losses: During the year ended December 31, 2005, portfolio gains and losses in our Mortgage Holdings segment were a portfolio loss of \$48.4 million compared to a portfolio gain of \$11.1 million during the year ended December 31, 2004. The decrease in portfolio gains in 2005 compared to 2004 was the result of a \$96.5 million net decrease in unrealized gain on mortgage-backed securities and free standing derivatives excluding interest carry expense, partly offset by a \$33.9 million increase in gain on sales of mortgage-backed securities and a \$3.1 million decrease in interest carry expense on free standing derivatives.

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The following table presents the components of portfolio gains and losses in our Mortgage Holdings segment during the years ended December 31, 2005 and 2004:

Portfolio Gains and Losses (In thousands)	Year Ended December 31,	
	2005	2004
Gain on sales of mortgage-backed securities and derivatives	\$37,383	\$ 3,459
Unrealized loss on mortgage-backed securities	(117,931)	(23,042)
Unrealized gain on free standing derivatives	39,451	41,077
Net unrealized (loss) gain on mortgage-backed securities and free standing derivatives excluding interest carry expense	(78,480)	18,035
Interest carry expense on free standing derivatives included in unrealized gain (loss)	(7,298)	(10,356)
Total portfolio (loss) gain	<u><u>\$(48,395)</u></u>	<u><u>\$ 11,138</u></u>

The following table presents the components of gain on sales of mortgage-backed securities and derivatives shown in our consolidated statements of income:

Components of Gain on Sales of Mortgage-backed Securities and Derivatives (In thousands)	Year Ended December 31,	
	2005	2004
Gain on sales of mortgage-backed securities	\$ 37,383	\$ 3,459
Gain (loss) on sales of free standing derivatives	13,553	(3,396)
Gain on sales of mortgage-backed securities and derivatives	<u><u>\$ 50,936</u></u>	<u><u>\$ 63</u></u>

The following table presents the components of unrealized gains and losses on mortgage-backed securities and derivatives shown in our consolidated statements of income:

Components of Unrealized (Loss) Gain on Mortgage-backed Securities and Derivatives (In thousands)	Year Ended December 31,	
	2005	2004
Unrealized gain on self-originated mortgage-backed securities retained in period	\$72,806	\$ 67,781

Unrealized loss on mortgage-backed securities	(117,931)	(23,042)
Unrealized gain on free standing derivatives	43,887	41,077
Unrealized loss on free standing derivatives–interest carry	(7,298)	(10,356)
Unrealized (loss) gain on mortgage-backed securities and derivatives	<u><u>\$(8,536)</u></u>	<u><u>\$ 75,460</u></u>

Net Loan Servicing Fees

Net loan servicing fees were \$15.6 million for the year ended December 31, 2005 compared to a loss of \$4.5 million for the year ended December 31, 2004.

Loan Servicing Fees: Loan servicing fees increased to \$76.1 million for the year ended December 31, 2005 from \$40.6 million for the year ended December 31, 2004, an increase of \$35.5 million, or 87.6%. Included in loan servicing fees are gains on Ginnie Mae early buy-out sales of \$1.3 million for the year ended December 31, 2005 compared to \$4.5 million for the year ended December 31, 2004, a decrease of \$3.2 million, or 70.6%. This decrease partly offset the increase in loan servicing fees in 2005 versus 2004, as a result of an increase in loans serviced for others.

Amortization of MSRs: Amortization of MSRs increased to \$51.8 million for the year ended December 31, 2005 from \$32.6 million for the year ended December 31, 2004, an increase of \$19.2 million, or 58.7%. The increase in amortization was due to a higher average servicing portfolio in 2005 versus 2004.

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Impairment Provision of MSRs: We recognized a temporary impairment provision of \$8.8 million for the year ended December 31, 2005 versus a temporary impairment provision of \$12.4 million for the year ended December 31, 2004, resulting in an increase in net loan servicing fees of \$3.6 million. The decrease in impairment provision in the year ended December 31, 2005 was due to higher interest rates, which resulted in a subsequent decrease in estimated future prepayment speeds versus the initial estimated future prepayment speeds used to value the MSR upon securitization.

The following table presents the net loan servicing fees (loss) for the years ended December 31, 2005 and 2004:

(In thousands)	Year Ended December 31,	
	2005	2004
Loan servicing fees	\$ 76,096	\$ 40,571
Amortization	(51,767)	(32,615)
Impairment reserve provision	(8,768)	(12,423)
Net loan servicing fees (loss)	<u>\$ 15,561</u>	<u>\$ (4,467)</u>

Other Non-Interest Income

Other non-interest income totaled \$7.8 million for the year ended December 31, 2005, compared to \$7.0 million for the year ended December 31, 2004. For the year ended December 31, 2005, other non-interest income primarily includes reinsurance premiums earned totaling approximately \$4.3 million, rental income of \$1.5 million and revenue from title services of \$1.2 million. For the year ended December 31, 2004, other non-interest income primarily includes rental income of \$2.1 million, reinsurance premiums earned totaling approximately \$1.8 million, income from a legal settlement of \$1.5 million, and revenue from title services of \$1.0 million.

Non-Interest Expenses

Our non-interest expenses for the year ended December 31, 2005 were \$550.9 million compared to \$315.9 million for the year ended December 31, 2004, an increase of \$235.0 million, or 74.4%. The increase primarily reflects a \$241.6 million rise in our Loan Origination segment non-interest expenses to \$518.0 million, or 1.14% of total loan originations in 2005, from \$276.4 million, or 1.20% of total loan originations in 2004.

Our operating expenses represent costs that are not eligible to be added to the book value of the loans because they are not considered to be certain direct origination costs under the rules of SFAS No. 91, "Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Costs of Leases." Direct origination costs are added to the book value of loans and either reduce the gain on sale of loans if the loans are sold or are amortized over the life of the loan.

Salaries, Commissions and Benefits, net: Salaries, commissions and benefits, net, for the year ended December 31, 2005 were \$359.9 million, compared to \$189.3 million for the year ended December 31, 2004, an increase of \$170.6 million, or 90.1%. The increase in expenses reflects higher origination volume and a resulting higher commission expense and higher salaries due to an increase in employees to 6,544 at December 31, 2005 from 4,730 at December 31, 2004.

Other Operating Expenses: Operating expenses, excluding salaries, commissions and benefits, were \$190.9 million for the year ended December 31, 2005 compared to \$126.5 million for the year ended December 31, 2004, an increase of \$64.4 million, or 50.9%. The increase

in operating expenses in 2005 versus 2004 includes a \$21.2 million increase in occupancy and equipment expense, due to higher lease obligations and certain fixed asset expenses relating to the increased number of branches in the 2005 period.

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Income Tax Benefit

A \$17.7 million income tax benefit was recognized for the year ended December 31, 2005, compared to a benefit of \$25.6 million for the year ended December 31, 2004. The decrease in income tax benefit in 2005 versus 2004 reflects a decrease in loss before income taxes relating to our TRS.

Loan Originations

We originate and sell or securitize one-to-four family residential mortgage loans. Total loan originations for the year ended December 31, 2005 were \$45.3 billion compared to \$23.1 billion for the year ended December 31, 2004, a 96.4% increase. Mortgage brokers, through our wholesale loan production offices, accounted for 54% of our loan originations for the year ended December 31, 2005 compared to 51% for the year ended December 31, 2004. Originations conducted through our retail loan production offices and internet call center were 45% of our loan originations for the year ended December 31, 2005 compared to 49% for the year ended December 31, 2004. During the year ended December 31, 2005, 1% of our loan originations were purchased from correspondents.

Liquidity and Capital Resources

As of December 31, 2006, we had arrangements to enter into reverse repurchase agreements, a form of collateralized short-term borrowing, with eighteen different financial institutions and had borrowed funds from ten of these counterparties. Because we borrow money under these agreements based on the fair value of our mortgage-backed securities, and because changes in interest rates can negatively impact the valuation of mortgage-backed securities, our borrowing ability under these agreements could be limited and lenders could initiate margin calls in the event interest rates change or the value of our mortgage-backed securities declines for other reasons.

As of December 31, 2006, we had \$8.6 billion of reverse repurchase agreements outstanding with a weighted-average borrowing rate of 5.40% before the impact of interest rate swaps and a weighted-average remaining maturity of eleven months. As of December 31, 2005, we had \$9.8 billion of reverse repurchase agreements outstanding with a weighted-average borrowing rate of 4.40% before the impact of interest rate swaps and a weighted-average remaining maturity of four months.

We issue adjustable-rate collateralized debt obligations to finance certain portions of our mortgage loans held for investment. The collateralized debt obligations are collateralized primarily by adjustable-rate mortgage ("ARM") loans that have been placed in a trust. As of December 31, 2006, our collateralized debt obligations had a balance of \$4.9 billion and an effective interest cost of 5.53%.

To originate a mortgage loan, we draw against either a \$3.3 billion SLN commercial paper program, a \$2.0 billion pre-purchase facility with UBS Real Estate Securities Inc. ("UBS"), a facility of \$2.5 billion with Bear Stearns, a \$1.3 billion bank syndicated facility led by Bank of America, N.A. (which includes a \$446.3 million term loan facility which we use to finance our MSRs), a facility of \$125 million with J.P. Morgan Chase, a \$750 million facility with IXIS Real Estate Capital, Inc. ("IXIS"), a \$350 million facility with Credit Suisse First Boston Mortgage Capital LLC, a \$1.0 billion facility with Barclays Bank PLC ("Barclays"), and a \$1.5 billion syndicated facility led by Calyon New York Branch ("Calyon"). The Bank of America, IXIS and Calyon facilities are committed facilities. In addition, we have gestation facilities with UBS, Greenwich Capital Financial Products, Inc. ("Greenwich"), Societe Generale, and Deutsche Bank ("Deutsche"). These facilities are secured by the mortgages owned by us and by certain of our other assets. Advances drawn under the facilities bear interest at rates that vary depending on the type of mortgages securing the advances. These loans are subject to sublimits, advance rates and terms that vary depending on the type of securing mortgages and the ratio of our liabilities to our tangible net worth. At February 22, 2007, the aggregate outstanding balance under the commercial paper program was \$2.8 billion, the aggregate outstanding balance under the warehouse facilities was \$3.3 billion, the aggregate outstanding balance in drafts payable was \$4.0 million and the aggregate maximum amount available for additional borrowings was \$5.3 billion.

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The documents governing our warehouse facilities contain a number of compensating balance requirements and restrictive financial and other covenants that, among other things, require us to adhere to a maximum ratio of total liabilities to tangible net worth and maintain a minimum level of tangible net worth and liquidity, as well as to comply with applicable regulatory and investor requirements. The facility agreements also contain covenants limiting the ability of our subsidiaries to transfer or sell assets other than in the ordinary course of business and to create liens on the collateral without obtaining the prior consent of the lenders, which consent may not be unreasonably withheld.

In addition, under our warehouse facilities, we generally cannot continue to finance a mortgage loan that we hold if:

the loan is rejected as “unsatisfactory for purchase” by the ultimate investor and has exceeded its permissible 120-day warehouse period;

we fail to deliver the applicable mortgage note or other documents evidencing the loan within the requisite time period;

the underlying property that secures the loan has sustained a casualty loss in excess of 5% of its appraised value; or

the loan ceases to be an eligible loan (as determined pursuant to the applicable facility agreement).

As of December 31, 2006, our aggregate warehouse facility borrowings were \$1.3 billion (including \$50.0 million of borrowings under a working capital sub-limit) and our outstanding drafts payable were \$12.8 million, compared to \$3.5 billion in aggregate warehouse facility borrowings (including \$21.6 million of borrowings under a working capital sub-limit) and outstanding drafts payable of \$20.8 million as of December 31, 2005. At December 31, 2006, our loans held for sale were \$1.5 billion and our loans held for investment were \$6.3 billion compared to loans held for sale of \$2.2 billion and loans held for investment of \$3.5 billion at December 31, 2005.

In addition to the warehouse facilities, we have purchase and sale agreements with UBS, Greenwich, Societe Generale, and Deutsche. These agreements allow us to accelerate the sale of our mortgage loan inventory, resulting in a more effective use of the warehouse facility. Aggregate amounts sold and being held under these agreements at December 31, 2006 and December 31, 2005 were \$6.2 billion and \$3.2 billion, respectively. Aggregate amounts so held under these agreements at February 22, 2007 were \$4.0 billion. These agreements are not committed facilities and may be terminated at the discretion of the counterparties.

We make certain representations and warranties under the purchase and sale agreements regarding, among other things, the loans’ compliance with laws and regulations, their conformity with the ultimate investors’ underwriting standards and the accuracy of information. In the event of a breach of these representations or warranties or in the event of an early payment default, we may be required to repurchase the loans and/or indemnify the investor for damages caused by that breach. We have implemented strict procedures to ensure quality control and conformity to underwriting standards and minimize the risk of being required to repurchase loans. From time to time we have been required to repurchase loans that we sold.

We also have a \$446.3 million term loan facility with a bank syndicate led by Bank of America which we use to finance our MSR. The term loan facility expires on August 9, 2007, but we have an option to extend the term for twelve additional months at a higher interest rate. We expect to renew the term loan facility at similar or better terms prior to the expiration date. Interest is based on a spread to the LIBOR and may be adjusted for earnings on escrow balances. At December 31, 2006 and December 31, 2005, borrowings under our term loan facility were \$298.5 million and \$206.2 million, respectively.

Cash and cash equivalents decreased to \$398.2 million at December 31, 2006 from \$575.7 million at December 31, 2005.

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Our primary sources of cash and cash equivalents during the year ended December 31, 2006, were as follows:

\$56.0 billion of proceeds from principal received from sales of mortgage loans held for sale;

\$3.9 billion of principal proceeds from sales of mortgage-backed securities;

\$3.8 billion increase in collateralized debt obligations; and

\$2.2 billion of principal repayments of mortgage-backed securities.

Our primary uses of cash and cash equivalents during the year ended December 31, 2006, were as follows:

\$58.9 billion of origination of mortgage loans;

\$4.9 billion of purchases of mortgage-backed securities;

\$2.2 billion decrease in warehouse lines of credit, net; and

\$1.2 billion decrease in reverse repurchase agreements, net.

Cash and cash equivalents increased to \$575.7 million at December 31, 2005, from \$192.8 million at December 31, 2004.

Our primary sources of cash and cash equivalents during the year ended December 31, 2005, were as follows:

\$28.2 billion of proceeds from principal received from sales of mortgage loans held for sale;

\$16.2 billion of proceeds from securitizations of mortgage loans held for sale;

\$4.1 billion of principal proceeds from sales of mortgage-backed securities;

\$2.7 billion increase in warehouse lines of credit, net;

\$2.7 billion increase in reverse repurchase agreements, net; and

\$2.3 billion of principal repayments of mortgage-backed securities.

Our primary uses of cash and cash equivalents during the year ended December 31, 2005, were as follows:

\$45.3 billion of origination of mortgage loans;

\$6.7 billion of purchases of mortgage-backed securities; and

\$4.7 billion of additions to mortgage-backed securities.

Inflation

For the period 1997 to 2006, inflation has been relatively low and we believe that inflation has not had a material effect on our results of operations. To the extent inflation increases in the future, interest rates will also likely rise, which would reduce the number of loans we originate. Such a reduction could adversely affect our future results of operations.

Off-Balance Sheet Arrangements

As of December 31, 2006, we did not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are reasonably likely to be material to investors.

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Commitments

We had the following commitments (excluding derivative financial instruments) at December 31, 2006:

(In thousands)	Total	Less than 1	1 - 3 Years	3 - 5 Years	After 5 Years
		Year			
Warehouse lines of credit	\$1,304,541	\$1,304,541	\$-	\$-	\$-
Commercial paper	1,273,965	1,273,965	-	-	-
Reverse repurchase agreements	8,571,459	3,694,926	4,876,533	-	-
Deposits	24,016	15,397	3,223	3,029	2,367
Collateralized debt obligations	4,854,801	224,606	3,635,249	736,811	258,135
Trust preferred securities	336,078	-	-	-	336,078
Notes payable	417,467	302,953	87,203	3,922	23,389
Operating leases	138,516	42,050	56,181	23,052	17,233

Risk Management

Movements in interest rates can pose a major risk to the Company in either a rising or declining interest rate environment. The Company depends on substantial borrowings to conduct its business. These borrowings are all done at variable interest rate terms, which will increase as short-term interest rates rise. Additionally, when interest rates rise, loans held for sale, loans held for investment and any applications in process with locked-in rates decrease in value. To preserve the value of such fixed-rate loans or applications in process with locked-in rates, agreements are executed for mandatory loan sales to be settled at future dates with fixed prices. These sales take the form of forward sales of mortgage-backed securities.

When interest rates decline, fallout may occur as a result of customers withdrawing their applications. In those instances, the Company may be required to purchase loans at current market prices to fulfill existing mandatory loan sale agreements, thereby incurring losses upon sale. Additionally, when interest rates decline, the interest income the Company receives from its mortgage loans held for investment as well as mortgage loans held for sale will decrease. The Company uses an interest rate hedging program to manage these risks. Through this program, mortgage-backed securities are purchased and sold forward and options are acquired on treasury futures contracts.

In the event that the Company does not deliver into the forward delivery commitments or exercise its option contracts, the instruments can be settled on a net basis. Net settlement entails paying or receiving cash based upon the change in market value of the existing instrument. All forward delivery commitments and option contracts to buy securities are to be contractually settled within nine months of the balance sheet date.

The Company's hedging program contains an element of risk because the counterparties to its mortgage and treasury securities transactions may be unable to meet their obligations. While the Company does not anticipate nonperformance by any counterparty, it is exposed to potential credit losses in the event the counterparty fails to perform. The Company's exposure to credit risk in the event of default by a counterparty is the difference between the contract and the current market price. The Company minimizes its credit risk exposure by limiting the counterparties to well-capitalized banks and securities dealers who meet established credit and capital guidelines.

Movements in interest rates also impact the value of MSR's. When interest rates decline, the loans underlying the MSR's are generally expected to prepay faster, which reduces the market value of the MSR's. To reduce the sensitivity of earnings to interest rate and market value fluctuations, the Company may use free-standing derivatives to hedge the risk of changes in the fair value of MSR's, with the resulting gains or losses reflected in income. Changes in the fair value of the MSR's from changing mortgage interest rates are generally offset by gains or losses in the fair value of the derivatives depending on the amount of MSR's we hedge. We may choose not to fully hedge MSR's, partly because origination volume tends to act as a natural hedge. For example, as interest rates decline, servicing values decrease and fees from origination volume tend to increase. Conversely, as interest rates increase, the fair value of the MSR's increases, while fees from origination volume tend to decline.

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The Company enters into interest rate swap agreements to manage its interest rate exposure when financing its loans held for investment and its mortgage-backed securities. The Company generally borrows money based on short-term interest rates by entering into borrowings with maturity terms of less than one year, and frequently nine to twelve months. The Company's loans held for investment and mortgage-backed securities financing vehicles generally have an interest rate that reprices based on frequency terms of one to twelve months. The Company's mortgage-backed securities have an initial fixed interest rate period of three to five years. When the Company enters into a swap agreement, it generally agrees to pay a fixed rate of interest and to receive a variable interest rate, generally based on LIBOR. These swap agreements have the effect of converting the Company's variable-rate debt into fixed-rate debt over the life of the swap agreements. These instruments are used as a cost-effective way to lengthen the average repricing period of the Company's variable-rate and short-term borrowings such that the average repricing of the borrowings more closely matches the average repricing of the Company's mortgage-backed securities. The Company's duration gap was approximately one month on December 31, 2006.

The following tables summarize our interest rate sensitive instruments as of December 31, 2006 and 2005:

	December 31, 2006	
	Carrying Amount	Estimated Fair Value
(In thousands)		
Assets:		
Securities	\$9,308,032	\$9,308,032
Derivative assets (1)	32,142	130,091
Mortgage loans held for sale, net	1,523,737	1,573,564
Mortgage loans held for investment, net	6,329,721	6,461,449
Mortgage servicing rights	506,341	506,341
Liabilities:		
Reverse repurchase agreements	\$8,571,459	\$8,571,538
Collateralized debt obligations	4,854,801	4,856,258
Deposits	24,016	24,016

Derivative liabilities	12,644	12,644
	<div>December 31, 2005</div> <div><div>Carrying</div><div>Estimated</div></div> <div><div>Amount</div><div>Fair Value</div></div> <div>(In thousands)</div>	
Assets:		
Securities	\$10,602,115	\$10,602,115
Derivative assets (1)	44,594	96,176
Mortgage loans held for sale, net	2,208,749	2,224,234
Mortgage loans held for investment, net	3,479,721	3,529,844
Mortgage servicing rights	319,671	320,827
Liabilities:		
Reverse repurchase agreements	\$9,806,144	\$9,805,640
Collateralized debt obligations	1,057,906	1,057,906
Derivative liabilities	16,773	16,773

- (1) Derivative assets includes interest rate lock commitments ("IRLCs") to fund mortgage loans. The carrying value excludes the value of the mortgage servicing rights ("MSRs") attached to the IRLCs in accordance with SEC SAB No. 105. The fair value includes the value of MSRs.

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Changes in fair value that are stated in the table below are derived based upon assuming immediate and equal changes to market interest rates of various maturities. The base or current interest rate curve is adjusted by the levels shown below:

(In thousands)	December 31, 2006			
	-100	-50	+50	+100
	Basis Points	Basis Points	Basis Points	Basis Points
Changes in fair value of securities, net of the related financing and hedges	\$(33,203)	\$(6,330)	\$(13,053)	\$(41,787)
Changes in fair value of mortgage loans held for sale and interest rate lock commitments, net of the related financing and hedges	4,634	3,093	(3,773)	(7,812)
Changes in fair value of mortgage loans held for investment, net of the related financing and hedges	(4,296)	(2,897)	6,963	16,857
Changes in fair value of mortgage servicing rights, net of the related financing and hedges	(10,948)	(6,151)	1,656	459
Net change	<u>\$(43,813)</u>	<u>\$(12,285)</u>	<u>\$(8,207)</u>	<u>\$(32,283)</u>

Management's fair value estimates are made as of a specific point in time based on present value or other valuation techniques. These techniques involve uncertainties and are significantly affected by the assumptions used and the judgments made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors. Changes in assumptions could significantly affect these estimates and the resulting fair values. Derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in an immediate sale of the instrument. Also, because of differences in methodologies and assumptions used to estimate fair values, the fair values used by us should not be compared to those of other companies. A further discussion of the methods and assumptions we use to estimate the above financial instruments is presented in Note 1 to the Consolidated Financial Statements.

Newly Issued Accounting Pronouncements

In February 2006, the Financial Accounting Standards Board ("FASB") issued SFAS No. 155, "*Accounting for Certain Hybrid Financial Instruments*," ("SFAS No. 155"). Key provisions of SFAS No. 155 include: (1) a broad fair value measurement option for certain hybrid financial instruments that contain an embedded derivative that would otherwise require bifurcation; (2) clarification that only the simplest separations of interest payments and principal payments qualify for the exception afforded to interest-only strips and principal-only strips from derivative accounting under paragraph 14 of SFAS No. 133 (thereby narrowing such exception); (3) a requirement that beneficial interests in securitized financial assets be analyzed to determine whether they are free standing derivatives or whether they are hybrid instruments that contain embedded derivatives requiring bifurcation; (4) clarification that concentrations of credit risk in the form of subordination are not embedded derivatives; and (5) elimination of the prohibition on a QSPE holding passive derivative financial instruments that pertain to beneficial interests that are or contain a derivative financial instrument. In general, these changes will reduce the operational complexity associated with bifurcating embedded derivatives, and increase the number of beneficial interests in securitization transactions, including interest-only strips and principal-only strips, required to be accounted for in accordance with SFAS No. 133. SFAS No. 155 is

effective for all financial instruments acquired or issued after the beginning of the first fiscal year that begins after November 15, 2006. The Company does not expect the adoption of SFAS No. 155 to have a material effect on the Company' s consolidated financial statements.

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In June 2006, the FASB issued FIN 48, “*Accounting for Uncertainty in Income Taxes—An Interpretation of SFAS No. 109*” (“FIN 48”). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements in accordance with SFAS No. 109, “*Accounting for Income Taxes*.” FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for financial statements issued for fiscal years beginning after December 15, 2006. The Company does not expect the adoption of FIN 48 to have a material effect on the Company’s consolidated financial statements.

In September 2006, the SEC issued SAB No. 108, “*Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statement*” (“SAB 108”), on quantifying financial statement misstatements. In summary, SAB 108 was issued to address the diversity in practice of evaluating and quantifying financial statement misstatements and the related accumulation of such misstatements. SAB 108 states that both a balance sheet approach and an income statement approach should be used when quantifying and evaluating the materiality of a potential misstatement and contains guidance for correcting errors under this dual perspective. SAB 108 is effective for financial statements issued for fiscal years ending after November 15, 2006. The adoption of SAB 108 did not have a material effect on the Company’s consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, “*Fair Value Measurements*” (“SFAS No. 157”), which provides for enhanced guidance for using the fair value to measure assets and liabilities. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (“GAAP”), and expands disclosures about fair value measurements. SFAS No. 157 is applicable under other accounting pronouncements that either require or permit fair value measurements and does not require any new fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company is in the process of analyzing the impact of SFAS No. 157 on its consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, “*The Fair Value Option for Financial Assets and Financial Liabilities*” (“SFAS No. 159”), which provides companies with an option to report selected financial assets and liabilities at fair value. The objective of SFAS No. 159 is to reduce both complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. SFAS No. 159 establishes presentation and disclosure requirements and requires companies to provide additional information that will help investors and other users of financial statements to more easily understand the effect of the company’s choice to use fair value on its earnings. SFAS No. 159 also requires entities to display the fair value of those assets and liabilities for which the company has chosen to use fair value on the face of the balance sheet. SFAS No. 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and early adoption is permitted for fiscal years beginning on or before November 15, 2007 provided that the entity makes that choice in the first 120 days of the fiscal year, has not issued financial statements for any interim period of the fiscal year of adoption and also elects to apply the provisions of SFAS No. 157. The Company is in the process of analyzing the impact of SFAS No. 159 on its consolidated financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required to be included in this Item 7A regarding Quantitative and Qualitative Disclosures about Market Risk is included in Item 7 of this report, entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Risk Management.”

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item 8 is incorporated by reference to the Company’s Consolidated Financial Statements, together with the Notes to Consolidated Financial Statements and Independent Auditors’ Report, beginning on page F-1 of this report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of its disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this annual report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this annual report.

Management's Report on Internal Control Over Financial Reporting

Management of American Home Mortgage Investment Corp. and its subsidiaries (the "Company," "we" or "us") is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Our internal control over financial reporting includes those policies and procedures that:

pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures are being made in accordance with authorizations of the Company's management and directors; and

provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management of the Company assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2006. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework*. Based on its assessment and those criteria, management believes that the Company maintained effective internal control over financial reporting as of December 31, 2006.

The Company's Independent Registered Public Accounting Firm, Deloitte & Touche LLP, has audited and issued a report on management's assessment of the Company's internal control over financial reporting. The report of Deloitte & Touche LLP appears on the following page.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
American Home Mortgage Investment Corp.

We have audited management's assessment, included in the accompanying "Management's Report on Internal Control Over Financial Reporting" that American Home Mortgage Investment Corp. and subsidiaries (the "Company") maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on the criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on the criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2006 of the Company and our report dated March 1, 2007 expressed an unqualified opinion on those financial statements.

/s/ Deloitte & Touche LLP
New York, New York
March 1, 2007

Changes in Internal Control Over Financial Reporting

The Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the Company's internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) to determine whether any changes occurred during the fourth quarter of 2006 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Based on that evaluation, there has been no such change during the fourth quarter of 2006.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The Company intends to file with the SEC a definitive proxy statement on Schedule 14A in connection with the Company's 2007 Annual Meeting of Stockholders (the "Proxy Statement"), which will involve the election of directors, within 120 days after the end of the year covered by this Annual Report on Form 10-K. Information regarding directors and executive officers of the Company will be set forth in the Proxy Statement and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required to be furnished pursuant to this item will be set forth in the Proxy Statement and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required to be furnished pursuant to this item will be set forth in the Proxy Statement and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required to be furnished pursuant to this item will be set forth in the Proxy Statement and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required to be furnished pursuant to this item will be set forth in the Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Documents Filed with this Report.

The following documents are filed as part of this Annual Report on Form 10-K:

1. *Financial Statements*

The information called for by this paragraph is set forth in the Consolidated Financial Statements and Report of Independent Registered Public Accounting Firm beginning on page F-1 of this Annual Report on Form 10-K, and is incorporated herein by reference.

2. *Financial Statement Schedules*

None.

3. *Exhibits*

The information called for by this paragraph is contained in the Index to Exhibits to this Annual Report on Form 10-K, which is incorporated herein by reference.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 1st day of March, 2007.

AMERICAN HOME MORTGAGE INVESTMENT
CORP.

By:

/s/ MICHAEL STRAUSS

Name: **Michael Strauss**

Title: **Chairman, Chief Executive Officer and President**

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ MICHAEL STRAUSS</u> Michael Strauss	Chairman, Chief Executive Officer and President (Principal Executive Officer)	March 1, 2007
<u>/s/ STEPHEN A. HOZIE</u> Stephen A. Hozie	Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 1, 2007
<u>/s/ JOHN A. JOHNSTON</u> John A. Johnston	Director	March 1, 2007
<u>/s/ NICHOLAS R. MARFINO</u> Nicholas R. Marfino	Director	March 1, 2007
<u>/s/ MICHAEL A. MCMANUS, JR.</u> Michael A. McManus, Jr.	Director	March 1, 2007
<u>/s/ C. CATHLEEN RAFFAELI</u> C. Cathleen Raffaeli	Director	March 1, 2007
<u>/s/ KRISTIAN SALOVAARA</u> Kristian Salovaara	Director	March 1, 2007
<u>/s/ IRVING J. THAU</u> Irving J. Thau	Director	March 1, 2007

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

**To the Board of Directors and Stockholders of
American Home Mortgage Investment Corp.**

We have audited the accompanying consolidated balance sheets of American Home Mortgage Investment Corp. and subsidiaries (the “Company”) as of December 31, 2006 and 2005, and the related consolidated statements of income, stockholders’ equity and cash flows for each of the three years in the period ended December 31, 2006. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of American Home Mortgage Investment Corp. and subsidiaries at December 31, 2006 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company’s internal control over financial reporting as of December 31, 2006, based on the criteria established in *Internal Control–Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 1, 2007 expressed an unqualified opinion on management’s assessment of the effectiveness of the Company’s internal control over financial reporting and an unqualified opinion on the effectiveness of the Company’s internal control over financial reporting.

/s/ Deloitte & Touche LLP
New York, New York
March 1, 2007

AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except per share amounts)

	December 31,	
	2006	2005
Assets:		
Cash and cash equivalents	\$398,166	\$575,650
Accounts receivable and servicing advances	432,418	329,132
Securities (including securities pledged of \$8,690,803 in 2006 and \$10,063,621 in 2005)	9,308,032	10,602,115
Mortgage loans held for sale, net	1,523,737	2,208,749
Mortgage loans held for investment, net of allowance of \$14,191 in 2006 and \$2,142 in 2005	6,329,721	3,479,721
Derivative assets	32,142	44,594
Mortgage servicing rights	506,341	319,671
Premises and equipment, net	86,211	68,782
Goodwill	133,128	99,527
Other assets	79,089	26,804
Total assets	<u>\$18,828,985</u>	<u>\$17,754,745</u>

Liabilities and Stockholders' Equity:

Liabilities:

Warehouse lines of credit	\$1,304,541	\$3,474,191
Commercial paper	1,273,965	1,079,179
Reverse repurchase agreements	8,571,459	9,806,144
Deposits	24,016	—
Collateralized debt obligations	4,854,801	1,057,906
Payable for securities purchased	289,716	261,539
Derivative liabilities	12,644	16,773
Trust preferred securities	336,078	203,688
Accrued expenses and other liabilities	361,923	298,230
Notes payable	417,467	319,309
Income taxes payable	<u>112,089</u>	<u>30,770</u>
Total liabilities	<u>17,558,699</u>	<u>16,547,729</u>
Commitments and contingencies	—	—
Stockholders' Equity:		
Preferred Stock, par value \$0.01 per share, 10,000,000 shares authorized:		
9.75% Series A Cumulative Redeemable, 2,150,000 shares issued and outstanding in 2006 and 2005	50,857	50,857
9.25% Series B Cumulative Redeemable, 3,450,000 shares issued and outstanding in 2006 and 2005	83,183	83,183

Common Stock, par value \$0.01 per share, 100,000,000 shares authorized, 50,195,499 and 49,639,646 shares issued and outstanding in 2006 and 2005

	502	496
Additional paid-in capital	963,617	947,512
Retained earnings	257,283	203,778
Accumulated other comprehensive loss	(85,156)	(78,810)
Total stockholders' equity	<u>1,270,286</u>	<u>1,207,016</u>
Total liabilities and stockholders' equity	<u>\$18,828,985</u>	<u>\$17,754,745</u>

See notes to consolidated financial statements.

AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)

	Year Ended December 31,		
	2006	2005	2004
Net interest income:			
Interest income	\$1,328,494	\$727,685	\$314,306
Interest expense	(1,146,039)	(526,653)	(201,373)
Total net interest income	182,455	201,032	112,933
Provision for loan losses	(17,380)	(2,142)	–
Total net interest income after provision for loan losses	165,075	198,890	112,933
Non-interest income:			
Gain on sales of mortgage loans	810,006	335,065	134,099
Gain on sales of current period securitized mortgage loans	–	194,256	40,120
Gain on sales of mortgage-backed securities and derivatives	12,257	50,936	63
Unrealized (loss) gain on mortgage-backed securities and derivatives	(7,028)	(8,536)	75,460
Loan servicing fees	145,429	76,096	40,571
Amortization and impairment of mortgage servicing rights	–	(60,535)	(45,038)
Change in fair value of mortgage servicing rights:			

Due to realization of cash flows	(102,820)	–	–
Due to changes in valuation assumptions, net of hedge gain	(5,289)	–	–
Net loan servicing fees (loss)	37,320	15,561	(4,467)
Other non-interest income	8,814	7,775	7,033
Total non-interest income	861,369	595,057	252,308
Non-interest expenses:			
Salaries, commissions and benefits, net	414,008	359,949	189,393
Occupancy and equipment	77,357	58,855	37,642
Data processing and communications	25,905	24,788	16,165
Office supplies and expenses	19,147	19,722	13,730
Marketing and promotion	21,625	20,311	10,409
Travel and entertainment	31,310	21,007	14,190
Professional fees	24,322	14,232	12,159
Other	64,614	32,018	22,216
Total non-interest expenses	678,288	550,882	315,904
Net income before income tax expense (benefit)	348,156	243,065	49,337
Income tax expense (benefit)	84,629	(17,721)	(25,575)

Net income	<u>\$263,527</u>	<u>\$260,786</u>	<u>\$74,912</u>
Dividends on preferred stock	<u>13,218</u>	<u>13,217</u>	<u>3,988</u>
Net income available to common shareholders	<u>\$250,309</u>	<u>\$247,569</u>	<u>\$70,924</u>
Per share data:			
Basic	\$5.00	\$5.64	\$1.89
Diluted	\$4.96	\$5.58	\$1.86
Weighted average number of shares–basic	50,030	43,897	37,612
Weighted average number of shares–diluted	50,421	44,375	38,087

See notes to consolidated financial statements.

AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
THREE YEARS ENDED DECEMBER 31, 2006

(Dollars in thousands)	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance at January 1, 2004	\$—	\$ 252	\$281,432	\$121,029	\$ (4,743)	\$ 397,970
Comprehensive income:						
Net income	—	—	—	74,912	—	74,912
Net change in unrealized loss on securities available for sale	—	—	—	—	(10,711)	(10,711)
Net change in unrealized loss on cash flow hedges, net of amortization	—	—	—	—	(23,885)	(23,885)
Comprehensive income:						40,316
Issuance of Series A Preferred Stock—offering	50,857	—	—	—	—	50,857
Issuance of Series B Preferred Stock—offering	83,183	—	—	—	—	83,183
Issuance of Common Stock—offering	—	144	339,647	—	—	339,791
Issuance of Common Stock—earnouts	—	2	5,577	—	—	5,579
Issuance of Common Stock—1999						
Omnibus Stock Incentive Plan	—	5	3,275	—	—	3,280
Tax benefit from stock options exercised	—	—	1,599	—	—	1,599

Dividends declared on Series A Preferred Stock	–	–	–	(2,959)	–	(2,959)
Dividends declared on Series B Preferred Stock	–	–	–	(1,029)	–	(1,029)
Dividends declared on Common Stock	–	–	–	(92,325)	–	(92,325)
Balance at December 31, 2004	<u>\$134,040</u>	<u>\$ 403</u>	<u>\$631,530</u>	<u>\$99,628</u>	<u>\$ (39,339)</u>	<u>\$ 826,262</u>
Comprehensive income:						
Net income	–	–	–	260,786	–	260,786
Net change in unrealized loss on securities available for sale	–	–	–	–	(41,182)	(41,182)
Net change in unrealized gain on cash flow hedges, net of amortization	–	–	–	–	1,711	<u>1,711</u>

AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
THREE YEARS ENDED DECEMBER 31, 2006--(Continued)

(Dollars in thousands)	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Comprehensive income						221,315
Issuance of Common Stock--offering	-	90	304,033	-	-	304,123
Issuance of Common Stock--earnouts	-	2	5,990	-	-	5,992
Issuance of Common Stock--1999 Omnibus Stock Incentive Plan	-	1	2,887	-	-	2,888
Tax benefit from stock options exercised	-	-	3,072	-	-	3,072
Dividends declared on Series A Preferred Stock	-	-	-	(5,241)	-	(5,241)
Dividends declared on Series B Preferred Stock	-	-	-	(7,978)	-	(7,978)
Dividends declared on Common Stock	-	-	-	(143,417)	-	(143,417)
Balance at December 31, 2005	<u>\$134,040</u>	<u>\$ 496</u>	<u>\$947,512</u>	<u>\$203,778</u>	<u>\$ (78,810)</u>	<u>\$1,207,016</u>
Comprehensive income:						
Net income	-	-	-	263,527	-	263,527
Net change in unrealized loss on securities available for sale	-	-	-	-	(3,840)	(3,840)

Net change in unrealized loss on cash flow hedges, net of amortization	–	–	–	–	(2,506)	(2,506)
Comprehensive income						257,181
Cumulative effect adjustment due to adoption of SFAS No. 156	–	–	–	718	–	718
Issuance of Common Stock–earnouts	–	3	9,851	–	–	9,854
Issuance of Common Stock–1999 Omnibus Stock Incentive Plan	–	3	3,561	–	–	3,564
Stock-based employee compensation expense	–	–	1,061	–	–	1,061
Tax benefit from stock options exercised	–	–	1,632	–	–	1,632
Dividends declared on Series A Preferred Stock	–	–	–	(5,241)	–	(5,241)
Dividends declared on Series B Preferred Stock	–	–	–	(7,977)	–	(7,977)
Dividends declared on Common Stock	–	–	–	(197,522)	–	(197,522)
Balance at December 31, 2006	<u>\$134,040</u>	<u>\$ 502</u>	<u>\$963,617</u>	<u>\$257,283</u>	<u>\$ (85,156)</u>	<u>\$1,270,286</u>

See notes to consolidated financial statements.

AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,		
	2006	2005	2004
Cash flows from operating activities:			
Net income	\$263,527	\$260,786	\$74,912
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	18,245	11,730	8,404
Provision for loan losses	17,380	2,142	—
Change in fair value of mortgage servicing rights	119,038	—	—
Amortization and impairment of mortgage servicing rights	—	60,535	45,038
Accretion and amortization of mortgage-backed securities, net	13,878	2,362	27,315
Deferred cash flow hedge gain (loss), net of amortization	5,635	20,133	(4,218)
(Gain) loss on sales of mortgage-backed securities and derivatives	(5,665)	7,478	4,929
Unrealized loss (gain) on mortgage-backed securities	26,983	162,033	(6,916)
Unrealized loss (gain) on free standing derivatives	9,998	(39,397)	(41,077)
(Decrease) increase in forward delivery contracts	(23,367)	14,912	(4,798)
Capitalized mortgage servicing rights on securitized loans	—	(169,876)	(59,703)

Capitalized mortgage servicing rights on sold loans	(304,208)	(58,893)	(18,987)
Decrease (increase) in interest rate lock commitments	10,201	(2,061)	18,586
Increase in mortgage loan basis adjustments	(12,467)	(24,480)	(8,606)
Excess tax benefits from share-based payment arrangements	(1,632)	–	–
Other	(2,850)	573	(757)
(Increase) decrease in operating assets:			
Accounts receivable	(62,675)	(201,812)	(27,711)
Servicing advances	(37,932)	(10,342)	(4,956)
Income taxes receivable	–	25,797	(25,797)
Other assets	(15,400)	4,434	(17,333)
Increase (decrease) in operating liabilities:			
Accrued expenses and other liabilities	44,079	105,516	61,226
Income taxes payable	82,513	(23,138)	(12,460)
Origination of mortgage loans held for sale	(56,319,369)	(41,778,860)	(23,069,085)
Principal received from sales of mortgage loans held for sale	55,998,984	28,165,622	13,716,001
Proceeds from securitizations of mortgage loans held for sale	–	16,185,841	5,686,825
Additions to mortgage-backed securities and derivatives	–	(4,650,656)	(3,818,014)

Principal proceeds from sales of self-originated mortgage-backed securities	1,908,882	2,437,415	2,020,635
Cash received from residual assets in securitizations	79,795	102,484	25,165
Principal repayments of mortgage-backed securities	<u>219,498</u>	<u>767,537</u>	<u>308,791</u>
Net cash provided by (used in) operating activities	<u>2,033,071</u>	<u>1,377,815</u>	<u>(5,122,591)</u>

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AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS—(Continued)
(In thousands)

	Year Ended December 31,		
	2006	2005	2004
Cash flows from investing activities:			
Purchases of premises and equipment	(35,456)	(28,936)	(18,242)
Origination of mortgage loans held for investment	(2,579,985)	(3,519,146)	—
Proceeds from repayments and dispositions of mortgage loans held for investment	1,288,479	80,721	—
Purchases of mortgage-backed securities	(4,940,226)	(6,650,130)	(5,293,484)
Principal proceeds from sales of purchased mortgage-backed securities	1,986,096	1,698,060	1,589,297
Principal repayments of purchased mortgage-backed securities	2,004,442	1,553,467	917,472
Net increase in Federal Home Loan Bank stock, at cost	(162)	—	—
Acquisition of businesses, net of cash acquired	(564,185)	—	—
Other	—	—	(244)
Net cash used in investing activities	(2,840,997)	(6,865,964)	(2,805,201)
Cash flows from financing activities:			
(Decrease) increase in warehouse lines of credit, net	(2,169,650)	2,738,408	(385,977)
(Decrease) increase in reverse repurchase agreements, net	(1,234,685)	2,734,976	5,726,841

Decrease in deposits	(6,673)	–	–
Increase (decrease) in collateralized debt obligations	3,796,895	(964,312)	2,022,218
Increase (decrease) in payable for securities purchased	28,177	261,539	(259,701)
Increase in commercial paper, net	194,786	549,389	529,790
(Decrease) increase in drafts payable, net	(7,942)	(5,446)	575
Increase in trust preferred securities	132,390	203,688	–
Increase in notes payable, net	95,158	183,548	36,106
Proceeds from issuance of Preferred Stock	–	–	135,482
Proceeds from issuance of Common Stock	3,058	306,277	343,413
Excess tax benefits from share-based payment arrangements	1,632	–	–
Dividends paid	(202,704)	(137,089)	(81,282)
Net cash provided by financing activities	<u>630,442</u>	<u>5,870,978</u>	<u>8,067,465</u>
Net (decrease) increase in cash and cash equivalents	(177,484)	382,829	139,673
Cash and cash equivalents, beginning of period	<u>575,650</u>	<u>192,821</u>	<u>53,148</u>
Cash and cash equivalents, end of period	<u><u>\$398,166</u></u>	<u><u>\$575,650</u></u>	<u><u>\$192,821</u></u>
Supplemental disclosure of cash flow information:			
Interest paid	\$1,163,827	\$498,936	\$146,033

Income taxes paid	2,610	1,028	9,708
Supplemental disclosure of non-cash investing information:			
Net transfer of loans held for sale to loans held for investment	\$1,540,134	\$-	\$-

See notes to consolidated financial statements.

AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization—American Home Mortgage Investment Corp. (“AHM Investment”) is a mortgage REIT focused on earning net interest income from mortgage loans and securities, and, through its taxable subsidiaries, on earning income from originating and selling mortgage loans and servicing mortgage loans for institutional investors. Mortgages are originated through a network of loan origination offices and mortgage brokers or are purchased from correspondents, and are serviced at the Company’s Irving, Texas servicing center. As used herein, references to the “Company,” “American Home,” “we,” “our” and “us” refer to AHM Investment collectively with its subsidiaries.

Basis of Presentation—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company’s estimates and assumptions primarily arise from risks and uncertainties associated with interest rate volatility, prepayment volatility, credit exposure and regulatory changes. Although management is not currently aware of any factors that would significantly change its estimates and assumptions in the near term, future changes in market trends and conditions may occur which could cause actual results to differ materially.

Due to the Company’s exercising significant influence on the operations of its joint ventures, their balances and operations have been fully consolidated in the accompanying consolidated financial statements and all intercompany accounts and transactions have been eliminated.

Cash and Cash Equivalents—Cash and cash equivalents are demand deposits and short-term investments with a maturity of 90 days or less. The carrying amount of cash and cash equivalents approximates its fair value.

Mortgage-backed Securities—Mortgage-backed securities (“MBS”) are classified as either trading or available for sale. Trading securities are reported at fair value, and changes in fair value are reported in unrealized gain (loss) on mortgage-backed securities and derivatives in the consolidated statements of income. Available for sale securities are reported at fair value, with unrealized gains and losses excluded from earnings and reported in accumulated other comprehensive income (loss). Realized gains and losses on sales of available for sale securities are determined on an average cost basis and included in gain (loss) on sales of mortgage-backed securities and derivatives.

When the fair value of an available for sale security is less than amortized cost, management evaluates whether there is an other-than-temporary impairment in the value of the security (e.g., whether the security is likely to be sold prior to the recovery of fair value) based on estimated credit losses, prepayment speeds and the length of time in an unrealized loss position. If, in management’s assessment, an other-than-temporary impairment exists, the cost basis of the security is written down to the then-current fair value, and the unrealized loss is transferred from accumulated other comprehensive income as an immediate reduction of current earnings (i.e., as if the loss had been realized in the period of impairment). Premiums and discounts on the Company’s mortgage-backed securities held in available for sale are amortized to interest income using the level yield method over the estimated life of the security.

Mortgage Loans Held for Sale—Mortgage loans held for sale are carried at the lower of cost or aggregate market value (“LOCOM”). The cost basis includes the capitalized value of the prior interest rate lock commitments (“IRLCs”) related to the mortgage loans and any net deferred origination costs. For mortgage loans held for sale that are hedged with forward sale commitments, if the Company meets hedge accounting requirements, the carrying value is adjusted for the change in market during the time the hedge was deemed to be highly effective. The market value is determined by outstanding commitments from investors or current investor yield requirements calculated on the aggregate basis.

AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Mortgage Loans Held for Investment—Mortgage loans held for investment represent loans securitized through transactions structured as financings, or pending securitization through transactions that are expected to be structured as financings. Mortgage loans held for investment are carried at the aggregate of their remaining unpaid principal balances, including the capitalized value of the prior IRLCs related to the mortgage loans, plus net deferred origination costs, less any related charge-offs and allowance for loan losses. Loan fees and direct origination costs are deferred and amortized into interest income over the contractual life of the loan using the level-yield method.

Allowance for Losses on Mortgage Loans Held for Investment— The Company maintains an allowance for loan losses for its mortgage loans held for investment, based on the Company's estimate of current existing losses. Additions to the allowance for loan losses are based on assessments of certain factors, including historical loan loss experience of similar types of loans, the Company's loan loss experience, the amount of past due and nonperforming loans, specific known risks, the value of collateral securing the loans, and current and anticipated economic and interest rate conditions. Evaluation of these factors involves subjective estimates and judgments that may change. Additions to the allowance for loan losses are provided through a charge to income and recorded within provision for loan losses in the consolidated statements of income. The allowance for loan losses is reduced by subsequent charge-offs, net of recoveries.

Real Estate Owned—The Company's real estate owned ("REO") represents property acquired through foreclosure or other proceedings. REO is carried at the lower of cost or fair value, less costs to sell. REO is reported in other assets in the consolidated balance sheet. The Company periodically evaluates all REO, and reductions in carrying value are recognized in other non-interest expenses in the consolidated statements of income.

Mortgage Servicing Rights— In March 2006, the Financial Accounting Standards Board ("FASB") released Statement of Financial Accounting Standards ("SFAS") No. 156, "*Accounting for Servicing Financial Assets, an amendment of SFAS No. 140*" ("SFAS No. 156"). SFAS No. 156 amends SFAS No. 140 to require that all separately recognized servicing assets and liabilities be initially measured at fair value, if practical. The effective date of this statement is as of the beginning of the entity's first fiscal year that begins after September 15, 2006; however, early adoption is permitted as of the beginning of any fiscal year, provided the entity has not issued financial statements for the interim period. The initial recognition and measurement of servicing assets and servicing liabilities are required to be applied prospectively to transactions occurring after the effective date. The Company elected to early adopt SFAS No. 156 as of January 1, 2006 and, upon measurement of its mortgage servicing rights ("MSRs") at fair value, recorded a cumulative effect adjustment to retained earnings of \$718 thousand after tax. The Company's election increased MSRs by \$1.2 million. Prior to January 1, 2006, MSRs were carried at the lower of cost or fair value, based on defined interest rate risk strata, and the gross MSR asset was amortized in proportion to and over the period of estimated net servicing income. The Company estimates the fair value of its MSRs by obtaining market information from one of the market's primary independent MSR brokers.

Premises and Equipment—Premises and equipment is stated at cost less accumulated depreciation and amortization. Depreciation is provided using the straight-line method over the estimated service lives of the premises and equipment. Leasehold improvements are amortized over the lesser of the life of the lease or service lives of the improvements using the straight-line method. Depreciation and amortization are recorded within occupancy and equipment expense in the consolidated statements of income.

Goodwill—Goodwill represents the excess purchase price over the fair value of net assets acquired from business acquisitions. The Company's goodwill includes earnouts, consisting of cash and shares of the Company's Common Stock paid to former shareholders of previously acquired companies. The Company tests

AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

for impairment at least annually and will test for impairment more frequently if events or circumstances indicate that an asset may be impaired. The Company tests for impairment by comparing the fair value of goodwill, as determined by using a discounted cash flow method, with its carrying value. Any excess of carrying value over the fair value of the goodwill would be recognized as an impairment loss in continuing operations. The discounted cash flow calculation related to the Company's loan origination segment includes a forecast of the expected future loan originations and the related revenues and expenses. The discounted cash flow calculation related to the Company's mortgage holdings segment includes a forecast of the expected future net interest income, gain on mortgage-backed securities and the related revenues and expenses. These cash flows are discounted using a rate that is estimated to be a weighted-average cost of capital for similar companies. We further test to ensure that the fair value of all of our business units does not exceed our total market capitalization.

Reverse Repurchase Agreements—The Company has entered into reverse repurchase agreements to finance certain of its investments. These agreements are secured by a portion of the Company's investments and bear interest rates that have historically moved in close relationship to the London Inter-Bank Offer Rate ("LIBOR"). Reverse repurchase agreements are accounted for as borrowings and recorded as a liability on the consolidated balance sheet.

Collateralized Debt Obligations—The Company has issued adjustable-rate collateralized debt obligations ("CDOs") to finance certain portions of its mortgage loans. The CDOs are collateralized by adjustable-rate mortgage ("ARM") loans that have been placed in a trust and bear interest rates that have historically moved in close relationship to LIBOR. CDOs are accounted for as borrowings and recorded as a liability on the consolidated balance sheet.

Commercial Paper—The Company maintains a wholly owned special purpose entity for the purpose of issuing commercial paper in the form of short-term Secured Liquidity Notes ("SLNs") to finance certain portions of the Company's mortgage loans held for sale and mortgage loans held for investment. The commercial paper may be secured by the Company's mortgage loans held for sale, mortgage loans held for investment, mortgage-backed securities or cash and bears interest at prevailing money market rates approximating LIBOR. Commercial paper is accounted for as a borrowing and recorded as a liability on the consolidated balance sheet.

Trust Preferred Securities—The Company has formed wholly owned statutory business trusts ("Trusts") for the purpose of issuing trust preferred securities. The Company does not consolidate its Trusts, which results in a liability to the Trusts, which is recorded in trust preferred securities on the consolidated balance sheet.

Derivative Financial Instruments—The Company has developed risk management programs and processes designed to manage market risk associated with normal business activities.

Interest Rate Lock Commitments ("IRLCs"). The Company's mortgage committed pipeline includes IRLCs that have been extended to borrowers who have applied for loan funding and meet certain defined credit and underwriting criteria and have locked their terms and rates. The Company uses mortgage forward delivery contracts to economically hedge the IRLCs. The Company classifies and accounts for the IRLCs associated with loans expected to be sold as free-standing derivatives. Accordingly, IRLCs related to loans held for sale are recorded at fair value with changes in fair value recorded to current earnings.

Forward Delivery Commitments Used to Economically Hedge IRLCs. The Company uses mortgage forward delivery contracts to economically hedge the IRLCs, which are also classified and accounted for as free-standing derivatives and thus are recorded at fair value with the changes in fair value recorded to current earnings.

AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Forward Delivery Commitments Used to Hedge Mortgage Loans Held for Sale. The Company's risk management objective for its mortgage loans held for sale is to protect earnings from an unexpected charge due to a decline in value. The Company's strategy is to engage in a risk management program involving the use of mortgage forward delivery contracts designated as fair value hedging instruments to hedge 100% of its agency-eligible conforming loans and most of its non-conforming loans held for sale. At the inception of the hedge, to qualify for hedge accounting, the Company formally documents the relationship between the forward delivery contracts and the mortgage inventory as well as its objective and strategy for undertaking the hedge transaction. For conventional conforming fixed-rate loans, the notional amount of the forward delivery contracts, along with the underlying rate and terms of the contracts, are equivalent to the unpaid principal amount of the mortgage inventory being hedged; hence, the forward delivery contracts effectively fix the forward sales price and thereby substantially eliminate interest rate and price risk to the Company. The Company classifies and accounts for these forward delivery contracts as fair value hedges. The derivatives are carried at fair value with the changes in fair value recorded to current earnings. When the hedges are deemed highly effective, the book value of the hedged loans held for sale is adjusted for its change in fair value during the hedge period.

Total Return Swaps Used to Economically Hedge MSRs. The Company uses agency trust principal only total return swaps to economically hedge its MSRs, which are also classified and accounted for as free-standing derivatives and thus are recorded at fair value with the changes in fair value recorded to current earnings.

Interest Rate Swap Agreements. The Company enters into interest rate swap agreements which require it to pay a fixed interest rate and receive a variable interest rate based on LIBOR. The fair value of interest rate swap agreements is based on the net present value of estimated future interest payments over the remaining life of the interest rate swap agreement. All changes in the unrealized gains and losses on swap agreements designated as cash flow hedges have been recorded in accumulated other comprehensive income (loss) and are reclassified to earnings as interest expense is recognized on the Company's hedged borrowings. For interest rate swap agreements accounted for as cash flow hedges, the net amount accrued for the variable interest receivable and fixed interest payable affects the amount recorded as interest expense. If it becomes probable that the forecasted transaction, which in this case refers to interest payments to be made under the Company's short-term borrowing agreements, will not occur by the end of the originally specified time period, as documented at the inception of the hedging relationship, or within an additional two-month time period thereafter, then the related gain or loss in accumulated other comprehensive income (loss) would be reclassified to income. Certain swap agreements are designated as cash flow hedges against the benchmark interest rate risk associated with the Company's borrowings. Although the terms and characteristics of the Company's swap agreements and hedged borrowings are nearly identical, due to the explicit requirements of SFAS No. 133, "*Accounting for Derivative Instruments and Hedging Activities*" ("SFAS No. 133"), the Company does not account for these hedges under a method defined in SFAS No. 133 as the "shortcut" method, but rather the Company performs an assessment of the hedge effectiveness and measures the effectiveness of these hedges on an ongoing basis, and, to date, has calculated effectiveness of approximately 100%. The Company classifies and accounts for interest rate swap agreements that are not designated as cash flow hedges as free-standing derivatives. Accordingly, these swap agreements are recorded at fair value with changes in fair value recorded to current earnings as a component of unrealized gain on mortgage-backed securities and derivatives as they are used to offset the price change exposure of mortgage-backed securities classified as trading. For interest rate swap agreements accounted for as free-standing derivatives, the net amount accrued for the variable interest receivable and fixed interest payable is recorded in current earnings as unrealized gain on mortgage-backed securities and derivatives.

Termination of Hedging Relationships. The Company employs a number of risk management monitoring procedures to ensure that the designated hedging relationships are demonstrating, and are expected to continue to demonstrate, a high level of effectiveness. Hedge accounting is discontinued on a prospective basis if it is determined that the hedging relationship is no longer highly effective or expected to be highly effective in

AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

offsetting changes in fair value of the hedged item. Additionally, the Company may elect to de-designate a hedge relationship during an interim period and re-designate upon the rebalancing of a hedge profile and the corresponding hedge relationship. When hedge accounting is discontinued, the Company continues to carry the derivative instruments at fair value with changes in their value recorded in earnings.

Gain on Sale of Loans—The Company recognizes gain on sale of loans, net of hedge gains or losses, for the difference between the sales price and the adjusted book value of the loans, less associated market valuation reserves and recourse liabilities, at the time of sale. The adjusted book value of the loans includes the original principal amount plus SFAS No. 133 basis adjustments plus deferrals of fees and points received and direct loan origination costs. Recourse liabilities could include the potential repurchase of loans or indemnification of losses based on violations of representations and warranties which are customary to the business. The Company's recourse liabilities are recorded in accrued expenses and other liabilities on the consolidated balance sheet.

Loan Origination Fees and Direct Origination Costs—The Company records loan fees, discount points and certain direct origination costs as an adjustment of the cost of the loan or security and such amounts are included in revenues when the loan or security is sold. When loans held for investment are securitized, net deferred origination costs are amortized over the life of the loan using the level-yield method and such amounts adjust interest income. When loans are securitized and held as trading securities, net deferred origination costs are an adjustment to the cost of the security and such amounts affect the amount recorded as unrealized gain on mortgage-backed securities and derivatives.

Interest Recognition—The Company accrues interest income as it is earned and interest expense as it is incurred. Loans are placed on a nonaccrual status when any portion of the principal or interest is 90 days past due or earlier when concern exists as to the ultimate collectibility of principal or interest. Loans return to accrual status when principal and interest become current and are anticipated to be fully collectible.

The Company enters into interest rate swap agreements which require it to pay a fixed interest rate and receive a variable interest rate based on the LIBOR. For interest rate swap agreements accounted for as cash flow hedges, the net amount accrued for the variable interest receivable and fixed interest payable affects the amount recorded as interest expense. For interest rate swap agreements accounted for as free-standing derivatives, the net amount accrued for the variable interest receivable and fixed interest payable is recorded in current earnings as unrealized gain on mortgage-backed securities and derivatives.

Servicing Fees—The Company recognizes servicing fees when the fees are collected.

Marketing and Promotion—The Company charges the costs of marketing, promotion and advertising to expense in the period incurred.

Income Taxes—The Company accounts for income taxes in conformity with SFAS No. 109, "Accounting for Income Taxes," which requires an asset and liability approach for accounting and reporting of income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences ("temporary differences") attributable to the differences between the carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. A valuation allowance is provided for deferred tax assets where realization is not considered "more likely than not." The Company recognizes the effect of changes in tax laws or rates on deferred tax assets and liabilities in the period that includes the enactment date.

Stock Option Plans—In 1999, the Company established the 1999 Omnibus Stock Incentive Plan, as amended (the "Plan"). Prior to January 1, 2006, the Company accounted for the Plan using Accounting Principles

AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Board (“APB”) Opinion No. 25, “*Accounting for Stock Issued to Employees*” (“APB Opinion No. 25”), and provided pro forma net income and pro forma earnings per share disclosures for employee stock option grants as if the fair-value based method, as required by SFAS No. 148, “*Accounting for Stock-Based Compensation—Transition and Disclosure—an amendment of FASB Statement No. 123*” (“SFAS No. 148”), had been applied. Prior to January 1, 2006, in accordance with APB Opinion No. 25, no stock-based compensation cost was reflected in the Company’s net income for grants of stock options to employees because the Company granted stock options with an exercise price equal to the market value of the stock on the date of grant. Had the Company used the fair value based accounting method for stock compensation expense prescribed by SFAS Nos. 123 and 148 for the years ended December 31, 2005 and 2004, the Company’s consolidated net income and earnings per share would have been reduced to the pro-forma amounts presented in the following table:

(In thousands, except per share data)	Year Ended December 31,	
	2005	2004
Net income available to common shareholders—as reported	\$247,569	\$70,924
Less: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(1,227)	(1,188)
Net income available to common shareholders—pro forma	<u>\$246,342</u>	<u>\$69,736</u>
Earnings per share:		
Basic—as reported	\$5.64	\$1.89
Basic—pro forma	\$5.61	\$1.85
Diluted—as reported	\$5.58	\$1.86
Diluted—pro forma	\$5.55	\$1.83

In December 2004, the FASB issued SFAS No. 123R, “*Share-Based Payment*” (“SFAS No. 123R”), which requires that the compensation cost relating to share-based payment transactions (including employee stock options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans) be recognized as an expense in the Company’s consolidated financial statements. Under SFAS No. 123R, the related compensation cost is measured based on the fair value of the award at the date of grant. In March 2005, the Securities and Exchange Commission (“SEC”) released Staff Accounting Bulletin (“SAB”) No. 107, “*Share-Based Payment*,” which expresses views of the SEC Staff about the application of SFAS No. 123R.

Effective January 1, 2006, the Company adopted the fair value recognition provisions of SFAS No. 123R, using the modified prospective method. Under this method, compensation cost in the year ended December 31, 2006 includes the portion vesting in the period for (1) all share-based payments granted prior to, but not vested as of December 31, 2005, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123 and (2) all share-based payments granted subsequent to December 31, 2005, based on the grant date fair value estimated using a binomial lattice-based option valuation model. Results of prior periods do not reflect any restated amounts and the Company had no cumulative effect adjustment upon adoption of SFAS No. 123R under the modified prospective method. The Company's policy is to recognize compensation cost for awards with only service conditions and a graded vesting schedule on a straight-line basis over the requisite service period for the entire award. Additionally, the Company's policy is to issue authorized but unissued shares of common stock to satisfy stock option exercises.

During the year ended December 31, 2006, the Company's adoption of SFAS No. 123R decreased income before income taxes by \$1.1 million, decreased net income by \$860 thousand and decreased basic and diluted net income per share by \$0.02 per share. The income tax benefit recognized in income for the year ended December 31, 2006 for stock options was \$201 thousand. The expense, before income tax effect, is included in salaries, commissions and benefits expense.

AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Earnings Per Share—Basic earnings per share excludes dilution and is computed by dividing net income available to common shareholders by the weighted-average number of shares of common stock outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company.

Cash Flows—Cash and cash equivalents are demand deposits and short-term investments with a maturity of 90 days or less.

Recently Issued Accounting Standards—In February 2006, the FASB issued SFAS No. 155, “*Accounting for Certain Hybrid Financial Instruments*” (“SFAS No. 155”). Key provisions of SFAS No. 155 include: (1) a broad fair value measurement option for certain hybrid financial instruments that contain an embedded derivative that would otherwise require bifurcation; (2) clarification that only the simplest separations of interest payments and principal payments qualify for the exception afforded to interest-only strips and principal-only strips from derivative accounting under paragraph 14 of SFAS No. 133 (thereby narrowing such exception); (3) a requirement that beneficial interests in securitized financial assets be analyzed to determine whether they are free standing derivatives or whether they are hybrid instruments that contain embedded derivatives requiring bifurcation; (4) clarification that concentrations of credit risk in the form of subordination are not embedded derivatives; and (5) elimination of the prohibition on a QSPE holding passive derivative financial instruments that pertain to beneficial interests that are or contain a derivative financial instrument. In general, these changes will reduce the operational complexity associated with bifurcating embedded derivatives, and increase the number of beneficial interests in securitization transactions, including interest-only strips and principal-only strips, required to be accounted for in accordance with SFAS No. 133. SFAS No. 155 is effective for all financial instruments acquired or issued after the beginning of the first fiscal year that begins after November 15, 2006. The Company does not expect the adoption of SFAS No. 155 to have a material effect on the Company’s consolidated financial statements.

In June 2006, the FASB issued FIN 48, “*Accounting for Uncertainty in Income Taxes—An Interpretation of SFAS No. 109*” (“FIN 48”). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements in accordance with SFAS No. 109, “*Accounting for Income Taxes*.” FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for financial statements issued for fiscal years beginning after December 15, 2006. The Company does not expect the adoption of FIN 48 to have a material effect on the Company’s consolidated financial statements.

In September 2006, the SEC issued SAB No. 108, “*Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statement*” (“SAB 108”), on quantifying financial statement misstatements. In summary, SAB 108 was issued to address the diversity in practice of evaluating and quantifying financial statement misstatements and the related accumulation of such misstatements. SAB 108 states that both a balance sheet approach and an income statement approach should be used when quantifying and evaluating the materiality of a potential misstatement and contains guidance for correcting errors under this dual perspective. SAB 108 is effective for financial statements issued for fiscal years ending after November 15, 2006. The adoption of SAB 108 did not have a material effect on the Company’s consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, “*Fair Value Measurements*” (“SFAS No. 157”), which provides for enhanced guidance for using the fair value to measure assets and liabilities. SFAS No. 157 defines

AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

fair value, establishes a framework for measuring fair value in generally accepted accounting principles (“GAAP”), and expands disclosures about fair value measurements. SFAS No. 157 is applicable under other accounting pronouncements that either require or permit fair value measurements and does not require any new fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company is in the process of analyzing the impact of SFAS No. 157 on its consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, “*The Fair Value Option for Financial Assets and Financial Liabilities*” (“SFAS No. 159”), which provides companies with an option to report selected financial assets and liabilities at fair value. The objective of SFAS No. 159 is to reduce both complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. SFAS No. 159 establishes presentation and disclosure requirements and requires companies to provide additional information that will help investors and other users of financial statements to more easily understand the effect of the company’s choice to use fair value on its earnings. SFAS No. 159 also requires entities to display the fair value of those assets and liabilities for which the company has chosen to use fair value on the face of the balance sheet. SFAS No. 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and early adoption is permitted for fiscal years beginning on or before November 15, 2007 provided that the entity makes that choice in the first 120 days of the fiscal year, has not issued financial statements for any interim period of the fiscal year of adoption and also elects to apply the provisions of SFAS No. 157. The Company is in the process of analyzing the impact of SFAS No. 159 on its consolidated financial statements.

NOTE 2—ACCOUNTS RECEIVABLE AND SERVICING ADVANCES

The following table presents the Company’s accounts receivable and servicing advances as of December 31, 2006 and 2005:

(In thousands)	December 31,	
	2006	2005
Loan sales receivables	\$222,622	\$167,953
Accrued interest on securities and derivatives	70,455	77,954
Accrued interest on mortgage loans	52,242	21,480
Tax and insurance advances	46,017	19,979
Foreclosure advances	22,933	15,060
Other	18,149	26,706
Accounts receivable and servicing advances	<u>\$432,418</u>	<u>\$329,132</u>

AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

NOTE 3 –SECURITIES

The following table presents the Company' s securities available for sale as of December 31, 2006 and 2005:

(In thousands)	December 31, 2006			Fair Value
	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized Losses	
Agency MBS	\$216,416	\$ 59	\$(3,884)	\$212,591
Privately issued MBS:				
Rated	8,323,978	2,035	(52,681)	8,273,332
Unrated	5,044	–	–	5,044
MBS available for sale	8,545,438	2,094	(56,565)	8,490,967
Fannie Mae bonds	1,963	16	–	1,979
Corporate bonds	183	5	–	188
Trust preferred securities	584	9	–	593
FHLB stock	709	–	–	709
Equity securities	13	–	–	13
Securities available for sale	\$8,548,890	\$ 2,124	\$(56,565)	\$8,494,449
(In thousands)	December 31, 2005			Fair Value
	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized Losses	

Agency MBS	\$135,545	\$ –	\$(5,225)	\$130,320
Privately issued MBS:				
Rated	7,282,916	4,562	(49,963)	7,237,515
Unrated	<u>7,176</u>	<u>25</u>	<u>–</u>	<u>7,201</u>
MBS available for sale	<u>7,425,637</u>	<u>4,587</u>	<u>(55,188)</u>	<u>7,375,036</u>
FHLB stock	<u>11</u>	<u>–</u>	<u>–</u>	<u>11</u>
Securities available for sale	<u>\$7,425,648</u>	<u>\$ 4,587</u>	<u>\$(55,188)</u>	<u>\$7,375,047</u>

As of December 31, 2006 and 2005, the Company' s debt securities available for sale had remaining maturities of more than ten years.

AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following tables present the Company's securities available for sale in an unrealized loss position as of December 31, 2006 and 2005:

	December 31, 2006					
	Less Than 12 Months		12 Months or More		Total	
	Gross		Gross		Gross	
	Unrealized		Unrealized		Unrealized	
	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses
(In thousands)						
Agency MBS	\$10,460	\$(1)	\$101,540	\$(3,883)	\$112,000	\$(3,884)

Privately issued MBS:

Rated	2,860,018	(5,971)	4,403,319	(46,710)	7,263,337	(52,681)
Securities available for sale	<u>\$2,870,478</u>	<u>\$(5,972)</u>	<u>\$4,504,859</u>	<u>\$(50,593)</u>	<u>\$7,375,337</u>	<u>\$(56,565)</u>

	December 31, 2005					
	Less Than 12 Months		12 Months or More		Total	
	Gross		Gross		Gross	
	Unrealized		Unrealized		Unrealized	
	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses
(In thousands)						
Agency MBS	\$—	\$—	\$130,320	\$(5,225)	\$130,320	\$(5,225)

Privately issued MBS:

Rated	3,834,893	(29,230)	926,942	(20,733)	4,761,835	(49,963)
Securities available for sale	<u>\$3,834,893</u>	<u>\$(29,230)</u>	<u>\$1,057,262</u>	<u>\$(25,958)</u>	<u>\$4,892,155</u>	<u>\$(55,188)</u>

As of December 31, 2006, the Company held 109 securities available for sale in an unrealized loss position for twelve months or more. The Company has evaluated these securities and determined there was no other-than-temporary impairment as of December 31, 2006. Management believes the price movements in these securities are dependent upon changes in market interest rates. The Company has the ability and intent to hold its securities available for sale in an unrealized loss position until a market price recovery or maturity.

The following table presents the Company' s mortgage-backed trading securities as of December 31, 2006 and 2005:

	December 31,	
	2006	2005
	Fair Value	
	(In thousands)	
Privately issued:		
Rated	\$613,917	\$2,997,650
Unrated	<u>199,666</u>	<u>229,418</u>
Trading securities	<u>\$813,583</u>	<u>\$3,227,068</u>

During the year ended December 31, 2006, the Company recorded \$22.9 million in unrealized losses on trading securities that related to trading securities held at December 31, 2006. During the year ended December 31, 2005, the Company recorded \$45.1 million in unrealized losses on trading securities that related to trading securities held at December 31, 2005.

During the year ended December 31, 2006, the Company sold \$3.9 billion of MBS and realized \$12.3 million in gains, net of hedges.

AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

During the year ended December 31, 2005, the Company sold \$4.1 billion of MBS, excluding securities sold contemporaneously with the execution of securitization transactions, and realized \$37.4 million in gains, net of hedges. During the year ended December 31, 2005, the Company securitized and held in its portfolio \$4.4 billion of MBS.

The Company's securities held at December 31, 2006 are primarily either agency obligations or were rated AAA or AA by Standard & Poor's.

Through the third quarter of 2005, a substantial portion of the Company's securitizations qualified as sales under SFAS No. 140, which resulted in the recording of residual assets and mortgage servicing rights on the consolidated balance sheet. The Company has credit exposure on \$10.7 billion and \$15.1 billion of off-balance sheet loans it has securitized privately as of December 31, 2006 and 2005, respectively. As of December 31, 2006, the Company's nonperforming off-balance sheet securitized loans were \$266.0 million, or 2.48% of the total portfolio. As of December 31, 2005, the Company's nonperforming off-balance sheet securitized loans were \$113.6 million, or 0.75% of the total portfolio.

As of December 31, 2006 and 2005, the fair value of residual assets from securitizations reported in securities was \$206.1 million and \$276.0 million, respectively.

The significant assumptions used in estimating the fair value of residual cash flows as of December 31, 2006 and 2005 were as follows:

	<u>December 31, 2006</u>		<u>December 31, 2005</u>	
Weighted-average prepayment speed (CPR)	30.48	%	30.63	%
Weighted-average discount rate	16.74	%	16.52	%
Weighted-average default rate	0.63	%	0.54	%
Weighted-average loss severity	22.33	%	27.19	%

The table below illustrates hypothetical fair values of the Company's residual assets as of December 31, 2006 caused by assumed immediate adverse changes to the key assumptions used by the Company to determine fair value (dollars in thousands):

Fair value of residual assets as of December 31, 2006	\$206,085	
	<u>Fair Value</u>	<u>Change in Fair Value</u>
Prepayment speed:		
Impact of adverse 10% change	\$193,418	\$ (12,667)

Impact of adverse 20% change	183,762	(22,323)
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Discount rate:

Impact of adverse 10% change	197,318	(8,767)
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Impact of adverse 20% change	190,813	(15,272)
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Default rate:

Impact of adverse 10% change	202,070	(4,015)
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Impact of adverse 20% change	199,951	(6,134)
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Loss severity:

Impact of adverse 10% change	202,861	(3,224)
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Impact of adverse 20% change	201,513	(4,572)
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These sensitivities are hypothetical, are presented for illustrative purposes only, and should be used with caution.

AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

NOTE 4—MORTGAGE LOANS, NET*Mortgage Loans Held For Sale, Net*

The following table presents the Company's mortgage loans held for sale, net, as of December 31, 2006 and 2005:

(In thousands)	December 31,	
	2006	2005
Mortgage loans held for sale	\$1,533,613	\$2,193,026
SFAS No. 133 basis adjustments	(2,467)	(2,099)
Deferred origination costs, net	14,639	20,786
LOCOM valuation reserves	(22,048)	(2,964)
Mortgage loans held for sale, net	<u>\$1,523,737</u>	<u>\$2,208,749</u>

During the year ended December 31, 2006, the Company sold mortgage loans to third parties totaling \$56.0 billion and realized \$810.0 million in gains. During the year ended December 31, 2005, the Company sold non-securitized mortgage loans to third parties totaling \$28.5 billion and realized \$335.1 million in gains.

During the year ended December 31, 2005, the Company securitized mortgage loans totaling \$16.7 billion, of which \$12.3 billion were sold, and realized \$194.3 million in gains.

During the year ended December 31, 2006, the Company deferred \$699.2 million of loan origination costs as an adjustment to the cost basis for additions to mortgage loans held for sale. The Company's gain on sale of loans was reduced by \$705.4 million of deferred origination costs associated with mortgage loans sold during the year ended December 31, 2006.

As of December 31, 2006, the Company's nonaccruing mortgage loans held for sale was \$124.3 million, or 8.13% of the total mortgage loans held for sale portfolio. As of December 31, 2005 the Company's nonaccruing mortgage loans held for sale was \$9.4 million, or 0.43% of the total mortgage loans held for sale portfolio.

As of December 31, 2006 and 2005, the Company held no accruing loans held for sale which were contractually past due 90 days or more as to principal or interest payments.

Mortgage Loans Held For Investment, Net

The following table presents the Company's mortgage loans held for investment, net, as of December 31, 2006 and 2005:

(In thousands)	December 31,	
	2006	2005

Mortgage loans held for investment:		
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One-to-four family		
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	\$6,276,890	\$3,438,425
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Commercial		
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	4,580	—
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Mortgage loans held for investment		
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	<u>6,281,470</u>	<u>3,438,425</u>
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SFAS No. 133 basis adjustments		
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	(2,967)	—
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Deferred origination costs, net		
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	65,409	43,438
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Allowance for loan losses		
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	<u>(14,191)</u>	<u>(2,142)</u>
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Mortgage loans held for investment, net		
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	<u><u>\$6,329,721</u></u>	<u><u>\$3,479,721</u></u>
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AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

In December 2006, the Company transferred \$1.7 billion of its mortgage loans held for investment to American Home Mortgage Investment Trust 2006-3 (the “2006-3 Trust”) in a securitization transaction accounted for as a financing of the loans held for investment.

In June 2006, the Company transferred \$964.9 million of its mortgage loans held for investment to American Home Mortgage Investment Trust 2006-2 (the “2006-2 Trust”) in a securitization transaction accounted for as a financing of the loans held for investment.

In March 2006, the Company transferred \$2.0 billion of its mortgage loans held for investment to American Home Mortgage Investment Trust 2006-1 (the “2006-1 Trust”) in a securitization transaction accounted for as a financing of the loans held for investment.

During the year ended December 31, 2006, the Company deferred \$37.0 million of loan origination costs as an adjustment to the cost basis for mortgage loans added to its held for investment portfolio. The Company’s interest income was reduced by \$15.1 million of deferred origination cost amortization on mortgage loans held for investment during the year ended December 31, 2006.

The following table presents the activity in the Company’s allowance for loan losses for the years ended December 31, 2006 and 2005:

	Year Ended December 31,	
	2006	2005
	(In thousands)	
Balance at beginning of period	\$ 2,142	\$ –
Provision for loan losses	17,380	2,142
Charge-offs	<u>(5,331)</u>	<u>–</u>
Balance at end of period	<u><u>\$ 14,191</u></u>	<u><u>\$ 2,142</u></u>

As a result of the Company holding no loans in its investment portfolio during the year ended December 31, 2004, the Company had no provision for loan losses during the year.

As of December 31, 2006, the Company’s nonaccruing mortgage loans held for investment was \$82.4 million, or 1.31% of the total mortgage loans held for investment portfolio. As of December 31, 2005, the Company’s nonaccruing mortgage loans held for investment was \$10.5 million, or 0.31% of the total mortgage loans held for investment portfolio.

As of December 31, 2006 and 2005, the Company held no accruing loans held for investment which were contractually past due 90 days or more as to principal or interest payments.

AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

NOTE 5—DERIVATIVE ASSETS AND LIABILITIES

The following table presents the Company's derivative assets and liabilities as of December 31, 2006 and 2005:

(In thousands)	December 31,	
	2006	2005
Derivative Assets		
Interest rate lock commitments	\$11,728	\$14,086
Interest rate swaps	9,759	30,508
Forward delivery contracts—loan commitments	4,253	—
Swaptions	2,367	—
Forward delivery contracts—loans held for sale	2,342	—
Other	1,693	—
Derivative assets	<u>\$32,142</u>	<u>\$44,594</u>
Derivative Liabilities		
Interest rate lock commitments	\$7,842	\$—
Forward delivery contracts—loan commitments	—	8,659
Forward delivery contracts—loans held for sale	—	8,114
Total return swaps	3,178	—

Interest rate swaps

	<u>1,624</u>	<u>—</u>
Derivative liabilities	<u>\$12,644</u>	<u>\$16,773</u>

As of December 31, 2006, the notional amount of forward delivery contracts and interest rate swap agreements was approximately \$4.8 billion and \$8.4 billion, respectively.

As of December 31, 2005, the notional amount of forward delivery contracts and interest rate swap agreements was approximately \$2.2 billion and \$8.7 billion, respectively.

As of December 31, 2006, the notional amount of swaptions and total return swaps was approximately \$380.0 million and \$152.6 million, respectively.

During the year ended December 31, 2006, the Company recognized in earnings \$15.8 million in unrealized gains on free standing derivatives. During the year ended December 31, 2005, the Company recognized in earnings \$36.6 million in unrealized gains on free standing derivatives. These gains are recorded in unrealized (loss) gain on mortgage-backed securities and derivatives in the consolidated statements of income.

During the year ended December 31, 2005, the Company realized \$13.6 million in gains on sales of interest rate swap agreements associated with its securitizations of mortgage loans. During the year ended December 31, 2004, the Company realized \$3.4 million in losses on sales of interest rate swap agreements associated with its securitizations of mortgage loans. These gains and losses are recorded in gain on sales of mortgage-backed securities and derivatives in the consolidated statements of income.

During the year ended December 31, 2004, the Company realized \$6.1 million in losses on sales of interest rate swap agreements associated with its sales of mortgage-backed securities. These losses are recorded in gain on sales of mortgage-backed securities and derivatives in the consolidated statements of income.

AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The Company's forward delivery contracts have a high correlation to the price movement of the loans being hedged. The ineffectiveness in hedging loans held for sale recorded on the consolidated balance sheets was insignificant as of December 31, 2006 and 2005.

As of December 31, 2006, the unrealized loss on interest rate swap agreements, interest rate caps and other derivative liabilities relating to cash flow hedges recorded in accumulated other comprehensive loss was \$30.7 million. The Company estimates that \$8.5 million of this unrealized loss will be reclassified from accumulated other comprehensive loss to interest expense for the twelve months ended December 31, 2007. As of December 31, 2005, the unrealized loss on interest rate swap agreements relating to cash flow hedges recorded in accumulated other comprehensive loss was \$28.2 million.

NOTE 6—MORTGAGE SERVICING RIGHTS

The Company elected to early adopt SFAS No. 156 as of January 1, 2006, and upon measurement of its MSRs at fair value, recorded a cumulative effect adjustment to retained earnings of \$718 thousand after tax. The Company's adoption of SFAS No. 156 increased MSRs by \$1.2 million. As of December 31, 2006, the Company has determined it has one class of MSRs.

Prior to January 1, 2006, MSRs were carried at the lower of cost or fair value, based on defined interest rate risk strata, and the gross MSR asset was amortized in proportion to and over the period of estimated net servicing income. Prior to the Company's adoption of SFAS No. 156, the Company evaluated MSRs for impairment based on risk strata and a valuation allowance was recognized for MSRs that had an amortized balance in excess of the estimated fair value for the individual risk stratification.

The following table presents the activity in the Company's MSRs for the years ended December 31, 2006, 2005 and 2004:

(In thousands)	Year Ended December 31,		
	2006	2005	2004
Balance at beginning of period	\$340,377	\$163,374	\$121,652
Cumulative-effect adjustment as of beginning of year	1,156	—	—
Fair value measurement method adjustment	(20,706)	—	—
Additions	304,552	228,770	78,690
Amortization	—	(51,767)	(32,615)
Other than temporary impairment	—	—	(4,353)
Changes in fair value resulting from:			

Realization of cash flows	(102,820)	–	–
Changes in valuation assumptions	<u>(16,218)</u>	<u>–</u>	<u>–</u>
Balance at end of period	<u>\$506,341</u>	<u>\$340,377</u>	<u>\$163,374</u>
Impairment allowance:			
Balance at beginning of period	\$(20,706)	\$(11,938)	\$(3,868)
Fair value measurement method adjustment	20,706	–	–
Impairment provision	–	(8,768)	(12,423)
Other than temporary impairment	<u>–</u>	<u>–</u>	<u>4,353</u>
Balance at end of period	<u>\$–</u>	<u>\$(20,706)</u>	<u>\$(11,938)</u>
Mortgage servicing rights	<u>\$506,341</u>	<u>\$319,671</u>	<u>\$151,436</u>

AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The amount of contractually specified servicing fees earned by the Company during the years ended December 31, 2006 and 2005 were \$99.4 million and \$63.1 million, respectively. The Company reports contractually specified servicing fees in loan servicing fees in the consolidated statements of income.

The estimated fair value of MSRs is determined by obtaining a market valuation from one of the market's primary independent MSR brokers. To determine the market value of MSRs, the MSR broker uses a valuation model which incorporates assumptions relating to the estimate of the cost of servicing the loan, a discount rate, a float value, an inflation rate, ancillary income per loan, prepayment speeds and default rates that market participants use for similar MSRs. Market assumptions are held constant over the life of the portfolio. The key risks inherent in MSRs are changes in interest rates and prepayment speeds.

The Company uses free standing derivatives to hedge the risk of changes in fair value of MSRs, with the resulting gain or loss reflected in income. During the year ended December 31, 2006, the Company recognized in earnings \$10.9 million in unrealized and realized gains on free standing derivatives used to economically hedge the MSRs. These gains are recorded in change in fair value of mortgage servicing rights due to changes in valuation assumptions, net of hedge gain, in the consolidated statements of income.

The significant assumptions used in estimating the fair value of MSRs at December 31, 2006 and 2005 were as follows:

	<u>December 31, 2006</u>	<u>December 31, 2005</u>
Weighted-average prepayment speed (PSA)	487	315
Weighted-average discount rate	11.50 %	11.94 %
Weighted-average default rate	2.56 %	2.78 %

The table below illustrates hypothetical fair values of the Company's MSRs at December 31, 2006 caused by assumed immediate adverse changes to the key assumptions used by the Company to determine fair value (dollars in thousands):

Fair value of MSRs at December 31, 2006	\$506,341	
	<u>Fair Value</u>	<u>Change in Fair Value</u>
Prepayment speed:		
Impact of adverse 10% change	\$494,045	\$ (12,296)
Impact of adverse 20% change	481,691	(24,650)

Discount rate:

Impact of adverse 10% change	500,382	(5,959)
Impact of adverse 20% change	494,277	(12,064)

Default rate:

Impact of adverse 10% change	506,175	(166)
Impact of adverse 20% change	506,010	(331)

These sensitivities are hypothetical, are presented for illustrative purposes only, and should be used with caution.

AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table presents certain information regarding the Company's servicing portfolio of loans serviced for others at December 31, 2006 and 2005:

	<u>December 31, 2006</u>		<u>December 31, 2005</u>
	(Dollars in thousands)		
Loan servicing portfolio—loans sold or securitized	\$ 38,480,246		\$ 25,044,676
ARM loans as a percentage of total loans	76	%	73 %
Average loan size	\$ 241		\$ 194
Weighted-average servicing fee	0.347	%	0.330 %
Weighted-average note rate	7.08	%	5.79 %
Weighted-average remaining term (in months)	369		337
Weighted-average age (in months)	15		15

NOTE 7—PREMISES AND EQUIPMENT, NET

The following table presents the Company's premises and equipment, net, as of December 31, 2006 and 2005:

<u>(In thousands)</u>	<u>December 31,</u>	
	<u>2006</u>	<u>2005</u>
Office equipment	\$65,893	\$42,676
Buildings and land	39,100	36,300
Furniture and fixtures	25,396	18,576
Leasehold improvements	8,726	5,910

Other	<u>22</u>	<u>—</u>
Gross premises and equipment	<u>139,137</u>	<u>103,462</u>
Accumulated depreciation and amortization	<u>(52,926)</u>	<u>(34,680)</u>
Premises and equipment, net	<u>\$86,211</u>	<u>\$68,782</u>

Depreciation and amortization expense for the years ended December 31, 2006, 2005 and 2004 was \$18.2 million, \$11.7 million and \$8.4 million, respectively.

NOTE 8—GOODWILL

The following table presents the activity in the Company' s goodwill for the years ended December 31, 2006 and 2005:

	<u>Loan Origination Segment</u>	<u>Mortgage Holdings Segment</u>	<u>Banking Segment</u>	<u>Total</u>
	<u>(In thousands)</u>			
Balance at January 1, 2005	\$ 66,037	\$ 24,840	\$—	\$90,877
Earnouts from previous acquisitions	<u>8,650</u>	<u>—</u>	<u>—</u>	<u>8,650</u>
Balance at December 31, 2005	<u>\$ 74,687</u>	<u>\$ 24,840</u>	<u>\$—</u>	<u>\$99,527</u>
Acquisitions	1,099	—	21,238	22,337
Earnouts from previous acquisitions	<u>11,264</u>	<u>—</u>	<u>—</u>	<u>11,264</u>
Balance at December 31, 2006	<u>\$ 87,050</u>	<u>\$ 24,840</u>	<u>\$21,238</u>	<u>\$133,128</u>

AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

In October 2006, the Company, through its wholly-owned subsidiary American Home Mortgage Holdings, Inc., acquired Flower Bank, fsb (“Flower”). The goodwill relating to the Flower acquisition was \$21.2 million. The details of the Flower acquisition are included in Note 23 to the Consolidated Financial Statements (“Acquisitions”).

As of December 31, 2006, the Company completed a goodwill impairment test by comparing the fair value of goodwill with its carrying value and did not recognize impairment.

NOTE 9—WAREHOUSE LINES OF CREDIT, REVERSE REPURCHASE AGREEMENTS AND COMMERCIAL PAPER*Warehouse Lines of Credit*

To originate a mortgage loan, the Company draws against either a \$3.3 billion SLN commercial paper program, a \$2.0 billion pre-purchase facility with UBS Real Estate Securities Inc., a facility of \$2.5 billion with Bear Stearns, a \$1.3 billion bank syndicated facility led by Bank of America, N.A. (which includes a \$446 million term loan facility which the Company uses to finance its MSRs), a facility of \$750 million with Morgan Stanley Bank (“Morgan Stanley”), a facility of \$125 million with J.P. Morgan Chase, a \$750 million facility with IXIS Real Estate Capital, Inc. (“IXIS”), a \$350 million facility with Credit Suisse First Boston Mortgage Capital LLC, a \$1.0 billion facility with Barclays Bank PLC (“Barclays”), and a \$1.5 billion syndicated facility led by Calyon New York Branch (“Calyon”). The Bank of America, IXIS, Morgan Stanley and Calyon facilities are committed facilities. The interest rate on outstanding balances fluctuates daily based on a spread to the LIBOR and interest is paid monthly.

The facilities are secured by mortgage loans and other assets of the Company. The facilities contain various covenants pertaining to maintenance of net worth, working capital and maximum leverage. At December 31, 2006, the Company was in compliance with respect to the loan covenants.

Included within the Bank of America line of credit, the Company has a working capital sub-limit that allows for borrowings up to \$50 million at a rate based on a spread to the LIBOR that may be adjusted for earnings on compensating balances on deposit at creditors’ banks. As of December 31, 2006, borrowings under the working capital line of credit were \$50.0 million.

The following table summarizes the Company’s warehouse lines of credit:

	As of and for the Year Ended			
	December 31,			
	2006		2005	
	(Dollars in thousands)			
Balance outstanding at year end	\$1,304,541		\$3,474,191	
Weighted-average interest rate at year end	5.94	%	4.78	%
Average balance outstanding for the year	\$6,374,157		\$2,863,982	
Maximum balance outstanding at any month end	\$5,393,952		\$4,116,939	

As of December 31, 2006 and 2005, the Company’s warehouse lines of credit had remaining maturities within 30 days.

Reverse Repurchase Agreements

The Company has arrangements to enter into reverse repurchase agreements, a form of collateralized short-term borrowing, with eighteen different financial institutions and on December 31, 2006 had borrowed funds

AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

from ten of these firms. Because the Company borrows money under these agreements based on the fair value of its mortgage-backed securities, and because changes in interest rates can negatively impact the valuation of mortgage-backed securities, the Company's borrowing ability under these agreements could be limited and lenders could initiate margin calls in the event interest rates change or the value of the Company's mortgage-backed securities declines for other reasons.

The following table summarizes the Company's reverse repurchase agreements:

	As of and for the Year Ended			
	December 31,			
	2006		2005	
	(Dollars in thousands)			
Balance outstanding at year end	\$8,571,459		\$9,806,144	
Weighted-average interest rate at year end	5.40	%	4.40	%
Average balance outstanding for the year	\$8,979,463		\$7,184,534	
Maximum balance outstanding at any month end	\$9,126,012		\$9,994,991	

As of December 31, 2006 and 2005, the Company's reverse repurchase agreements had the following remaining maturities:

	December 31,	
	2006	2005
	(In thousands)	
Within 30 days	\$511,095	\$689,469
31 to 89 days	684,774	4,817,885
90 to 365 days	2,499,057	4,298,790
Greater than 1 year	4,876,533	—
Reverse repurchase agreements	<u>\$8,571,459</u>	<u>\$9,806,144</u>

As of December 31, 2006, and 2005, the Company's reverse repurchase agreements outstanding had a weighted-average remaining maturity of eleven months and four months, respectively.

Commercial Paper

The Company maintains a wholly owned special purpose entity for the purpose of issuing commercial paper in the form of short-term SLNs to finance certain portions of the Company's mortgage loans. The special purpose entity allows for issuance of short-term SLNs with maturities of up to 180 days, extendable up to 300 days. The SLNs bear interest at prevailing money market rates approximating the LIBOR. The SLN program capacity, based on aggregate commitments of underlying credit enhancers, was \$3.3 billion at December 31, 2006.

The SLNs were collateralized by mortgage loans held for sale, mortgage loans held for investment and cash with a balance of \$1.4 billion as of December 31, 2006. The SLNs were collateralized by mortgage loans held for sale, mortgage loans held for investment and cash with a balance of \$1.2 billion as of December 31, 2005.

The following table summarizes the Company's SLNs:

	As of and for the Year Ended			
	December 31,			
	2006		2005	
	(Dollars in thousands)			
Balance outstanding at year end	\$1,273,965		\$1,079,179	
Weighted-average interest rate at year end	5.39	%	4.35	%
Average balance outstanding for the year	\$2,511,157		\$2,160,859	
Maximum balance outstanding at any month end	\$3,095,867		\$3,095,654	

AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

As of December 31, 2006 and 2005, the Company's SLNs had remaining maturities within 30 days.

NOTE 10 –DEPOSITS

The Company assumed \$30.7 million of deposits in connection with its acquisition of Flower. The following table presents the Company's deposits as of December 31, 2006:

	December 31, 2006
	(In thousands)
Checking deposits:	
Non-interest bearing	\$ 1,168
Interest bearing	82
Checking deposits	1,250
Savings deposits	8
Money market deposits	192
Time deposits	22,566
Deposits	<u>\$ 24,016</u>

The Company's accrued but unpaid interest on deposits totaled \$95 thousand as of December 31, 2006.

The Company's time deposit accounts in amounts of \$100,000 or more totaled \$2.3 million as of December 31, 2006. The following table presents the contractual maturities of the Company's time deposits in amounts of \$100,000 or more as of December 31, 2006:

	December 31, 2006
	(In thousands)
90 to 180 days	\$ 356

180 days to 1 year

1,267

Greater than 1 year

631

Total

\$ 2,254

There were no demand deposits with overdrafts as of December 31, 2006.

NOTE 11—COLLATERALIZED DEBT OBLIGATIONS

In December 2006, the Company transferred \$1.7 billion of its mortgage loans held for investment to the 2006-3 Trust in a securitization transaction. In this transaction, the Company issued \$1.7 billion of CDOs in the form of AAA and AA-rated floating-rate pass-through certificates to third-party investors and the Company retained \$61.9 million of subordinated certificates, which provide credit support to the certificates issued to third parties. The Company's CDOs are collateralized by loans held for investment transferred to the 2006-3 Trust. The interest rates on the floating-rate pass-through certificates reset monthly and are indexed to one-month LIBOR. In the fourth quarter of 2006, the Company incurred CDO issuance costs of \$3.0 million, which were deducted from the proceeds of the transactions and are being amortized over the expected life of the CDOs. This securitization transaction was accounted for as a financing of the mortgage loans held for investment.

In June 2006, the Company transferred \$964.9 million of its mortgage loans held for investment to the 2006-2 Trust in a securitization transaction. In this transaction, the Company issued \$944.7 million of CDOs in

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AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

the form of AAA and AA-rated floating-rate pass-through certificates to third-party investors and the Company retained \$20.2 million of subordinated certificates, which provide credit support to the certificates issued to third parties. The Company's CDOs are collateralized by loans held for investment transferred to the 2006-2 Trust. The interest rates on the floating-rate pass-through certificates reset monthly and are indexed to one-month LIBOR. In the second quarter of 2006, the Company incurred CDO issuance costs of \$2.1 million, which were deducted from the proceeds of the transactions and are being amortized over the expected life of the CDOs. This securitization transaction was accounted for as a financing of the mortgage loans held for investment.

In March 2006, the Company transferred \$2.0 billion of its mortgage loans held for investment to the 2006-1 Trust in a securitization transaction. In this transaction, the Company issued \$1.9 billion of CDOs in the form of AAA and AA-rated floating-rate pass-through certificates to third-party investors and the Company retained \$61.3 million of subordinated certificates, which provide credit support to the certificates issued to third parties. The Company's CDOs are collateralized by loans held for investment transferred to the 2006-1 Trust. The interest rates on the floating-rate pass-through certificates reset monthly and are indexed to one-month LIBOR. In the first quarter of 2006, the Company incurred CDO issuance costs of \$4.0 million, which were deducted from the proceeds of the transactions and are being amortized over the expected life of the CDOs. This securitization transaction was accounted for as a financing of the mortgage loans held for investment.

In the fourth quarter of 2005, the Company transferred \$1.2 billion of its mortgage loans held for investment to two American Home Mortgage Investment Trusts (the "2005 Trusts") in two securitization transactions. In these transactions, the Company issued \$1.1 billion of CDOs in the form of AAA and AA-rated floating-rate pass-through certificates to third-party investors and the Company retained \$134.6 million of subordinated certificates, which provide credit support to the certificates issued to third parties. The Company's CDOs are collateralized by loans held for investment transferred to the 2005 Trusts. The interest rates on the floating-rate pass-through certificates reset monthly and are indexed to one-month LIBOR. In the fourth quarter of 2005, the Company incurred CDO issuance costs of \$5.5 million, which were deducted from the proceeds of the transactions and are being amortized over the expected life of the CDOs. These securitization transactions were accounted for as financings of the mortgage loans held for investment.

In December 2004, the Company transferred \$3.5 billion of its mortgage loans held for sale to American Home Mortgage Investment Trust 2004-4 (the "2004-4 Trust") in a securitization transaction. In the transaction, the Company issued \$2.0 billion of CDOs, which were collateralized by loans held for sale transferred to the 2004-4 Trust. This securitization transaction was accounted for as a financing of the mortgage loans held for sale. This securitization transaction qualified for sale treatment under SFAS No. 140 in the first quarter of 2005, and consequently the loans were derecognized.

As of December 31, 2006, the Company's CDOs had a balance of \$4.9 billion and an effective interest cost of 5.53%. As of December 31, 2006, the CDOs were collateralized by mortgage loans held for investment of \$4.9 billion.

As of December 31, 2005, the Company's CDOs had a balance of \$1.1 billion and an effective interest cost of 4.54%. As of December 31, 2005, the CDOs were collateralized by mortgage loans held for investment of \$1.1 billion.

AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

As of December 31, 2006 and 2005, the Company's CDOs had the following remaining contractual maturities:

	December 31,	
	2006	2005
	(In thousands)	
15 to 20 years	\$30,927	\$68,214
20 to 25 years	151,957	177,016
25 to 30 years	1,678,306	34,316
Greater than 30 years	2,993,611	778,360
Collateralized debt obligations	<u>\$4,854,801</u>	<u>\$1,057,906</u>

NOTE 12—TRUST PREFERRED SECURITIES

As of December 31, 2006, the Company has formed eight Trusts for the purpose of issuing trust preferred securities.

The following table summarizes the Company's trust preferred securities:

	As of and for the Year Ended			
	December 31,			
	2006		2005	
	(Dollars in thousands)			
Balance outstanding at year end	\$336,078		\$203,688	
Weighted-average interest rate at year end	8.11	%	7.29	%
Weighted-average interest rate spread at year end	LIBOR + 2.74%		LIBOR + 2.92%	
Weighted-average remaining maturity (years)	29.21		28.83	

NOTE 13—NOTES PAYABLE

Notes payable primarily consist of amounts borrowed under a term loan facility with a bank syndicate led by Bank of America. Under the terms of this facility, the Company may borrow the lesser of 70% of the value of its MSR's, or \$446.3 million. As of December 31, 2006, borrowings under the term loan were \$298.5 million. This term loan expires on August 9, 2007, but the Company has an option to extend the term for twelve additional months at a higher interest rate. Interest is based on a spread to the LIBOR and may be adjusted for earnings on compensating balances. As of December 31, 2006, the interest rate was 6.07%.

In October 2006, the Company assumed \$3.0 million of subordinated notes in connection with its acquisition of Flower. The subordinated notes mature on December 8, 2011. The interest rates on the subordinated notes reset monthly and are indexed to six-month LIBOR. As of December 31, 2006, the interest rate was 9.10%.

In 2005, the Company sold \$85.0 million in mortgage warehouse subordinated notes. The Company received a premium, net of issuance costs, of \$1.5 million related to the mortgage warehouse subordinated notes offering, which is being amortized to interest expense over the expected life of the mortgage warehouse subordinated notes. As of December 31, 2006, the balance of mortgage warehouse subordinated notes outstanding, net of unamortized premium and issuance costs, was \$85.9 million. The mortgage warehouse subordinated notes mature on May 20, 2009. The interest rates on the mortgage warehouse subordinated notes reset monthly and are indexed to one-month LIBOR. As of December 31, 2006, the interest rate was 7.35%.

AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

As of December 31, 2006, included in notes payable is a mortgage note of \$25.5 million on an office building located in Melville, New York at a rate of 5.82%, and a mortgage note of \$1.0 million on an office building located in Mount Prospect, Illinois at a rate of 7.18%.

As of December 31, 2006, the Company had \$3.6 million of Federal Home Loan Bank (“FHLB”) advances with an interest rate of 5.36% and with remaining maturities within 30 days. Advances from the FHLB are collateralized by pledges of restricted cash of \$2.9 million and one-to-four family first mortgage loans with an aggregate principal balance of \$849 thousand.

The following table presents the Company’s notes payable as of December 31, 2006 and 2005:

(In thousands)	December 31,	
	2006	2005
Term loan	\$298,500	\$206,188
Subordinated notes	88,910	86,322
Notes—office buildings	26,457	26,799
FHLB advances	3,600	—
Notes payable	<u>\$417,467</u>	<u>\$319,309</u>

The following table presents the maturities of the Company’s notes payable as of December 31, 2006 and 2005:

	December 31,	
	2006	2005
(In thousands)		
Within 1 year	\$302,953	\$207,009
1 to 2 years	1,629	843
2 to 3 years	85,573	1,540
3 to 4 years	447	85,606
4 to 5 years	3,475	447

Greater than 5 years

	<u>23,390</u>	<u>23,864</u>
Notes payable	<u>\$417,467</u>	<u>\$319,309</u>

NOTE 14—COMMON STOCK AND PREFERRED STOCK

In August 2005, the Company issued 9,000,000 shares of its common stock, par value \$0.01 per share (“Common Stock”), at a price of \$35.50 per share. The total proceeds to the Company were \$319.5 million, before underwriting discounts, commissions and other offering expenses.

Under the Company’s charter, the Company’s Board of Directors is authorized to issue 110,000,000 shares of stock, of which up to 100,000,000 shares may be Common Stock and up to 10,000,000 shares may be preferred stock. As of December 31, 2006, there were 50,195,499 shares of Common Stock issued and outstanding, 2,150,000 shares of 9.75% Series A Cumulative Redeemable Preferred Stock (“Series A Preferred Stock”) issued and outstanding and 3,450,000 shares of 9.25% Series B Cumulative Redeemable Preferred Stock (“Series B Preferred Stock”) issued and outstanding. On or after July 7, 2009, the Company may, at its option, redeem the Series A Preferred Stock, in whole or part, at any time and from time to time, for cash at a price of \$25 per share, plus accumulated or unpaid dividends (whether or not declared), if any, to the date of redemption.

During the year ended December 31, 2006, the Company declared dividends totaling \$8.0 million, or \$2.3125 per share of Series B Preferred Stock, of which \$2.0 million was paid on January 31, 2007. During the year ended December 31, 2005, the Company declared dividends totaling \$8.0 million, or \$2.3125 per share of Series B Preferred Stock, of which \$2.0 million was paid on January 31, 2006.

	Year Ended December 31,					
	2006		2005		2004	
	(Dollars in thousands)					
Tax provision at statutory rate	\$121,852	35.0 %	\$85,073	35.0 %	\$17,268	35.0 %
Non-taxable REIT income	(39,484)	(11.3)	(101,834)	(41.9)	(39,650)	(80.4)
State and local taxes, net of federal income tax benefit	230	0.1	(2,158)	(0.9)	(3,128)	(6.3)
Meals and entertainment	1,522	0.4	1,120	0.5	752	1.5
Other	509	0.1	78	—	(817)	(1.6)
Income tax expense (benefit)	\$84,629	24.3 %	\$(17,721)	(7.3 %)	\$(25,575)	(51.8%)

Year Ended December 31,		
2006	2005	2004

Current tax provision:

Federal

\$312	\$3,940	\$(25,737)
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State

<u>1,568</u>	<u>5,444</u>	<u>2,326</u>
<u>1,880</u>	<u>9,384</u>	<u>(23,411)</u>

Deferred tax provision:

Federal

84,694	(18,981)	4,987
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State

<u>(1,945)</u>	<u>(8,124)</u>	<u>(7,151)</u>
<u>82,749</u>	<u>(27,105)</u>	<u>(2,164)</u>

Income tax expense (benefit)

<u>\$84,629</u>	<u>\$(17,721)</u>	<u>\$(25,575)</u>
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AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The major sources of temporary differences and their deferred tax effect at December 31, 2006 and 2005 are as follows:

	December 31,	
	2006	2005
	(In thousands)	
Deferred income tax liabilities:		
Capitalized cost of mortgage servicing rights	\$179,545	\$150,926
Loan origination costs	29,651	8,973
Depreciation	1,482	3,083
Deferred state income taxes	2,332	1,465
Mark-to-market adjustments	13,783	—
Other	—	11
Deferred income tax liabilities	<u>226,793</u>	<u>164,458</u>
Deferred income tax assets:		
Tax loss carryforwards	89,298	109,145
Allowance for bad debts and foreclosure reserve	16,909	2,817
Mark-to-market adjustments	—	10,721
AMT credit	1,745	1,745

Broker fees	—	958
Bonus accrual	1,227	8,399
Deferred compensation	7,004	3,436
Other	186	—
Deferred income tax assets	116,369	137,221
Net deferred income tax liabilities	<u>\$110,424</u>	<u>\$27,237</u>

American Home Mortgage Servicing, Inc. has approximately \$28 million of separate company federal net operating loss carryforwards which begin to expire in 2008. In addition, American Home Mortgage Holdings, Inc. has approximately \$209 million of federal and approximately \$107 million of state net operating loss carryforwards which begin to expire in 2024 and 2009, respectively. The weighted average of the expiration of the state net operating loss carryforwards is approximately sixteen years.

At December 31, 2006 and 2005, no valuation allowance has been established against deferred tax assets since it is more likely than not that the deferred tax assets will be realized.

The Company has been audited by various state tax jurisdictions which have settled with a “no change” decision. In addition, the Company is currently under examination by other tax jurisdictions which the Company expects to result in no material assessments. The Company regularly assesses the likelihood of additional assessments in each of the tax jurisdictions in the calculation of its provision and maintains an appropriate reserve as needed.

AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

NOTE 16—EARNINGS PER SHARE

The following is a reconciliation of the denominators used in the computations of basic and diluted earnings per share for the years ended December 31, 2006, 2005 and 2004:

(Dollars in thousands, except per share amounts)	Year Ended December 31,		
	2006	2005	2004
Numerator for basic earnings per share—Net income available to common shareholders	<u>\$250,309</u>	<u>\$247,569</u>	<u>\$70,924</u>
Denominator:			
Denominator for basic earnings per share			
Weighted average number of common shares outstanding during the period	50,029,834	43,896,736	37,611,757
Net effect of dilutive stock options	<u>390,949</u>	<u>478,326</u>	<u>475,328</u>
Denominator for diluted earnings per share	<u>50,420,783</u>	<u>44,375,062</u>	<u>38,087,085</u>
Net income per share available to common shareholders:			
Basic	<u>\$5.00</u>	<u>\$5.64</u>	<u>\$1.89</u>
Diluted	<u>\$4.96</u>	<u>\$5.58</u>	<u>\$1.86</u>

NOTE 17—STOCK INCENTIVE PLANS

Pursuant to the Plan, eligible employees, officers and directors may be offered the opportunity to acquire the Company's Common Stock through the grant of options and the award of restricted stock under the Plan. The total number of shares that may be optioned or awarded under the Plan is 4,000,000 shares of Common Stock. The Plan provides for the granting of options at the fair market value on the date of grant. The options issued primarily vest 50% on the two-year anniversary of the grant date and 50% on the three-year anniversary of the grant date, and expire ten years from the grant date.

Effective January 1, 2006, the Company adopted SFAS No. 123R, which requires that the compensation cost relating to share-based payment transactions (including employee stock options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans) be recognized as an expense in the Company's consolidated financial statements. Under SFAS No. 123R, the related compensation cost is measured based on the fair value of the award at the date of grant. The Company adopted the fair value recognition provisions of SFAS No. 123R, using the modified prospective method. Under this method, compensation cost in the year ended December 31, 2006 includes the portion vesting in the period for (1) all share-based payments granted prior to, but not vested as of, December 31, 2005, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123 and (2) all share-based payments granted subsequent to December 31, 2005, based on the grant date fair value estimated using a binomial lattice-based option valuation model.

During the year ended December 31, 2006, the Company recognized compensation expense of \$1.1 million relating to stock options granted under the Plan. The expense, before income tax effect, is included in salaries, commissions and benefits expense. The income tax benefit recognized in income for the year ended December 31, 2006 for stock options was \$201 thousand. No compensation cost was recognized for the year ended December 31, 2005.

AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

During the year ended December 31, 2006, the fair value of the options granted was estimated using the binomial lattice option-pricing model. Under the binomial lattice option-pricing model, the fair value of each option award is estimated, with the assistance of an outside consulting service, on the date of grant, which incorporates ranges of assumptions for inputs as shown in the following table. The assumptions are as follows:

Expected dividend yield: The expected dividend yield assumption is based on the Company's current dividend yield as the best estimate of projected dividend yield for periods within the contractual life of the option.

Expected volatility: The expected volatility assumption is a blend of implied volatility based on market-traded options on the Company's Common Stock and historical volatility of the Company's Common Stock over the contractual life of the options.

Risk-free interest rate range: The risk-free interest rate assumption is based on the U.S. Treasury yield curve in effect at the time of grant for periods within the contractual life of the option.

Expected term: The Company uses historical data to estimate option exercise and employee termination behavior within the valuation model; separate groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. The expected life of options granted is derived from the output of the option valuation model and represents the period of time the options are expected to be outstanding.

The weighted-average fair value per share of options granted during the year ended December 31, 2006 was \$4.65. The fair value of the options granted during the year ended December 31, 2006 was estimated using the binomial lattice option-pricing model with the following assumptions used for the grants:

	Year Ended December 31, 2006
Expected dividend yield	12.8%
Expected volatility	39.1%
Risk-free interest rate range	4.4% - 4.7%
Expected term (in years)	7.2

Prior to adoption of SFAS No. 123R as of January 1, 2006, the Company's pro forma disclosures reflected the fair value of each option grant estimated on the date of grant using the Black-Scholes option-pricing model. Under the Black-Scholes option-pricing model, the Company estimated volatility using only its historical share price performance over the expected life of the option.

The weighted-average fair value per share of options granted during the years ended December 31, 2005 and December 31, 2004 was \$3.88 and \$4.60, respectively. The fair value of the options granted during the years ended December 31, 2005 and December 31, 2004 was estimated using the Black-Scholes option-pricing model with the following assumptions used for the grants:

Year Ended December 31,
2005 2004

Dividend yield	9.2	%	8.5	%
Expected volatility	30.3	%	40.2	%
Risk-free interest rate	5.0	%	5.0	%
Expected life (in years)	3		3	

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AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table presents a summary of the Company's stock option activity for the years ended December 31, 2006, 2005, and 2004:

	Year Ended December 31,								
	2006			2005			2004		
	Number of Options	Exercise Price	Weighted Average Exercise Price	Number of Options	Exercise Price	Weighted Average Exercise Price	Number of Options	Exercise Price	Weighted Average Exercise Price
Options outstanding, beginning of year	1,501,384	\$ 5.13 - \$34.88	\$ 23.09	1,248,102	\$ 4.75 - \$34.18	\$ 18.65	958,866	\$4.75 - \$19.61	\$ 11.11
Granted	452,159	27.74 - 30.72	28.45	442,419	26.54 - 34.88	31.98	667,634	21.40 - 34.18	25.19
Exercised	(218,473)	5.13 - 26.63	14.00	(166,275)	4.75 - 26.02	13.51	(299,396)	4.75 - 16.38	9.59
Canceled	(158,500)	5.50 - 34.00	24.63	(22,862)	10.06 - 33.12	22.72	(79,002)	5.13 - 21.78	16.28
Options outstanding, end of year	<u>1,576,570</u>	\$5.13 - \$34.88	\$ 25.69	<u>1,501,384</u>	\$ 5.13 - \$34.88	\$ 23.09	<u>1,248,102</u>	\$4.75 - \$34.18	\$ 18.65
Options exercisable, end of year	<u>507,642</u>			<u>486,609</u>			<u>385,233</u>		

The following table summarizes stock options outstanding as of December 31, 2006:

Range of Exercise Prices	December 31, 2006					
	Options Outstanding			Options Exercisable		
	Number Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)	Number Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)
\$ 5.13 - \$10.93	138,979	\$7.44	4.9	139,979	\$7.39	4.9
11.19 - 16.15	107,542	13.78	5.7	107,542	13.78	5.7

19.30 - 24.05	262,027	23.04	7.2	140,121	22.69	7.1
26.02 - 27.74	454,659	27.44	8.8	63,750	26.47	7.4
27.80 - 30.72	195,000	29.60	8.7	35,000	28.31	7.7
31.00 - 32.17	120,000	31.67	8.3	2,500	31.00	7.9
32.95 - 34.88	<u>298,363</u>	33.21	8.2	<u>18,750</u>	34.18	8.0
	<u><u>1,576,570</u></u>	\$25.69	7.8	<u><u>507,642</u></u>	\$17.91	6.3

The intrinsic value of an option is defined as the difference between an option's current market value and the grant price. The intrinsic value of options exercised during the years ended December 31, 2006, 2005, and 2004 was \$4.1 million, \$4.7 million, and \$4.5 million, respectively.

As of December 31, 2006, the intrinsic value and weighted-average remaining life of the Company's options outstanding were \$14.9 million and 7.8 years, respectively.

As of December 31, 2006, the intrinsic value and weighted-average remaining life of the Company's exercisable options outstanding were \$8.7 million and 6.3 years, respectively.

As of December 31, 2006, the total remaining unrecognized compensation expense related to the Company's unvested stock options was \$2.3 million. This unrecognized compensation expense is expected to be recognized over a weighted-average period of 1.9 years.

AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

As of December 31, 2006, the Company has awarded 230,778 shares of restricted stock under the Plan. During the years ended December 31, 2006, 2005 and 2004, the Company recognized compensation expense of \$506 thousand, \$643 thousand, and \$769 thousand, respectively, relating to shares of restricted stock granted under the Plan. As of December 31, 2006, 202,981 shares are vested. In general, unvested restricted stock is forfeited upon the recipient's termination of employment.

NOTE 18—COMMITMENTS AND CONTINGENCIES

Loans Sold to Investors—Generally, the Company is not exposed to significant credit risk on its loans sold to investors. In the normal course of business, the Company is obligated to repurchase loans based on violations of representations and warranties, which are subsequently unable to be sold through normal investor channels. At December 31, 2006, the recourse reserve against exposure to repurchased loans was \$6.9 million.

Loan Funding and Delivery Commitments—At December 31, 2006 and 2005, the Company had commitments to fund loans approximating \$11.3 billion and \$9.2 billion, respectively. At December 31, 2006 and 2005, the Company had commitments to fund loans with agreed upon rates approximating \$5.2 billion and \$3.8 billion, respectively. The Company hedges the interest rate risk of such commitments primarily with mandatory delivery commitments, which totaled \$4.9 billion and \$1.1 billion at December 31, 2006 and 2005, respectively. The remaining commitments to fund loans with agreed-upon rates are anticipated to be sold through “best-efforts” and investor programs. The Company has gestation facilities with Greenwich Capital Financial Products, Inc. (“Greenwich”), UBS Real Estate Securities Inc. (“UBS”), Societe Generale, and Deutsche Bank (“Deutsche”). The Company does not anticipate any material losses from such sales.

Net Worth Requirements—The Company's subsidiaries are required to maintain certain specified levels of minimum net worth to maintain their approved status with Fannie Mae, Freddie Mac, the U.S. Department of Housing and Urban Development and other investors. At December 31, 2006, the highest minimum net worth requirement applicable to each subsidiary was \$1.0 million, which the Company was in compliance with.

AH Bank is subject to capital adequacy guidelines adopted by the Office of Thrift Supervision (“OTS”). The most recent notifications received from the OTS categorized AH Bank as well capitalized.

(In thousands)	Actual		Minimum For Capital Adequacy Purposes			Minimum to be Well Capitalized Under Prompt Corrective Action Provisions		
	Amount	Ratio	Amount	Ratio		Amount	Ratio	
As of December 31, 2006								
Total capital (to risk-weighted assets)	\$51,847	155.02%	\$ 2,676	8.00	%	\$ 3,345	10.00	%
Tier 1 capital (to risk-weighted assets)	\$48,426	144.79%	\$ 1,338	4.00	%	\$ 2,007	6.00	%
Tier 1 capital (average assets)	\$48,426	57.94 %	\$ 3,343	4.00	%	\$ 4,179	5.00	%

Outstanding Litigation—The Company is involved in litigation arising in the normal course of business. Although the amount of any ultimate liability arising from these matters cannot presently be determined, the Company does not anticipate that any such liability will have a material effect on the Company's consolidated financial position, results of operations and cash flows.

Mortgage Reinsurance—One of the Company’ s captive reinsurance subsidiaries, Melville Reinsurance Corp. (“MRC”), has entered into mortgage reinsurance agreements with two primary mortgage insurance companies. Under these agreements, MRC absorbs mortgage insurance losses in excess of a specified percentage

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AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

of loss retained by the primary mortgage insurers in exchange for a portion of the primary mortgage insurers' insurance premium. Approximately \$1.7 billion of the Company's conventional servicing portfolio is covered by these mortgage reinsurance agreements. Each annual book of business has a maximum life of ten years and the maximum exposure is the amount of assets held in the trust on behalf of MRC. At December 31, 2006, those assets totaled \$6.0 million. No reserve has been recorded and management believes no reserve is required based upon loss experience.

The Company's other captive reinsurance subsidiary, CNI Reinsurance, Ltd. ("CNIRE"), has entered into mortgage reinsurance agreements with four primary mortgage insurance companies. Under these agreements, CNIRE absorbs mortgage insurance losses in excess of a specified percentage of the principal balance of a pool of loans, subject to a cap, in exchange for a portion of the pool's mortgage insurance premium. Approximately \$3.2 billion of the conventional servicing portfolio is covered by such mortgage reinsurance agreements. Each annual book of business has a maximum life of ten years and the maximum exposure is the amount of assets held in the trust on behalf of CNIRE. At December 31, 2006, those assets totaled \$8.3 million. No reserve has been recorded and management believes no reserve is required based upon loss experience.

NOTE 19—OPERATING LEASES

Certain of the Company's facilities and equipment are leased under short-term lease agreements expiring at various dates through December 2019. All such leases are accounted for as operating leases. Total rental expense for premises and equipment, which is included in occupancy and equipment expense within the consolidated financial statements, amounted to \$56.6 million, \$37.8 million and \$24.7 million for the years ended December 31, 2006, 2005 and 2004, respectively.

The Company's obligations under noncancelable operating leases which have an initial term of more than one year as of December 31, 2006 are as follows (in thousands):

2007	\$42,258
2008	34,020
2009	22,488
2010	14,295
2011	8,762
Thereafter	20,958
Total	<u>\$142,781</u>

NOTE 20—CONCENTRATIONS OF CREDIT RISK

Loan concentrations are considered to exist when there are amounts loaned to a multiple number of borrowers with similar characteristics, which would cause their ability to meet contractual obligations to be similarly impacted by economic or other conditions. The Company invests in pay option ARM, interest-only ARM, HELOC and certain other types of loans identified as potentially having a concentration of credit risk. The Company, however, generally has purchased supplemental credit insurance for the pay option ARM loans retained in the Company' s portfolio if such loans have an initial loan-to-value ratio between 75% and 80%. In addition, the Company generally is the beneficiary of a borrower-paid insurance policy on these types of loans if the initial loan-to-value ratio is greater than 80%.

AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table classifies the Company's mortgage loans held for investment and off-balance sheet securitized loans by product type as of December 31, 2006:

	<u>December 31, 2006</u>	
	<u>Loan Balance</u>	<u>Percentage of Total Portfolio</u>
	(Dollars in thousands)	
Interest-only	\$8,505,064	50.0 %
Pay option ARMs	4,245,233	25.0
Second liens	854,647	5.0
Other	<u>3,409,974</u>	<u>20.0</u>
Total	<u><u>\$17,014,918</u></u>	<u><u>100.0 %</u></u>

The following table presents the geographic concentrations for the Company's mortgage loans held for investment and off-balance sheet securitized loans as of December 31, 2006:

	<u>December 31, 2006</u>	
	<u>Loan Balance</u>	<u>Percentage of Total Portfolio</u>
	(Dollars in thousands)	
California	\$3,913,598	23.0 %
Florida	1,731,305	10.2
Illinois	1,365,056	8.0
Virginia	1,041,444	6.1
New York	868,560	5.1

Other

8,094,955

47.6

Total

\$17,014,918

100.0

%

NOTE 21—FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value estimates are made as of a specific point in time based on estimates using present value or other valuation techniques. These techniques involve uncertainties and are significantly affected by the assumptions used and the judgments made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors.

Changes in assumptions could significantly affect these estimates and the resulting fair values. Derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in an immediate sale of the instrument. Also, because of differences in methodologies and assumptions used to estimate fair values, the Company's fair values should not be compared to those of other companies.

Fair value estimates are based on existing financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company.

The carrying values of the following assets and liabilities all approximate their fair values due to their short-term nature, terms of repayment or interest rate associated with the asset or liability:

Cash and cash equivalents;

Accounts receivable and servicing advances;

AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Warehouse lines of credit;

Commercial paper; and

Payable for securities purchased.

The following describes the methods and assumptions used by the Company in estimating fair values of other financial instruments:

- a. *Securities*—Fair value is based on published market valuations or price quotations provided by securities dealers.
- b. *Mortgage Loans Held for Sale, net*—Fair value is estimated using outstanding commitments from investors or current investor yield requirements calculated on the aggregate basis.
- c. *Mortgage Loans Held for Investment, net*—Fair value is estimated using discounted cash flow analyses and using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality and risk. The fair value of nonaccrual loans and the allowance for losses on loans are approximated by their book values.
- d. *Derivative Assets and Liabilities*—Derivative assets and liabilities include IRLCs, interest rate swaps, total return swaps and swaptions. Fair value of IRLCs is estimated using the fees and rates currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the creditworthiness of the counterparties, and includes the value of MSRs. Fair value also considers the difference between current levels of interest rates and the committed rates. The fair values of interest rate swaps, total return swaps and swaptions are generally based on market prices provided by certain dealers who make markets in these financial instruments or by third-party pricing services.
- e. *Mortgage Servicing Rights*—Fair value is determined by obtaining market information from one of the market's primary independent MSR brokers. To determine the market value of MSRs, the MSR broker uses a valuation model which incorporates assumptions relating to the estimate of the cost of servicing per loan, a discount rate, a float value, an inflation rate, ancillary income per loan, prepayment speeds and default rates that market participants use for similar servicing rights.
- f. *Reverse Repurchase Agreements*—Fair value is estimated based on the maturity and interest rate of the related debt instruments.
- g. *Deposits*—The carrying values of deposits approximate their fair values due to their short-term nature. The fair values of checking and money market deposits are equal to the amount payable on demand. The fair value of certificates of deposit is estimated with a discounted cash flow calculation using interest rates currently being offered on similar accounts.
- h. *CDOs*—Fair value is estimated based on the maturity and interest rate of the related debt instruments. Carrying amount estimates fair value.
- i. *Trust Preferred Securities*—Fair value is estimated based on the maturity and interest rate of the related debt instruments. Carrying amount estimates fair market value.
- j. *Notes Payable*—Fair value is estimated based on the maturity and interest rate of the related debt instruments. Carrying amount estimates fair value.

AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table presents information about financial instruments and other selected assets:

	<div>December 31, 2006</div>		<div>December 31, 2005</div>	
	<div>Carrying</div> <div>Amount</div>	<div>Estimated</div> <div>Fair Value</div>	<div>Carrying</div> <div>Amount</div>	<div>Estimated</div> <div>Fair Value</div>
	<div>(In thousands)</div>		<div>(In thousands)</div>	
Assets:				
Cash and cash equivalents	\$398,166	\$398,166	\$575,650	\$575,650
Accounts receivable and servicing advances	432,418	432,418	329,132	329,132
Securities	9,308,032	9,308,032	10,602,115	10,602,115
Mortgage loans held for sale, net	1,523,737	1,573,564	2,208,749	2,224,234
Mortgage loans held for investment, net	6,329,721	6,461,449	3,479,721	3,529,844
Derivative assets	32,142	130,091	44,594	96,176
Mortgage servicing rights	506,341	506,341	319,671	320,827
Liabilities:				
Warehouse lines of credit	\$1,304,541	\$1,304,541	\$3,474,191	\$3,474,191
Commercial paper	1,273,965	1,273,965	1,079,179	1,079,179
Reverse repurchase agreements	8,571,459	8,571,538	9,806,144	9,805,640
Deposits	24,016	24,016	–	–

Collateralized debt obligations	4,854,801	4,856,258	1,057,906	1,057,906
Payable for securities purchased	289,716	289,716	261,539	261,539
Derivative liabilities	12,644	12,644	16,773	16,773
Trust preferred securities	336,078	336,078	203,688	203,688
Notes payable	417,467	417,467	319,309	319,309

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AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

NOTE 22—CONDENSED FINANCIAL INFORMATION OF AMERICAN HOME MORTGAGE INVESTMENT CORP.

The following tables provide condensed financial information for the financial position, results of operations and cash flows of AHM Investment as of December 31, 2006 and 2005:

Condensed Balance Sheets

(In thousands)	December 31,	
	2006	2005
Assets:		
Cash and cash equivalents	\$7,093	\$25,660
Accounts receivable	73,047	89,542
Securities	9,291,329	10,581,116
Goodwill	24,841	24,841
Derivative assets	9,759	30,506
Investment in subsidiaries	691,248	513,687
Other assets	171,327	131,868
Total assets	<u>\$10,268,644</u>	<u>\$11,397,220</u>

Liabilities and Stockholders' Equity:

Liabilities:

Reverse repurchase agreements	\$8,514,748	\$9,742,154
-------------------------------	-------------	-------------

Payable for securities purchased	289,716	261,539
Derivative liabilities	395	–
Accrued expenses and other liabilities	193,499	186,511
Total liabilities	8,998,358	10,190,204
Stockholders' equity:		
Total stockholders' equity	1,270,286	1,207,016
Total liabilities and stockholders' equity	\$10,268,644	\$11,397,220

Condensed Income Statements

(In thousands)	Year Ended December 31,		
	2006	2005	2004
Net interest income:			
Interest income	\$523,295	\$361,779	\$197,991
Interest expense	(468,825)	(233,265)	(127,125)
Total net interest income	54,470	128,514	70,866
Non-interest income:			
Loss on sale of mortgage loans	–	(25)	(385)
Gain (loss) on securities and derivatives	5,229	(56,719)	8,039
Loan servicing fees	11,776	4,021	–
Equity in earnings of subsidiaries	204,871	224,721	24,949

Total non-interest income	<u>221,876</u>	<u>171,998</u>	<u>32,603</u>
Total non-interest expenses	<u>12,819</u>	<u>39,726</u>	<u>28,557</u>
Net income	<u>\$263,527</u>	<u>\$260,786</u>	<u>\$74,912</u>
Dividends on preferred stock	<u>13,218</u>	<u>13,217</u>	<u>3,988</u>
Net income available to common shareholders	<u>\$250,309</u>	<u>\$247,569</u>	<u>\$70,924</u>

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AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Condensed Statements of Cash Flows

	Year Ended December 31,		
	2006	2005	2004
	(In thousands)		
Cash flows from operating activities:			
Net income	\$263,527	\$260,786	\$74,912
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Investment in earnings of subsidiaries	(204,871)	(224,721)	(24,949)
Accretion and amortization of mortgage-backed securities, net	14,476	2,362	27,315
Deferred cash flow hedge gain (loss), net of amortization	8,913	20,133	(4,218)
Unrealized loss (gain) on free standing derivatives	27,531	(37,307)	(41,077)
(Increase) decrease in operating assets			
Accounts receivable	16,495	(47,415)	(39,727)
Other assets	(39,459)	(118,353)	(9,534)
Increase (decrease) in accrued expenses and other liabilities	1,884	(15,152)	161,128
Decrease (increase) in trading securities	2,413,485	163,785	(2,911,040)
Net cash provided by (used in) operating activities	2,501,981	4,118	(2,767,190)

Cash flows from investing activities:

Increase in securities available for sale	(1,141,673)	(3,181,147)	(2,968,250)
Investment in subsidiaries	—	—	(35,738)
Net cash used in investing activities	<u>(1,141,673)</u>	<u>(3,181,147)</u>	<u>(3,003,988)</u>

Cash flows from financing activities:

(Decrease) increase in reverse repurchase agreements	(1,227,406)	2,741,819	5,656,008
Increase (decrease) in payable for securities purchased	28,177	261,539	(259,701)
Proceeds from issuance of stock	3,058	306,277	478,895
Dividends paid	(202,704)	(137,089)	(81,282)
Dividends received from subsidiary	<u>20,000</u>	<u>—</u>	<u>—</u>
Net cash (used in) provided by financing activities	<u>(1,378,875)</u>	<u>3,172,546</u>	<u>5,793,920</u>
Net (decrease) increase in cash and cash equivalents	(18,567)	(4,483)	22,742
Cash and cash equivalents—beginning of year	<u>25,660</u>	<u>30,143</u>	<u>7,401</u>
Cash and cash equivalents—end of year	<u><u>\$7,093</u></u>	<u><u>\$25,660</u></u>	<u><u>\$30,143</u></u>

NOTE 23—ACQUISITIONS

Flower Bank

On October 19, 2006, the Company, through its wholly-owned subsidiary, American Home Mortgage Holdings, Inc., completed its acquisition of Flower. In connection with its acquisition, the Company recapitalized Flower through a \$50 million investment in its new subsidiary. Flower subsequently changed its name to American Home Bank (“AH Bank”). AH Bank is expected to hold mortgages, consumer loans and securities as its primary assets, and fund its holdings through deposits including the escrow balances.

AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table summarizes the fair value of the assets acquired and liabilities assumed as of the date of the acquisition:

(In thousands)

Cash and cash equivalents	\$2,140
Accounts receivable and servicing advances	677
Securities	3,418
Mortgage loans held for investment, net	25,540
Mortgage servicing rights	343
Premises and equipment	220
Other assets	2,174
Total assets acquired	34,512
Deposits	30,689
Accrued expenses and other liabilities	5,811
Notes payable	3,000
Total liabilities assumed	39,500
Net liabilities assumed	(4,988)
Cash paid	16,250

Goodwill

\$21,238

Waterfield Financial Corporation

On January 12, 2006, American Home Mortgage Corp. ("AHM"), an indirect, wholly-owned subsidiary of AHM Investment, entered into a Stock and Mortgage Loan Purchase Agreement with Union Federal Bank of Indianapolis ("Union Federal") and Waterfield Financial Corporation ("WFC"), pursuant to which AHM agreed to purchase from Union Federal 100% of the outstanding capital stock of WFC and certain mortgage loans held by Union Federal, comprised of warehouse loans held for sale by Union Federal as of December 31, 2005 (the "Warehouse Loans"), construction loans held by Union Federal as of the closing (the "Construction Loans") and certain other loans held by Union Federal as of the closing, for a cash purchase price equal to the net book value of such assets, as modified by certain agreed upon adjustments, as of the respective closing dates (or, in the case of the Warehouse Loans, as of January 12, 2006).

The following table summarizes the fair value of the assets acquired and liabilities assumed as of the date of the acquisition:

(In thousands)

Mortgage loans held for sale, net

\$559,340

Accounts receivable

2,002

Other assets

2,442

Total assets acquired

563,784

Other liabilities

13,707

Total liabilities assumed

13,707

Net assets acquired

550,077

Cash paid

550,077

Goodwill

\$-

AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Acquisition of Certain Home Loan Centers of Washington Mutual, Inc.

On August 2, 2004, the Company acquired certain residential mortgage home loan centers and associated satellite offices that Washington Mutual, Inc. and its subsidiaries (collectively, “Washington Mutual”) previously slated for closure in 18 states. The Company hired 498 employees who support these home loan centers and associated satellite offices with the vast majority being sales professionals focused on retail loan originations. The purchase price was insignificant to the Company’s consolidated financial statements.

Under the terms of the acquisition, the Company assumed Washington Mutual’s lease obligations and purchased certain fixed assets in the acquired offices. The acquisition was funded from current cash reserves.

NOTE 24—SEGMENTS AND RELATED INFORMATION

The Company’s segments are Mortgage Holdings, Loan Origination, Loan Servicing and Banking. The Mortgage Holdings segment uses the Company’s equity capital and borrowed funds to invest in mortgage-backed securities and mortgage loans held for investment, thereby producing net interest income. The Loan Origination segment originates mortgage loans through the Company’s retail and wholesale loan production offices and its correspondent channel, as well as its direct-to-consumer channel supported by its call center. The Loan Servicing segment includes investments in MSRs as well as servicing operations primarily for other financial institutions. The Banking Segment includes loans held for investment and deposits acquired in the Company’s acquisition of Flower. The Company’s segments are presented on a consolidated basis and do not include the effects of separately recording intercompany transactions.

The Mortgage Holdings segment includes realized gains or losses on sales of mortgage-backed securities and unrealized mark-to-market gains or losses subsequent to the securitization date on mortgage-backed securities classified as trading securities.

The Loan Origination segment includes unrealized gains or losses that exist on the date of securitization of self-originated loans that are classified as trading securities.

AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Year Ended December 31, 2006				
	<u>Mortgage</u>	<u>Loan</u>	<u>Loan</u>	<u>Banking</u>	<u>Total</u>
	<u>Holdings</u>	<u>Origination</u>	<u>Servicing</u>	<u>Segment</u>	
	<u>Segment</u>	<u>Segment</u>	<u>Segment</u>	<u>Segment</u>	
	(In thousands)				
Net interest income:					
Interest income	\$725,610	\$602,021	\$—	\$863	\$1,328,494
Interest expense	<u>(615,601)</u>	<u>(514,794)</u>	<u>(15,381)</u>	<u>(263)</u>	<u>(1,146,039)</u>
Net interest income	<u>110,009</u>	<u>87,227</u>	<u>(15,381)</u>	<u>600</u>	<u>182,455</u>
Provision for loan losses	<u>(9,440)</u>	<u>(7,940)</u>	<u>—</u>	<u>—</u>	<u>(17,380)</u>
Net interest income after provision for loan losses	<u>100,569</u>	<u>79,287</u>	<u>(15,381)</u>	<u>600</u>	<u>165,075</u>
Non-interest income:					
Gain on sales of mortgage loans	—	810,011	—	(5)	810,006
Gain on sales of mortgage-backed securities and derivatives	12,257	—	—	—	12,257
Unrealized (loss) gain on mortgage-backed securities and derivatives	<u>(7,303)</u>	275	—	—	<u>(7,028)</u>
Loan servicing fees	—	—	145,383	46	145,429
Change in fair value of mortgage servicing rights					
Due to realization of cash flows	—	—	(102,781)	(39)	(102,820)

Due to changes in valuation assumptions, net of hedge gain	–	–	(5,289)	–	(5,289)
Net loan servicing fees	–	–	37,313	7	37,320
Other non-interest income	–	5,857	2,885	72	8,814
Total non-interest income	4,954	816,143	40,198	74	861,369
Non-interest expenses:					
Salaries, commissions and benefits, net	13,469	384,041	16,315	183	414,008
Occupancy and equipment	6	75,999	1,258	94	77,357
Data processing and communications	145	25,547	177	36	25,905
Office supplies and expenses	78	18,296	766	7	19,147
Marketing and promotion	14	21,365	246	–	21,625
Travel and entertainment	64	30,998	244	4	31,310
Professional fees	3,700	20,455	144	23	24,322
Other	11,559	34,631	18,341	83	64,614
Total non-interest expenses	29,035	611,332	37,491	430	678,288
Net income before income tax expense (benefit)	76,488	284,098	(12,674)	244	348,156
Income tax expense (benefit)	–	87,187	(2,655)	97	84,629
Net income	<u>\$76,488</u>	<u>\$196,911</u>	<u>\$(10,019)</u>	<u>\$147</u>	<u>\$263,527</u>

Dividends on preferred stock	<u>13,218</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>13,218</u>
Net income available to common shareholders	<u>\$63,270</u>	<u>\$196,911</u>	<u>\$(10,019)</u>	<u>\$147</u>	<u>\$250,309</u>
	December 31, 2006				
Segment assets	<u>\$14,616,433</u>	<u>\$3,390,365</u>	<u>\$717,342</u>	<u>\$104,845</u>	<u>\$18,828,985</u>

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AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Year Ended December 31, 2005			
	<u>Mortgage</u> <u>Holdings</u> <u>Segment</u>	<u>Loan</u> <u>Origination</u> <u>Segment</u>	<u>Loan</u> <u>Servicing</u> <u>Segment</u>	<u>Total</u>
	(In thousands)			
Net interest income:				
Interest income	\$357,920	\$369,765	\$—	\$727,685
Interest expense	(262,403)	(257,062)	(7,188)	(526,653)
Net interest income	95,517	112,703	(7,188)	201,032
Provision for loan losses	(947)	(1,195)	—	(2,142)
Net interest income after provision for loan losses	94,570	111,508	(7,188)	198,890
Non-interest income:				
Gain on sales of mortgage loans	—	335,065	—	335,065
Gain on sales of current period securitized mortgage loans	—	194,256	—	194,256
Gain on sales of mortgage-backed securities and derivatives	37,383	13,553	—	50,936
Unrealized (loss) gain on mortgage-backed securities and derivatives	(85,778)	77,242	—	(8,536)
Loan servicing fees	—	—	76,096	76,096
Amortization of mortgage servicing rights	—	—	(51,767)	(51,767)

Impairment provision of mortgage servicing rights	–	–	(8,768)	(8,768)
Net loan servicing fees	–	–	15,561	15,561
Other non-interest income	–	5,203	2,572	7,775
Total non-interest income	(48,395)	625,319	18,133	595,057
Non-interest expenses:				
Salaries, commissions and benefits, net	7,576	340,492	11,881	359,949
Occupancy and equipment	6	57,654	1,195	58,855
Data processing and communications	114	24,113	561	24,788
Office supplies and expenses	5	18,131	1,586	19,722
Marketing and promotion	2	20,213	96	20,311
Travel and entertainment	5	20,547	455	21,007
Professional fees	3,050	10,329	853	14,232
Other	(1,854)	26,495	7,377	32,018
Total non-interest expenses	8,904	517,974	24,004	550,882
Net income before income tax benefit	37,271	218,853	(13,059)	243,065
Income tax benefit	–	(12,470)	(5,251)	(17,721)
Net income	\$37,271	\$231,323	\$(7,808)	\$260,786

Dividends on preferred stock	<u>13,217</u>	<u>—</u>	<u>—</u>	<u>13,217</u>
Net income available to common shareholders	<u>\$24,054</u>	<u>\$231,323</u>	<u>\$(7,808)</u>	<u>\$247,569</u>
	December 31, 2005			
Segment assets	<u>\$11,960,608</u>	<u>\$5,338,322</u>	<u>\$455,815</u>	<u>\$17,754,745</u>

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AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Year Ended December 31, 2004			
	Mortgage Holdings Segment	Loan Origination Segment	Loan Servicing Segment	Total
	(In thousands)			
Net interest income:				
Interest income	\$191,563	\$122,743	\$—	\$314,306
Interest expense	(124,397)	(73,071)	(3,905)	(201,373)
Net interest income	67,166	49,672	(3,905)	112,933
Non- interest income:				
Gain on sales of mortgage loans	—	134,099	—	134,099
Gain on sales of current period securitized mortgage loans	—	40,120	—	40,120
Gain (loss) on sales of mortgage-backed securities and derivatives	3,459	(3,396)	—	63
Unrealized gain on mortgage-backed securities and derivatives	7,679	67,781	—	75,460
Loan servicing fees	—	—	40,571	40,571
Amortization of mortgage servicing rights	—	—	(32,615)	(32,615)
Impairment provision of mortgage servicing rights	—	—	(12,423)	(12,423)
Net loan servicing loss	—	—	(4,467)	(4,467)

Other non-interest income	–	7,030	3	7,033
Total non-interest income	11,138	245,634	(4,464)	252,308
Non-interest expenses:				
Salaries, commissions and benefits, net	229	184,163	5,001	189,393
Occupancy and equipment	7	37,110	525	37,642
Data processing and communications	15	15,877	273	16,165
Office supplies and expenses	–	12,685	1,045	13,730
Marketing and promotion	2	10,398	9	10,409
Travel and entertainment	3	14,042	145	14,190
Professional fees	3,653	7,855	651	12,159
Other	24,900	(5,767)	3,083	22,216
Total non-interest expenses	28,809	276,363	10,732	315,904
Net income before income tax benefit	49,495	18,943	(19,101)	49,337
Income tax benefit	–	(16,941)	(8,634)	(25,575)
Net income	\$49,495	\$35,884	\$(10,467)	\$74,912
Dividends on preferred stock	3,988	–	–	3,988
Net income available to common shareholders	\$45,507	\$35,884	\$(10,467)	\$70,924

December 31, 2004

Segment assets

\$6,136,642

\$5,194,387

\$224,768

\$11,555,797

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AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

NOTE 25—SELECTED QUARTERLY FINANCIAL DATA (Unaudited)

Selected quarterly financial data are presented below by quarter for the years ended December 31, 2006 and 2005:

	Quarter Ended			
	December 31, 2006	September 30, 2006	June 30, 2006	March 31, 2006
	(In thousands, except per share amounts)			
Net interest income	\$42,676	\$42,997	\$50,204	\$46,578
Provision for loan losses	(6,725)	(5,365)	(3,979)	(1,311)
Gain on sales of mortgage loans	202,884	210,621	224,594	171,907
Gain (loss) on sales of mortgage-backed securities and derivatives	3,305	9,849	(47)	(850)
Unrealized (loss) gain on mortgage-backed securities and derivatives	(9,663)	1,050	(7,730)	9,315
Net loan servicing fees (loss)	22,280	(2,259)	11,587	5,712
Non-interest expenses	173,368	171,280	171,179	162,461
Net income before income tax expense	84,291	87,631	105,575	70,659
Income tax expense	19,594	15,611	33,224	16,200
Net income	64,697	72,020	72,351	54,459
Net income available to common shareholders	61,393	68,715	69,047	51,154
Per share data:				
Basic	\$1.22	\$1.37	\$1.38	\$1.03

Diluted	\$ 1.21	\$ 1.36	\$1.37	\$1.02
	<div> <div>Quarter Ended</div> <div> <div>December 31,</div> <div>September 30,</div> <div>June 30,</div> <div>March 31,</div> </div> <div> <div>2005</div> <div>2005</div> <div>2005</div> <div>2005</div> </div> </div>			
	(In thousands, except per share amounts)			
Net interest income	\$ 50,378	\$ 46,869	\$44,982	\$58,803
Provision for loan losses	(2,142)	–	–	–
Gain on sales of mortgage loans	98,777	123,658	77,377	35,253
Gain on sales of current period securitized mortgage loans	–	19,960	104,377	69,919
Gain on sales of mortgage-backed securities and derivatives	38,068	6,116	620	6,132
Unrealized (loss) gain on mortgage-backed securities and derivatives	(44,778)	(10,965)	(10,292)	57,499
Net loan servicing fees (loss)	7,970	17,621	(16,260)	6,230
Non-interest expenses	150,175	149,087	141,698	109,922
Net income before income tax (benefit) expense	279	55,757	61,649	125,380
Income tax (benefit) expense	(16,419)	2,549	(3,851)	–
Net income	16,698	53,208	65,500	125,380
Net income available to common shareholders	13,394	49,904	62,196	122,075
Per share data:				
Basic	\$0.27	\$ 1.10	\$1.54	\$3.03
Diluted	\$0.27	\$ 1.09	\$1.52	\$2.99

INDEX TO EXHIBITS

<u>Exhibit No.</u>	<u>Description</u>
2.1	– Agreement and Plan of Merger, dated as of December 29, 1999, by and among American Home Mortgage Holdings, Inc., American Home Mortgage Sub I, Inc., Marina Mortgage Company, Inc. (“Marina”) and the Stockholders of Marina listed on the signature pages thereto (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K of American Home Mortgage Holdings, Inc. (File No. 000-27081) filed with the SEC on January 12, 2000).
2.2	– Agreement and Plan of Merger, dated as of January 17, 2000, by and among American Home Mortgage Holdings, Inc., American Home Mortgage Sub II, Inc., First Home Mortgage Corp., Inc. (“First Home”) and the Stockholders of First Home listed on the signature pages thereto (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K of American Home Mortgage Holdings, Inc. (File No. 000-27081) filed with the SEC on February 1, 2000).
2.3	– Stock Purchase Agreement, dated as of June 13, 2002, among Columbia National Holdings, Inc., Columbia National, Incorporated and American Home Mortgage Holdings, Inc. (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K of American Home Mortgage Holdings, Inc. (File No. 000-27081) filed with the SEC on June 14, 2002).
2.4	– Agreement and Plan of Merger, dated as of July 12, 2003, by and among American Home Mortgage Holdings, Inc., American Home Mortgage Investment Corp. (formerly named AHM New Holdco, Inc.) and Apex Mortgage Capital, Inc. (incorporated by reference to Annex A to Amendment No. 3 to the Registration Statement on Form S-4 of American Home Mortgage Investment Corp. (File No. 333-107545) filed with the SEC on October 24, 2003).
2.5	– Agreement and Plan of Reorganization, dated as of September 11, 2003, by and among American Home Mortgage Holdings, Inc., American Home Mortgage Investment Corp. (formerly named AHM New Holdco, Inc.) and AHM Merger Sub, Inc. (incorporated by reference to Annex B to Amendment No. 3 to the Registration Statement on Form S-4 of American Home Mortgage Investment Corp. (File No. 333-107545) filed with the SEC on October 24, 2003).
2.6	– Stock and Mortgage Loan Purchase Agreement, dated as of January 12, 2006, by and among American Home Mortgage Corp., Waterfield Financial Corporation and Union Federal Bank of Indianapolis (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K of American Home Mortgage Investment Corp. (File No. 001-31916) filed with the SEC on January 17, 2006).
3.1	– Articles of Amendment and Restatement of American Home Mortgage Investment Corp. (incorporated by reference to Exhibit 3.1 to the Annual Report on Form 10-K of American Home Mortgage Investment Corp. (File No. 001-31916) filed with the SEC on March 15, 2004).
3.2.1	– Articles Supplementary of American Home Mortgage Investment Corp. establishing and fixing the rights and preferences of its 9.75% Series A Cumulative Redeemable Preferred Stock, which American Home Mortgage Investment Corp. filed with the State Department of Assessments and Taxation of Maryland on July 6, 2004 (incorporated by reference to Exhibit 3.1 to the Quarterly Report on Form 10-Q of American Home Mortgage Investment Corp. (File No. 001-31916) filed with the SEC on August 9, 2004).
3.2.2	– Articles Supplementary of American Home Mortgage Investment Corp. establishing and fixing the rights and preferences of 747,500 additional shares of its 9.75% Series A Cumulative Redeemable Preferred Stock, which American Home Mortgage Investment Corp. filed with the State Department of Assessments and Taxation of Maryland on July 19, 2004 (incorporated by reference to Exhibit 3.2 to the Quarterly Report on Form 10-Q of American Home Mortgage Investment Corp. (File No. 001-31916) filed with the SEC on August 9, 2004).

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<u>Exhibit No.</u>	<u>Description</u>
3.3	– Articles Supplementary of American Home Mortgage Investment Corp. establishing and fixing the rights and preferences of its 9.25% Series B Cumulative Redeemable Preferred Stock, which American Home Mortgage Investment Corp. filed with the State Department of Assessments and Taxation of Maryland on December 14, 2004 (incorporated by reference to Exhibit 3.3 to the Annual Report on Form 10-K/A of American Home Mortgage Investment Corp. (File No. 001-31916) filed with the SEC on April 22, 2005).
3.4	– Amended and Restated Bylaws of American Home Mortgage Investment Corp. (incorporated by reference to Exhibit 3.2 to the Annual Report on Form 10-K of American Home Mortgage Investment Corp. (File No. 001-31916) filed with the SEC on March 15, 2004).
4.1	– Reference is hereby made to Exhibits 3.1 through 3.4 above.
4.2.1	– Specimen Certificate for the Common Stock of American Home Mortgage Investment Corp. (incorporated by reference to Exhibit 4.2 to the Annual Report on Form 10-K of American Home Mortgage Investment Corp. (File No. 001-31916) filed with the SEC on March 15, 2004).
4.2.2	– Specimen Certificate for the 9.75% Series A Cumulative Redeemable Preferred Stock of American Home Mortgage Investment Corp. (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form 8-A of American Home Mortgage Investment Corp. (File No. 001-31916) filed with the SEC on June 30, 2004).
4.2.3	– Specimen Certificate for the 9.25% Series B Cumulative Redeemable Preferred Stock of American Home Mortgage Investment Corp. (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form 8-A of American Home Mortgage Investment Corp. (File No. 001-31916) filed with the SEC on December 10, 2004).
10.1	– 1999 Omnibus Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Annual Report on Form 10-K of American Home Mortgage Investment Corp. (File No. 001-31916) filed with the SEC on March 16, 2006).
10.2	– Amended and Restated 1997 Stock Option Plan of Apex Mortgage Capital, Inc. (incorporated by reference to Annex J to Amendment No. 3 to the Registration Statement on Form S-4 of American Home Mortgage Investment Corp. (File No. 333-107545) filed with the SEC on October 24, 2003).
10.3.1	– Employment Agreement, dated as of August 26, 1999, by and between American Home Mortgage Holdings, Inc. and Michael Strauss (incorporated by reference to Exhibit 10.1 to Amendment No. 3 to the Registration Statement on Form S-1 of American Home Mortgage Holdings, Inc. (File No. 333-82409) filed with the SEC on August 31, 1999).
10.3.2	– Amendment to Employment Agreement, dated as of April 1, 2000, by and between American Home Mortgage Holdings, Inc. and Michael Strauss (incorporated by reference to Exhibit 10.1.2 to Amendment No. 2 to the Registration Statement on Form S-3 on Form S-1 of American Home Mortgage Holdings, Inc. (File No. 333-60050) filed with the SEC on June 7, 2001).
10.4	– Amended and Restated Employment Agreement, dated as of April 27, 2004, by and between American Home Mortgage Holdings, Inc. and John A. Johnston (incorporated by reference to Exhibit 10.8 to the Quarterly Report on Form 10-Q of American Home Mortgage Investment Corp. (File No. 001-31916) filed with the SEC on May 10, 2004).
10.5	– Employment Agreement, dated as of March 1, 2003, by and between American Home Mortgage Holdings, Inc. and Stephen Hozie (incorporated by reference to Exhibit 10.7 to the Annual Report on Form 10-K of American Home Mortgage Investment Corp. (File No. 001-31916) filed with the SEC on March 15, 2004).

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<u>Exhibit No.</u>	<u>Description</u>
10.6	– Employment Agreement, dated as of December 23, 2002, by and between American Home Mortgage Corp. and Alan Horn (incorporated by reference to Exhibit 10.7 to the Annual Report on Form 10-K of American Home Mortgage Holdings, Inc. (File No. 000-27081) filed with the SEC on March 31, 2003).
10.7	– Employment Agreement, dated as of June 30, 2006, by and between American Home Mortgage Investment Corp. and Thomas McDonagh (filed herewith).
10.8	– Employment Agreement, dated as of April 1, 2004, by and between American Home Mortgage Holdings, Inc. and Donald Henig (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of American Home Mortgage Investment Corp. (File No. 001-31916) filed with the SEC on May 10, 2006).
10.9	– Employment Agreement, dated as of October 1, 2004, by and between American Home Mortgage Holdings, Inc. and Dena Kwaschyn (incorporated by reference to Exhibit 10.7 to the Annual Report on Form 10-K/A of American Home Mortgage Investment Corp. (File No. 001-31916) filed with the SEC on April 22, 2005).
10.10	– Employment Agreement, dated as of September 1, 2003, by and between American Home Mortgage Corp. and Ronald Rosenblatt, Ph.D. (incorporated by reference to Exhibit 10.10 to the Annual Report on Form 10-K of American Home Mortgage Investment Corp. (File No. 001-31916) filed with the SEC on March 15, 2004).
10.11	– Amended and Restated Employment Agreement, dated as of December 30, 2004, by and between American Home Mortgage Holdings, Inc. and Thomas J. Fiddler (incorporated by reference to Exhibit 10.9 to the Annual Report on Form 10-K/A of American Home Mortgage Investment Corp. (File No. 001-31916) filed with the SEC on April 22, 2005).
10.12	– Employment Agreement, dated as of January 1, 2005, by and between American Home Mortgage Holdings, Inc. and Richard Loeffler (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of American Home Mortgage Investment Corp. (File No. 001-31916) filed with the SEC on May 6, 2005).
10.13	– Amended and Restated Employment Agreement, dated as of December 14, 2004, by and between American Home Mortgage Holdings, Inc. and John A. Manglardi (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q of American Home Mortgage Investment Corp. (File No. 001-31916) filed with the SEC on May 6, 2005).
10.14.1	– Amended and Restated Mortgage Loan Purchase Agreement, dated as of February 6, 2004, by and among UBS Real Estate Securities Inc., American Home Mortgage Investment Corp., American Home Mortgage Acceptance, Inc., American Home Mortgage Holdings, Inc., American Home Mortgage Corp. and Columbia National, Incorporated (incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q of American Home Mortgage Investment Corp. (File No. 001-31916) filed with the SEC on May 10, 2004).
10.14.2	– Amended and Restated Mortgage Loan Repurchase Agreement, dated as of February 6, 2004, by and among UBS Real Estate Securities Inc., American Home Mortgage Investment Corp., American Home Mortgage Acceptance, Inc., American Home Mortgage Holdings, Inc., American Home Mortgage Corp. and Columbia National, Incorporated (incorporated by reference to Exhibit 10.4 to the Quarterly Report on Form 10-Q of American Home Mortgage Investment Corp. (File No. 001-31916) filed with the SEC on May 10, 2004).
10.14.3	– Amended and Restated Mortgage Loan Custodial Agreement, dated as of February 6, 2004, by and among UBS Real Estate Securities Inc., Deutsche Bank National Trust Company, American Home Mortgage Investment Corp., American Home Mortgage Acceptance, Inc., American Home Mortgage Holdings, Inc., American Home Mortgage Corp. and Columbia National, Incorporated (incorporated by reference to Exhibit 10.5 to the Quarterly Report on Form 10-Q of American Home Mortgage Investment Corp. (File No. 001-31916) filed with the SEC on May 10, 2004).

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Exhibit No.	Description
10.14.4	– Amended and Restated Mortgage Loan Participation Agreement, dated as of February 6, 2004, by and among UBS Real Estate Securities Inc., American Home Mortgage Investment Corp., American Home Mortgage Acceptance, Inc., American Home Mortgage Holdings, Inc., American Home Mortgage Corp. and Columbia National, Incorporated (incorporated by reference to Exhibit 10.6 to the Quarterly Report on Form 10-Q of American Home Mortgage Investment Corp. (File No. 001-31916) filed with the SEC on May 10, 2004).
10.14.5	– Amended and Restated Custodial Agreement, dated as of February 6, 2004, by and among UBS Real Estate Securities Inc., Deutsche Bank National Trust Company, American Home Mortgage Investment Corp., American Home Mortgage Acceptance, Inc., American Home Mortgage Holdings, Inc., American Home Mortgage Corp. and Columbia National, Incorporated (incorporated by reference to Exhibit 10.7 to the Quarterly Report on Form 10-Q of American Home Mortgage Investment Corp. (File No. 001-31916) filed with the SEC on May 10, 2004).
10.15.1	– Master Repurchase Agreement, dated as of December 14, 2005, among Greenwich Capital Financial Products, Inc., American Home Mortgage Corp., American Home Mortgage Acceptance, Inc. and American Home Mortgage Investment Corp. (incorporated by reference to Exhibit 10.15 to the Annual Report on Form 10-K of American Home Mortgage Investment Corp. (File No. 001-31916) filed with the SEC on March 16, 2006).
10.15.2	Amendment No. 1, dated as of September 16, 2006, to the Master Repurchase Agreement, dated as of December 14, 2005, among Greenwich Capital Financial Products, Inc., American Home Mortgage Corp., American Home Mortgage Acceptance, Inc. and American Home Mortgage Investment Corp. (filed herewith).
10.15.3	Amendment No. 2, dated as of December 13, 2006, to the Master Repurchase Agreement, dated as of December 14, 2005, among Greenwich Capital Financial Products, Inc., American Home Mortgage Corp., American Home Mortgage Acceptance, Inc. and American Home Mortgage Investment Corp. (filed herewith).
10.15.4	Amendment No. 3, dated as of January 12, 2007, to the Master Repurchase Agreement, dated as of December 14, 2005, among Greenwich Capital Financial Products, Inc., American Home Mortgage Corp., American Home Mortgage Acceptance, Inc. and American Home Mortgage Investment Corp. (filed herewith).
10.16.1	– Master Repurchase Agreement, dated as of November 14, 2006, by and among American Home Mortgage Acceptance, Inc., American Home Mortgage Corp., American Home Mortgage Investment Corp., American Home Mortgage Servicing, Inc., the buyers from time to time a party thereto and Barclays Bank PLC (filed herewith).
10.16.2	– Custodial Agreement, dated as of November 14, 2006, by and among Barclays Bank PLC, American Home Mortgage Acceptance, Inc., American Home Mortgage Corp., American Home Mortgage Investment Corp., American Home Mortgage Servicing, Inc. and Deutsche Bank National Trust Company (filed herewith).
10.17.1	– Repurchase Agreement, dated as of November 21, 2006, by and among American Home Mortgage Corp., American Home Mortgage Acceptance, Inc., American Home Mortgage Investment Corp., American Home Mortgage Servicing, Inc., La Fayette Asset Securitization LLC, Amsterdam Funding Corporation, Barton Capital LLC, Park Avenue Receivables Company, LLC, Starbird Funding Corporation, Lloyds TSB Bank PLC, ABN Amro Bank N.V., Societe Generale, JPMorgan Chase Bank, N.A, BNP Paribas and Calyon New York Branch (filed herewith).
10.17.2	– Custodial Agreement, dated as of November 21, 2006, by and among American Home Mortgage Corp., American Home Mortgage Acceptance, Inc., American Home Mortgage Investment Corp., American Home Mortgage Servicing, Inc., Calyon New York Branch and Deutsche Bank National Trust Company (filed herewith).

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<u>Exhibit No.</u>	<u>Description</u>
10.17.3	– Second Amended and Restated Servicer Performance Guaranty, dated as of November 21, 2006, by American Home Mortgage Investment Corp. in favor of Calyon New York Branch (filed herewith).
10.18.1	– Third Amended and Restated Master Repurchase Agreement, dated as of July 15, 2005, by and among IXIS Real Estate Capital Inc. (formerly known as CDC Mortgage Capital Inc.), American Home Mortgage Corp., American Home Mortgage Investment Corp., American Home Mortgage Acceptance, Inc., American Home Mortgage Holdings, Inc. and American Home Mortgage Servicing, Inc. (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q of American Home Mortgage Investment Corp. (File No. 001-31916) filed with the SEC on July 29, 2005).
10.18.2	– Amendment No. 1, dated as of September 29, 2006, to the Third Amended and Restated Master Repurchase Agreement, dated as of July 15, 2005, by and among American Home Mortgage Corp., American Home Mortgage Investment Corp., American Home Mortgage Acceptance, Inc., American Home Mortgage Servicing, Inc. and IXIS Real Estate Capital Inc. (incorporated by reference to Exhibit 10.6 to the Quarterly Report on Form 10-Q of American Home Mortgage Investment Corp. (File No. 001-31916) filed with the SEC on November 9, 2006).
10.18.3	– Amendment No. 2, dated as of January 29, 2007, to the Third Amended and Restated Master Repurchase Agreement, dated as of July 15, 2005, by and among American Home Mortgage Corp., American Home Mortgage Investment Corp., American Home Mortgage Acceptance, Inc., American Home Mortgage Servicing, Inc. and IXIS Real Estate Capital Inc. (filed herewith).
10.18.4	– Third Amended and Restated Custodial and Disbursement Agreement, dated as of January 29, 2007, by and among American Home Mortgage Investment Corp., American Home Mortgage Acceptance, Inc., American Home Mortgage Holdings, Inc., American Home Mortgage Corp., American Home Mortgage Servicing, Inc., IXIS Real Estate Capital Inc. and Deutsche Bank National Trust Company (filed herewith).
10.19	– Second Amended and Restated Credit Agreement, dated as of August 10, 2006, by and among American Home Mortgage Investment Corp., American Home Mortgage Servicing, Inc., American Home Mortgage Corp., American Home Mortgage Acceptance, Inc., the Lenders from time to time party thereto, Bank of America, N.A., Calyon New York Branch, Deutsche Bank Securities Inc., Citibank, N.A., JPMorgan Chase Bank, N.A., Merrill Lynch Bank USA and Banc of America Securities LLC (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of American Home Mortgage Investment Corp. (File No. 001-31916) filed with the SEC on August 28, 2006).
10.20.1	– Mortgage Loan Purchase and Sale Agreement, dated as of January 1, 2004, by and among Greenwich Capital Financial Products, Inc., American Home Mortgage Corp and American Home Mortgage Servicing, Inc. f/k/a Columbia National, Incorporated (incorporated by reference to Exhibit 10.5.1 to the Quarterly Report on Form 10-Q of American Home Mortgage Investment Corp. (File No. 001-31916) filed with the SEC on May 6, 2005).
10.20.2	– First Amendment, dated as of September 1, 2004, to the Mortgage Loan Purchase and Sale Agreement, dated as of January 1, 2004, by and among Greenwich Capital Financial Products, Inc., American Home Mortgage Corp. and American Home Mortgage Servicing, Inc. (incorporated by reference to Exhibit 10.6 to the Quarterly Report on Form 10-Q of American Home Mortgage Investment Corp. (File No. 001-31916) filed with the SEC on November 9, 2004).
10.20.3	– Second Amendment, dated as of September 28, 2005, to the Mortgage Loan Purchase and Sale Agreement, dated as of January 1, 2004, by and among Greenwich Capital Financial Products, Inc., American Home Mortgage Corp. and American Home Mortgage Servicing, Inc. (incorporated by reference to Exhibit 10.22.3 to the Annual Report on Form 10-K of American Home Mortgage Investment Corp. (File No. 001-31916) filed with the SEC on March 16, 2006).

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<u>Exhibit No.</u>	<u>Description</u>
10.20.4	– Custodial Agreement, dated as of January 1, 2004, by and among Greenwich Capital Financial Products, Inc., Deutsche Bank National Trust Company, American Home Mortgage Corp. and American Home Mortgage Servicing, Inc. f/k/a Columbia National, Incorporated (incorporated by reference to Exhibit 10.5.2 to the Quarterly Report on Form 10-Q of American Home Mortgage Investment Corp. (File No. 001-31916) filed with the SEC on May 6, 2005).
10.21.1	– Master Repurchase Agreement, dated as of September 13, 2006, by and among American Home Mortgage Corp., American Home Mortgage Acceptance, Inc., American Home Mortgage Servicing, Inc., American Home Mortgage Investment Corp., American Home Mortgage Holdings, Inc. and Credit Suisse First Boston Mortgage Capital LLC (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of American Home Mortgage Investment Corp. (File No. 001-31916) filed with the SEC on November 9, 2006).
10.21.2	– Guaranty, dated as of September 13, 2006, by American Home Mortgage Holdings, Inc. in favor of Credit Suisse First Boston Mortgage Capital LLC (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q of American Home Mortgage Investment Corp. (File No. 001-31916) filed with the SEC on November 9, 2006).
10.21.3	– Custodial Agreement, dated as of September 13, 2006, by and among American Home Mortgage Corp., American Home Mortgage Acceptance, Inc., American Home Mortgage Servicing, Inc., American Home Mortgage Investment Corp., Credit Suisse First Boston Mortgage Capital LLC and Deutsche Bank National Trust Company (incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q of American Home Mortgage Investment Corp. (File No. 001-31916) filed with the SEC on November 9, 2006).
10.22.1	– Whole Loan Purchase and Sale Agreement, dated as of September 22, 2006, by and among American Home Mortgage Corp., American Home Mortgage Investment Corp., American Home Mortgage Servicing, Inc., Aspen Funding Corp., Gemini Securitization Corp., LLC, Newport Funding Corp. and Sedona Capital Funding Corp., LLC (incorporated by reference to Exhibit 10.4 to the Quarterly Report on Form 10-Q of American Home Mortgage Investment Corp. (File No. 001-31916) filed with the SEC on November 9, 2006).
10.22.2	– Whole Loan Custodial Agreement, dated as of September 22, 2006, by and among American Home Mortgage Corp., American Home Mortgage Investment Corp., American Home Mortgage Servicing, Inc., Aspen Funding Corp., Gemini Securitization Corp., LLC, Newport Funding Corp., Sedona Capital Funding Corp., LLC and Deutsche Bank National Trust Company (incorporated by reference to Exhibit 10.5 to the Quarterly Report on Form 10-Q of American Home Mortgage Investment Corp. (File No. 001-31916) filed with the SEC on November 9, 2006).
10.23.1	– Mortgage Loan Purchase and Sale Agreement, dated as of October 16, 2006, by and among American Home Mortgage Corp., American Home Mortgage Servicing, Inc., the entities party thereto as conduit purchasers, committed purchasers and funding agents and Societe Generale, as Administrative Agent (incorporated by reference to Exhibit 10.7 to the Quarterly Report on Form 10-Q of American Home Mortgage Investment Corp. (File No. 001-31916) filed with the SEC on November 9, 2006).
10.23.2	– Performance Guaranty, dated as of October 16, 2006, by American Home Mortgage Holdings, Inc. and American Home Mortgage Investment Corp. in favor of Societe Generale, as Administrative Agent for the purchasers party to the Mortgage Loan Purchase and Sale Agreement, dated as of October 16, 2006 (incorporated by reference to Exhibit 10.8 to the Quarterly Report on Form 10-Q of American Home Mortgage Investment Corp. (File No. 001-31916) filed with the SEC on November 9, 2006).

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<u>Exhibit No.</u>	<u>Description</u>
10.23.3	– Custodial Agreement, dated as of October 16, 2006, by and among American Home Mortgage Corp., American Home Mortgage Servicing, Inc., Societe Generale and Deutsche Bank National Trust Company (incorporated by reference to Exhibit 10.9 to the Quarterly Report on Form 10-Q of American Home Mortgage Investment Corp. (File No. 001-31916) filed with the SEC on November 9, 2006).
10.24	– Agreement of Lease, dated October 20, 1995, between Reckson Operating Partnership, L.P., as Landlord, Choicecare Long Island, Inc., as Assignor, and American Home Mortgage Corp., as Assignee, as amended on September 30, 1999 (incorporated by reference to Exhibit 10.35 to the Annual Report on Form 10-K of American Home Mortgage Holdings, Inc. (File No. 000-27081) filed with the SEC on March 30, 2000).
10.25	– Agreement of Lease, dated as of November 24, 2003, between AHM SPV II, LLC, and American Home Mortgage Corp. (incorporated by reference to Exhibit 10.20 to the Annual Report on Form 10-K of American Home Mortgage Investment Corp. (File No. 001-31916) filed with the SEC on March 15, 2004).
10.26	– Lease Agreement, dated as of November 1, 2003, between Suffolk County Development Agency (Suffolk County, New York) and AHM SPV II, LLC (incorporated by reference to Exhibit 10.21 to the Annual Report on Form 10-K of American Home Mortgage Investment Corp. (File No. 001-31916) filed with the SEC on March 15, 2004).
21.1	– Subsidiaries of American Home Mortgage Investment Corp. (filed herewith).
23.1	– Consent of Deloitte & Touche LLP (filed herewith).
31.1	– Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15(d)-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	– Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15(d)-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	– Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.2	– Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).

EMPLOYMENT AGREEMENT

This Employment Agreement, effective as of June 30, 2006 (this "Agreement"), is by and between American Home Mortgage Investment Corp., a Maryland corporation having a place of business at 538 Broadhollow Road, Melville, NY 11747 (the "Company"), and Thomas McDonagh, currently residing at [address omitted] (the "Executive").

Whereas the Company wishes to assure itself of the services of the Executive, and the Executive desires to be employed by the Company, upon the terms and conditions hereinafter set forth.

The Company and the Executive hereby agree as follows:

1. Employment. The Company agrees to employ the Executive, and the Executive hereby accepts such employment by the Company during the term set forth in Section 2 and on the other terms and conditions of this Agreement.

2. Term. The term of this Agreement shall commence on June 30, 2006, and shall terminate on June 29, 2007 unless terminated earlier pursuant to section 6, below.

3. Position, Duties and Responsibilities, Rights.

(a) During the term of this Agreement, the Executive shall serve as and hold the office and title of Executive Vice President and Chief Investment Officer. The Executive shall have all of the powers and duties usually incident to the office described above, and shall at all times comply with all policies of the Company relating to the Executive's employment.

(b) During the term of this Agreement, the Executive agrees to devote substantially all the Executive's time, efforts and skills to the affairs of the Company during the Company's normal business hours, except for vacations, illness and incapacity, but nothing in this Agreement shall preclude the Executive from devoting reasonable periods to (i) manage the Executive's personal investments, (ii) participate in professional, educational, public interest, charitable, civic or community activities, including activities sponsored by trade organizations, (iii) serve as a director or member of an advisory committee of any corporation not in competition with the Company or any of its subsidiaries, or as an officer, trustee or director of any charitable, educational, philanthropic, civic, social or industry organizations, or as a speaker; provided, however, that the performance of the Executive's duties or responsibilities in any of such capacities does not materially interfere with the regular performance of the Executive's duties and responsibilities hereunder.

4. Place of Performance. In connection with the Executive's employment by the Company, the Executive shall be based in Melville, New York, and shall not be required to be absent from there on travel status or otherwise for more than a reasonable time each year as necessary or appropriate for the performance of the Executive's duties hereunder.

5. Compensation

(a) During the term of this Agreement, the Company shall pay the Executive, and the Executive agrees to accept a base salary at the rate of not less than \$900,000.00 per year (the annual base salary as increased from time to time during the term of this Agreement being hereinafter referred to as the "Base Salary"). The Base Salary shall be paid in installments no less frequently than monthly. Any increase in Base Salary or other compensation shall not limit or reduce any other obligation of the Company hereunder, and once established at an increased specified rate, the Executive's Base Salary hereunder shall not thereafter be reduced.

(b) The Executive shall be eligible to receive a bonus in an amount between \$750,000.00 and \$900,000.00, subject to the terms of this section 5(b) (the "Bonus"). The actual amount of the Bonus shall be determined by the Chief Executive Officer of the Company (the "CEO") based upon the CEO's evaluation of the Executive's overall performance. The Bonus shall be payable no later than the last day of March, 2007.

Notwithstanding anything to the contrary in this section 5(b) above, the Executive shall not be entitled to receive the Bonus if the Executive is no longer an employee of the Company on the bonus payment date; except the Executive shall be entitled to payment of the Bonus if the Executive is no longer an employee of the Company on the bonus payment date and the termination of the Executive's employment was by the Company without Cause, or by the Executive for Good Reason. For purposes of this Agreement, a termination of the Executive's employment by the Company for any of the following reasons shall be deemed a termination for Cause:

- (i) default or other breach by the Executive of the Executive's obligations hereunder; or
- (ii) failure by the Executive to diligently or competently perform the duties assigned to the Executive hereunder; or
- (iii) misconduct, dishonesty, insubordination, or other act by the Executive detrimental to the Company or its good will or damaging to its relationships with any person or entity; or
- (iv) conviction of or plea of guilty or no contest to a felony or any crime involving moral turpitude, dishonesty, or theft.

The Executive may resign for Good Reason (i) if the Company reduces the Executive's rate of compensation; (ii) if the Company materially breaches the terms of this Agreement; (iii) if the Company makes a material adverse change to the Executive's responsibilities hereunder; or (iv) if any person or entity, other than the Board of Directors of the Company as constituted as of the date of this Agreement either individually, collectively or through an entity created for the following purpose, obtains control of twenty five percent (25%) or more of the voting securities of the Company, and the Executive's responsibilities are diminished as a result thereof and the Executive consequently resigns.

(c) During the term of this Agreement, the Executive shall be entitled to fringe benefits, in each case at least equal to and on the same terms and conditions as those attached to the Executive's office on the date hereof, as the same may be amended or modified by the Company from time to time.

(d) The Executive shall be entitled to reimbursement, upon proper accounting, of all reasonable expenses and disbursements incurred by the Executive in the course of performing the Executive's duties hereunder.

6. Employment At Will The Executive's employment hereunder shall be at all times "at will". The Company may discharge the Executive and terminate this Agreement at any time and for any reason, and the Executive may resign from the Company for any reason. If the Executive terminates the Executive's employment with the Company, the Executive shall provide the Company with four weeks notice of such termination pursuant to section 12 herein.

7. Confidential and Proprietary Information; Company Property For the purpose of this section, Confidential Information shall mean all information and intellectual property owned by and proprietary to the Company, including but not limited to customer or client information, contracts or agreements, data, records, financial information, software, product information, strategic business plans, trade secrets, manuals, business methodology and processes, and cost and pricing policies; except Confidential Information shall not include information or intellectual property of the Company described above which the Company reasonably deems non-material, and when the disclosure of such information or intellectual property will not have an adverse effect on the Company. All Confidential Information disclosed or provided to the Executive by the Company, or developed or created by the Executive during the term of the Executive's employment with the Company, is, shall become, and shall at all times remain, the sole and exclusive property of the Company. The Executive agrees not to disclose the Confidential Information to any other party, except to the extent that such disclosure is reasonably necessary in order for the Executive to perform the Executive's responsibilities as an executive of the Company. The Executive also agrees that the Executive will not use the Confidential Information for any purpose other than to fulfill the Executive's responsibilities as an executive of the Company.

The Executive acknowledges, understands, and agrees that the Confidential Information is of substantial value to the Company and that, in the event of the use or disclosure of such Confidential Information in breach of this Agreement, the resulting damages will be difficult, if not impossible, to determine and that money damages will be inadequate. Therefore, without prejudice to the rights and remedies otherwise available to the Company, and in addition to such rights and remedies, the Company shall be entitled to equitable relief by way of injunction if the Executive breaches or threatens to breach any of the provisions of this Agreement relating to the Executive's use or disclosure of any of the Confidential Information.

The Executive further acknowledges that the Company may provide the Executive with access to or use of equipment or other property owned or leased by the Company ("Company Property"). The Executive agrees to abide by all agreements and policies relating to the use of Company Property, as may be in effect or modified from time to time at the sole discretion of the Company. The Executive further agrees to promptly return in good working condition all Company Property in the Executive's possession upon termination of the Executive's employment with the Company for any reason, and shall be liable in damages, including but not limited to replacement cost, for any financial loss to the Company if Company Property is not returned in such manner.

The Executive agrees that this section shall survive the termination of this Agreement, and that all of the obligations of the Executive set forth in this section shall remain in full force and effect after this Agreement is terminated. The Executive further agrees that, upon termination of this Agreement, the Executive will return to the General Counsel all Confidential Information (including all copies of Confidential Information) which is then in, or which later comes into, the Executive's possession or custody.

8. Non-Solicitation; Non-Disparagement The Executive agrees that: (a) during the term of the Executive's employment with the Company, and for a period of one (1) year after termination of the Executive's employment with the Company, whether such termination is voluntary or involuntary, with or without cause, the Executive shall not, directly or indirectly, influence or advise any other person to employ or solicit for employment anyone who is an employee of the Company; and (b) during the term of Executive's employment with the Company, and for a period of one (1) year after termination of the Executive's employment with the Company, whether such termination is voluntary or involuntary, with or without cause, the Executive shall not, directly or indirectly, influence or advise any person who is an employee of the Company, to leave the employment of the Company, and shall not employ any person who is an employee of the Company. The Executive expressly agrees that this section is fair and reasonable and that Executive is being adequately compensated for agreeing to the terms of this section. The Executive's obligations as set forth in this section shall survive the termination of this Agreement.

The Company and the Executive agree that neither will disparage the other, and that their representatives will not disparage either party hereto.

9. Non-Compete. The Executive agrees that, during the term of the Executive's employment with the Company, the Executive shall not, directly or indirectly, engage, participate, make any financial investment in, or become employed by or render advisory or other services to or for any person, firm, corporation or other business enterprise which is, or is reasonably likely to become engaged, directly or indirectly, in competition with the Company in any county in which the Company is doing business at the time the Executive's employment with the Company terminates; except the Executive may make an investment, otherwise prohibited by this section, in one percent (1%) or less of the outstanding stock of a company publicly traded on the New York Stock Exchange, NASDAQ, or the American Stock Exchange. The Executive expressly agrees that this section is fair and reasonable and that the Executive is being adequately compensated for agreeing to the terms of this section.

10. Entire Agreement; Amendment.

(a) This Agreement contains the entire understanding of the parties with respect to the subject matter hereof and supersedes any and all other agreements between the parties, their predecessors and affiliates.

(b) Any amendment of this Agreement shall not be binding unless in writing and signed by both the CEO and the Executive.

11. Enforceability. If any provision of this Agreement is determined to be invalid or unenforceable, the remaining terms and conditions of this Agreement shall be unaffected and shall remain in full force and effect, and any such determination of invalidity or enforceability shall not affect the validity or enforceability of any other provision of this Agreement.

12. Notices. All notices which may be necessary or proper for either the Company or the Executive to give to the other shall be in writing and shall be sent by hand delivery, registered or certified mail, return receipt requested or overnight courier, if to the Executive at [address omitted] and, if to the Company, to it at its principal executive offices at 538 Broadhollow Road, Melville, NY 11747, Attention: Human Resources Director, with a copy to the Company's General Counsel, and shall be deemed given when sent. Either party may by like notice to the other party change the address at which it is to receive notices hereunder.

13. Counterparts. This Agreement can be executed in any number of counterparts, each of which shall be effective only upon delivery and thereafter shall be deemed an original, and all of which shall be taken to be one and the same instrument, for the same effect as if all parties hereto had signed the same signature page.

14. Facsimile Signatures. A facsimile copy of either party's signature shall be deemed as legally binding as the original signature.

15. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND BE ENFORCEABLE IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO THE PRINCIPLES OF CONFLICTS OF LAWS THEREOF.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date below.

American Home Mortgage Investment Corp.

Dated: 12/4/06

By:

/s/ Michael Strauss

Name: Michael Strauss

Title: Chief Executive Officer

Dated: 12/4/06

/s/ Thomas McDonagh

Thomas McDonagh

AMENDMENT NUMBER ONE

to the

Master Repurchase Agreement

Dated as of December 14, 2005,

among

AMERICAN HOME MORTGAGE CORP.,

AMERICAN HOME MORTGAGE ACCEPTANCE, INC.,

AMERICAN HOME MORTGAGE INVESTMENT CORP.,

and

GREENWICH CAPITAL FINANCIAL PRODUCTS, INC.

This AMENDMENT NUMBER ONE is made this 16th day of September, 2006, among AMERICAN HOME MORTGAGE CORP., AMERICAN HOME MORTGAGE ACCEPTANCE, INC. and AMERICAN HOME MORTGAGE INVESTMENT CORP. (each, and jointly and severally, the “Seller” or the “Sellers”) and GREENWICH CAPITAL FINANCIAL PRODUCTS, INC., (the “Buyer”), to the Master Repurchase Agreement, dated as of December 14, 2005, by and among the Sellers and the Buyer as amended (the “Agreement”). Capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Agreement.

RECITALS

WHEREAS, the Sellers have requested and the Buyer has agreed to amend the Agreement to extend the termination date thereunder, as more specifically set forth herein; and

WHEREAS, the Sellers and the Buyer have agreed to amend the Agreement as set forth herein.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and for the mutual covenants herein contained, the parties hereto hereby agree as follows:

SECTION 1. Effective as of September 16, 2006, the definition of “Termination Date” in Section 2 of the Agreement is hereby amended to read in its entirety as follows:

“Termination Date” shall mean (i) December 13, 2006, (ii) such earlier date on which Buyer may elect, in its sole discretion, by providing thirty (30) days’ prior written notice to Seller or (iii) such earlier date on which this Agreement shall terminate in accordance with the provisions hereof or by operation of law.

SECTION 3. Further Acts, Fees and Expenses. In connection with this Amendment, Sellers agree to pay to the Buyer all fees and out of pocket expenses incurred by the Buyer in connection with this Amendment Number One (including all reasonable fees and out of pocket

costs and expenses of the Buyer' s legal counsel incurred in connection with this Amendment Number One), in accordance with the Agreement.

SECTION 4. Effectiveness of Amendment. This Amendment Number One shall be effective upon the Buyer' s receipt of the fees and expenses pursuant to Section 3 above.

SECTION 5. Defined Terms. Any terms capitalized but not otherwise defined herein should have the respective meanings set forth in the Agreement.

SECTION 6. Limited Effect. Except as amended hereby, the Agreement shall continue in full force and effect in accordance with its terms. Reference to this Amendment need not be made in the Agreement or any other instrument or document executed in connection therewith, or in any certificate, letter or communication issued or made pursuant to, or with respect to, the Agreement, any reference in any of such items to the Agreement being sufficient to refer to the Agreement as amended hereby.

SECTION 7. Representations. The Sellers hereby represent to the Buyer that as of the date hereof, the Sellers are in full compliance with all of the terms and conditions of the Agreement and no Default or Event of Default has occurred and is continuing under the Agreement.

SECTION 8. Governing Law. This Amendment Number One shall be construed in accordance with the laws of the State of New York and the obligations, rights, and remedies of the parties hereunder shall be determined in accordance with such laws without regard to conflict of laws doctrine applied in such state (other than Section 5-1401 of the New York General Obligations Law).

SECTION 9. Counterparts. This Amendment Number One may be executed by each of the parties hereto on any number of separate counterparts, each of which shall be an original and all of which taken together shall constitute one and the same instrument.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Sellers and the Buyer have caused this Amendment Number One to be executed and delivered by their duly authorized officers as of the day and year first above written.

SELLERS:

AMERICAN HOME MORTGAGE CORP.

By: /s/ Alan B. Horn

Name: Alan B. Horn

Title: Executive Vice President

General Counsel & Secretary

**AMERICAN HOME MORTGAGE
ACCEPTANCE, INC.**

By: /s/ Alan B. Horn

Name: Alan B. Horn

Title: Executive Vice President

General Counsel & Secretary

**AMERICAN HOME MORTGAGE INVESTMENT
CORP.**

By: /s/ Alan B. Horn

Name: Alan B. Horn

Title: Executive Vice President

General Counsel & Secretary

BUYER:

**GREENWICH CAPITAL FINANCIAL
PRODUCTS, INC.**

By: /s/ Anthony Palmisano

Name: Anthony Palmisano

Title: Managing Director

AMENDMENT NUMBER TWO

to the

Master Repurchase Agreement

Dated as of December 14, 2005,

among

AMERICAN HOME MORTGAGE CORP.,

AMERICAN HOME MORTGAGE ACCEPTANCE, INC.,

AMERICAN HOME MORTGAGE INVESTMENT CORP.,

and

GREENWICH CAPITAL FINANCIAL PRODUCTS, INC.

This AMENDMENT NUMBER TWO is made this 13th day of December, 2006, among AMERICAN HOME MORTGAGE CORP., AMERICAN HOME MORTGAGE ACCEPTANCE, INC. and AMERICAN HOME MORTGAGE INVESTMENT CORP. (each, and jointly and severally, the “Seller” or the “Sellers”) and GREENWICH CAPITAL FINANCIAL PRODUCTS, INC., (the “Buyer”), to the Master Repurchase Agreement, dated as of December 14, 2005, by and among the Sellers and the Buyer as amended (the “Agreement”). Capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Agreement.

RECITALS

WHEREAS, the Sellers have requested and the Buyer has agreed to amend the Agreement to extend the termination date thereunder, as more specifically set forth herein; and

WHEREAS, the Sellers and the Buyer have agreed to amend the Agreement as set forth herein.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and for the mutual covenants herein contained, the parties hereto hereby agree as follows:

SECTION 1. Effective as of December 13, 2006, the definition of “Termination Date” in Section 2 of the Agreement is hereby amended to read in its entirety as follows:

“Termination Date” shall mean (i) January 15, 2007, (ii) such earlier date on which Buyer may elect, in its sole discretion, by providing thirty (30) days’ prior written notice to Seller or (iii) such earlier date on which this Agreement shall terminate in accordance with the provisions hereof or by operation of law.

SECTION 3. Further Acts, Fees and Expenses. In connection with this Amendment, Sellers agree to pay to the Buyer all fees and out of pocket expenses incurred by the Buyer in connection with this Amendment Number Two (including all reasonable fees and out of pocket costs and expenses of the Buyer’s legal counsel incurred in connection with this Amendment Number Two), in accordance with the Agreement.

SECTION 4. Effectiveness of Amendment. This Amendment Number Two shall be effective upon the Buyer' s receipt of the fees and expenses pursuant to Section 3 above.

SECTION 5. Defined Terms. Any terms capitalized but not otherwise defined herein should have the respective meanings set forth in the Agreement.

SECTION 6. Limited Effect. Except as amended hereby, the Agreement shall continue in full force and effect in accordance with its terms. Reference to this Amendment need not be made in the Agreement or any other instrument or document executed in connection therewith, or in any certificate, letter or communication issued or made pursuant to, or with respect to, the Agreement, any reference in any of such items to the Agreement being sufficient to refer to the Agreement as amended hereby.

SECTION 7. Representations. The Sellers hereby represent to the Buyer that as of the date hereof, the Sellers are in full compliance with all of the terms and conditions of the Agreement and no Default or Event of Default has occurred and is continuing under the Agreement.

SECTION 8. Governing Law. This Amendment Number Two shall be construed in accordance with the laws of the State of New York and the obligations, rights, and remedies of the parties hereunder shall be determined in accordance with such laws without regard to conflict of laws doctrine applied in such state (other than Section 5-1401 of the New York General Obligations Law).

SECTION 9. Counterparts. This Amendment Number Two may be executed by each of the parties hereto on any number of separate counterparts, each of which shall be an original and all of which taken together shall constitute one and the same instrument.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Sellers and the Buyer have caused this Amendment Number Two to be executed and delivered by their duly authorized officers as of the day and year first above written.

SELLERS:

AMERICAN HOME MORTGAGE CORP.

By: /s/ Stephen A. Hozie
Name: Stephen A. Hozie
Title: Executive Vice President
& Chief Financial Officer

**AMERICAN HOME MORTGAGE
ACCEPTANCE, INC.**

By: /s/ Stephen A. Hozie
Name: Stephen A. Hozie
Title: Executive Vice President
& Chief Financial Officer

**AMERICAN HOME MORTGAGE
INVESTMENT CORP.**

By: /s/ Stephen A. Hozie
Name: Stephen A. Hozie
Title: Executive Vice President
& Chief Financial Officer

BUYER:

**GREENWICH CAPITAL FINANCIAL
PRODUCTS, INC.**

By: /s/ Anthony Palmisano
Name: Anthony Palmisano
Title: Managing Director

AMENDMENT NUMBER THREE

to the

Master Repurchase Agreement

Dated as of December 14, 2005,

among

AMERICAN HOME MORTGAGE CORP.,

AMERICAN HOME MORTGAGE ACCEPTANCE, INC.,

AMERICAN HOME MORTGAGE INVESTMENT CORP.,

and

GREENWICH CAPITAL FINANCIAL PRODUCTS, INC.

This AMENDMENT NUMBER THREE is made this 12th day of January, 2007, among AMERICAN HOME MORTGAGE CORP., AMERICAN HOME MORTGAGE ACCEPTANCE, INC. and AMERICAN HOME MORTGAGE INVESTMENT CORP. (each, and jointly and severally, the “Seller” or the “Sellers”) and GREENWICH CAPITAL FINANCIAL PRODUCTS, INC., (the “Buyer”), to the Master Repurchase Agreement, dated as of December 14, 2005, by and among the Sellers and the Buyer, as amended (the “Agreement”). Capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Agreement.

RECITALS

WHEREAS, the Sellers have requested and the Buyer has agreed to amend the Agreement to extend the termination date thereunder, as more specifically set forth herein; and

WHEREAS, the Sellers and the Buyer have agreed to amend the Agreement as set forth herein.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and for the mutual covenants herein contained, the parties hereto hereby agree as follows:

SECTION 1. Effective as of January 12, 2007, the definition of “Termination Date” in Section 2 of the Agreement is hereby amended to read in its entirety as follows:

“Termination Date” shall mean (i) February 28, 2007, (ii) such earlier date on which Buyer may elect, in its sole discretion, by providing thirty (30) days’ prior written notice to Seller or (iii) such earlier date on which this Agreement shall terminate in accordance with the provisions hereof or by operation of law.

SECTION 2. Further Acts, Fees and Expenses. In connection with this Amendment, Sellers agree to pay to the Buyer all fees and out of pocket expenses incurred by the Buyer in connection with this Amendment Number Three (including all reasonable fees and out of pocket costs and expenses of the Buyer’s legal counsel incurred in connection with this Amendment Number Three), in accordance with the Agreement.

SECTION 3. Effectiveness of Amendment. This Amendment Number Three shall be effective upon the Buyer' s receipt of the fees and expenses pursuant to Section 3 above.

SECTION 4. Defined Terms. Any terms capitalized but not otherwise defined herein should have the respective meanings set forth in the Agreement.

SECTION 5. Limited Effect. Except as amended hereby, the Agreement shall continue in full force and effect in accordance with its terms. Reference to this Amendment need not be made in the Agreement or any other instrument or document executed in connection therewith, or in any certificate, letter or communication issued or made pursuant to, or with respect to, the Agreement, any reference in any of such items to the Agreement being sufficient to refer to the Agreement as amended hereby.

SECTION 6. Representations. The Sellers hereby represent to the Buyer that as of the date hereof, the Sellers are in full compliance with all of the terms and conditions of the Agreement and no Default or Event of Default has occurred and is continuing under the Agreement.

SECTION 7. Governing Law. This Amendment Number Three shall be construed in accordance with the laws of the State of New York and the obligations, rights, and remedies of the parties hereunder shall be determined in accordance with such laws without regard to conflict of laws doctrine applied in such state (other than Section 5-1401 of the New York General Obligations Law).

SECTION 8. Counterparts. This Amendment Number Three may be executed by each of the parties hereto on any number of separate counterparts, each of which shall be an original and all of which taken together shall constitute one and the same instrument.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Sellers and the Buyer have caused this Amendment Number Three to be executed and delivered by their duly authorized officers as of the day and year first above written.

SELLERS:

AMERICAN HOME MORTGAGE CORP.

By: /s/ Alan B. Horn

Name: Alan B. Horn

Title: Executive Vice President
General Counsel & Secretary

**AMERICAN HOME MORTGAGE
ACCEPTANCE, INC.**

By: /s/ Alan B. Horn

Name: Alan B. Horn

Title: Executive Vice President
General Counsel & Secretary

**AMERICAN HOME MORTGAGE INVESTMENT
CORP.**

By: /s/ Alan B. Horn

Name: Alan B. Horn

Title: Executive Vice President
General Counsel & Secretary

BUYER:

**GREENWICH CAPITAL FINANCIAL
PRODUCTS, INC.**

By: /s/ Anthony Palmisano

Name: Anthony Palmisano

Title: Managing Director

MASTER REPURCHASE AGREEMENT

Between:

BARCLAYS BANK PLC, as the Administrative Agent
(the “Administrative Agent”)

and

AMERICAN HOME MORTGAGE ACCEPTANCE, INC., as seller
(“AHMA” and a “Seller”)

and

AMERICAN HOME MORTGAGE CORP., as seller
(“AHMC” and a “Seller”)

and

AMERICAN HOME MORTGAGE INVESTMENT CORP., as seller
(“AHMIC” and a “Seller”)

and

AMERICAN HOME MORTGAGE SERVICING, INC., as seller
(“AHMS”, a “Seller” and, together with AHMA, AHMC and AHMIC, the “Sellers”)

Dated as of November 14, 2006

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MASTER REPURCHASE AGREEMENT

This is a MASTER REPURCHASE AGREEMENT, dated as of November 14, 2006, between Barclays Bank PLC, as the administrative agent and as a buyer (the “Administrative Agent” and a “Buyer”), a public limited company registered in England and Wales under company number 1026167, the Buyers from time to time a party hereto, American Home Mortgage Acceptance, Inc., as seller (“AHMA” and a “Seller”), a Maryland corporation, American Home Mortgage Corp., as seller (“AHMC” and a “Seller”), a New York corporation, American Home Mortgage Investment Corp., as seller (“AHMIC” and a “Seller”), a Maryland corporation and American Home Mortgage Servicing, Inc., as seller (“AHMS”, a “Seller” and, together with AHMA, AHMC and AHMIC, the “Sellers”), a Maryland corporation.

1. APPLICABILITY

The Administrative Agent, for the benefit of the Buyers, as more particularly set forth in the Administration Agreement, may, from time to time, upon the terms and conditions set forth herein, agree to enter into transactions in which the Sellers transfer to the Administrative Agent Eligible Assets against the transfer of funds by the Administrative Agent, with a simultaneous agreement by the Administrative Agent to transfer to the Sellers such Purchased Assets at a date certain against the transfer of funds by the Sellers. Each such transaction shall be referred to herein as a “Transaction”, and, unless otherwise agreed in writing, shall be governed by this Repurchase Agreement. **This Repurchase Agreement does not constitute or imply any offer or commitment of the Administrative Agent, any Buyer or any of their Affiliates to enter into any Transaction with the Sellers but rather sets forth the procedures to be used in connection with periodic requests for the Administrative Agent to enter into Transactions for the benefit of the Buyers with the Sellers. In addition to the other conditions set forth herein, each Transaction will be subject to the Administrative Agent’s and each Buyer’s internal credit approvals and is also subject to the Administrative Agent’s continued satisfaction with its ongoing due diligence of the Sellers, its business, financial condition, prospects and assets and liabilities. The Sellers hereby acknowledge that none of the Administrative Agent, Buyers nor any of their Affiliates is under any obligation to agree to enter into, or to enter into, any Transaction pursuant to this Repurchase Agreement.**

2. DEFINITIONS AND INTERPRETATION

- a. Defined Terms. As used herein, the following terms shall have the following meanings (all terms defined in this Section 2 or in other provisions of this Repurchase Agreement in the singular to have the same meanings when used in the plural and vice versa):
“1934 Act” shall have the meaning set forth in Section 37 hereof.

“Accepted Servicing Practices” means, with respect to any Mortgage Loan, those mortgage servicing practices of prudent mortgage lending institutions which service mortgage loans of the same type as such Mortgage Loan in the jurisdiction where the related Mortgaged Property is located.

“Account Agreement” means a letter agreement between the Sellers, the Administrative Agent as agent for Buyers, and a depository institution acceptable to the Administrative Agent in its sole discretion substantially in the form of Exhibit B attached hereto as the same may be amended from time to time.

“Accrual Period” means for each Payment Date, the period from and including the preceding Payment Date (provided that, with respect to the first Accrual Period following the related Purchase Date, the period shall be from and including the related Purchase Date), up to but excluding such Payment Date.

“Additional Purchased Assets” has the meaning assigned thereto in Section 6(b) hereof.

“Administrative Agent” means Barclays Bank PLC, or any successor.

“Affiliate” means, with respect to any Person, any “affiliate” of such Person, as such term is defined in the Bankruptcy Code.

“Aged Mortgage Loan” means a Mortgage Loan other than a Repurchased Mortgage Loan which has been subject to a Transaction hereunder for a period in excess of one hundred and twenty (120) days but not in excess of one hundred and eighty (180) days.

“Aged Non-performing Mortgage Loan” means a Non-performing Mortgage Loan which has been subject to a Transaction hereunder for a period in excess of one hundred and eighty (180) days but not in excess of three hundred and sixty (360) days.

“Agency” means Freddie Mac, Fannie Mae or Ginnie Mae, as applicable.

“Aggregate Collateral Value” means an amount equal to the sum of the products of the book values (as determined in accordance with GAAP) of the consolidated assets of AHMIC and its Subsidiaries, such assets being categorized in the classes set forth on the Calculation Schedule that is part of Exhibit G hereto, times the percentage multiplier for each such class set forth on such Calculation Schedule.

“Alt-A Mortgage Loan” means a first lien Mortgage Loan originated in accordance with the criteria approved by Buyer for Alt-A Mortgage Loans, which has a minimum FICO score that is consistent with Sellers’ Underwriting and Origination Guidelines.

“Appraised Value” means, with respect to any Mortgaged Property, the lesser of (i) the value thereof as determined by an appraisal made for the originator of the Mortgage Loan at the time of origination of the Mortgage Loan by an appraiser who met the minimum requirements of Fannie Mae and Freddie Mac, and (ii) the purchase price paid for the related Mortgaged Property by the Mortgagor with the proceeds of the Mortgage Loan, provided, however, in the case of a Refinanced Mortgage Loan, such value of the Mortgaged Property is based solely upon the value determined by an appraisal made for the originator of such Refinanced Mortgage Loan at the time of origination of such Refinanced Mortgage Loan by an appraiser who met the minimum requirements of Fannie Mae and Freddie Mac.

“Approved Bailee” shall have the meaning set forth in the Custody Agreement.

“Asset Schedule” means the list of Mortgage Loans delivered by the Sellers to the Administrative Agent and Custodian together with the Transaction Notice and attached by the Custodian to the related Trust Receipt. Each Asset Schedule shall set forth as to each Mortgage Loan the related Mortgagor name, the address of the related Mortgaged Property and the outstanding principal balance of the Mortgage Loan as of the initial Purchase Date, with any other information specified by the Administrative Agent from time to time in good faith, a form of such schedule is attached as an exhibit to the Custody Agreement.

“Asset Value” has the meaning assigned thereto in the Side Letter.

“Authorized Representative” means, for the purposes of this Repurchase Agreement only, an agent or Responsible Officer of the Sellers.

“AVM” shall mean an estimate of the current value of a tract or parcel determined by using an automated valuation model, dated no earlier than one hundred and eighty (180) days before the determination date.

“Bailee Letter” has the meaning assigned to such term in the Custody Agreement.

“Balloon Mortgage Loan” means a Mortgage Loan that has a balloon payment feature.

“Bank” means Deutsche Bank National Trust Company, in its capacity as bank with respect to the Account Agreement.

“Bankruptcy Code” means the United States Bankruptcy Code of 1978, as amended from time to time.

“Base Rate” means, for any period, a fluctuating interest rate per annum that is the higher of (i) the Federal Funds Rate plus one-half of one percent ($1/2\%$) per annum and (ii) the rate of interest announced by the Administrative Agent in New York, New York, from time to time as its prime rate. Each change in the Base Rate shall take effect simultaneously with the corresponding change or changes in the Federal Funds Rate or such prime rate, as the case may be.

“BPO” means a broker’s price opinion delivered by a certified independent broker obtained by a Seller and acceptable to the Administrative Agent.

“Business Day” means any day other than (i) a Saturday or Sunday or (ii) a day upon which the New York Stock Exchange, the Federal Reserve Bank of New York or the Custodian is authorized or obligated by law or executive order to be closed.

“Buyer” means each of Barclays Bank PLC and Sheffield Receivables Corporation, and their respective successors in interest and assigns and, with respect to Sections 10, 11, 22 and 35, their respective participants.

“Capital Lease Obligations” means, for any Person, all obligations of such Person to pay rent or other amounts under a lease of (or other agreement conveying the right to use) Property to the extent such obligations are required to be classified and accounted for as a capital lease on a balance sheet of such Person under GAAP, and, for purposes of this Repurchase Agreement, the amount of such obligations shall be the capitalized amount thereof, determined in accordance with GAAP.

“Cash Equivalents” means any of the following: (a) marketable direct obligations issued by, or unconditionally guaranteed by, the United States Government or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within one year from the date of acquisition; (b) certificates of deposit, time deposits, eurodollar time deposits or overnight bank deposits having maturities of six months or less from the date of acquisition issued by any commercial bank organized under the laws of the United States or any state thereof having combined capital and surplus of not less than \$500,000,000; (c) commercial paper of an issuer rated at least A-1 by S&P or P-1 by Moody’ s, or carrying an equivalent rating by a nationally recognized Rating Agency, if both of the two named rating agencies cease publishing ratings of commercial paper issuers generally, and maturing within six months from the date of acquisition; (d) repurchase obligations of any commercial bank satisfying the requirements of clause (b) of this definition, having a term of not more than 30 days, with respect to securities issued or fully guaranteed or insured by the United States government; (e) securities with maturities of one year or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States, by any political subdivision or taxing authority of any such state, commonwealth or territory or by any foreign government, the securities of which state, commonwealth, territory, political subdivision, taxing authority or foreign government (as the case may be) are rated at least A by S&P or A-2 by Moody’ s; (f) securities with maturities of six months or less from the date of acquisition backed by standby letters of credit issued by any commercial bank satisfying the requirements of clause (b) of this definition; or (g) shares of money market mutual or similar funds which invest exclusively in assets satisfying the requirements of clauses (a) through (f) of this definition.

“Change in Control” means:

(a) any transaction or event as a result of which AHMIC ceases to own, directly or indirectly, 100% of the stock of any of the other Sellers;

(b) the sale, transfer, or other disposition of all or substantially all of a Seller’ s assets (excluding any such action taken in connection with any securitization transaction or the transfer or sale of assets among the Sellers); or

(c) any transaction or event the result of which any Person or entity or any group (within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended) of Persons and/or entities, shall have acquired beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended), directly or indirectly, in one or more transactions, of securities of the Sellers (or other securities convertible into such securities) representing more than 33 ¹/₃% of the combined voting power of all securities of such entity entitled to vote in the election of directors (other than the Person or entities owning such securities on the date of this Repurchase Agreement or any other Affiliate of Sellers).

“Code” means the Internal Revenue Code of 1986, as amended.

“Collection Account” means the account established by the Bank subject to an Account Agreement, as contemplated by Section 9(d) hereof.

“Collection Period” means the calendar month immediately preceding the Payment Date.

“Combined Loan-to-Value Ratio or CLTV” means, (a) with respect to any Second Lien Mortgage Loan, the sum of the original principal balance of such Mortgage Loan and the outstanding principal balance of any related first lien as of the date of origination of the Mortgage Loan, divided by the Appraised Value of the Mortgaged Property as of the origination date and (b) with respect to any first lien Mortgage Loan, the sum of the original principal balance of such Mortgage Loan, divided by the Appraised Value of the Mortgaged Property as of the origination date.

“Computer Medium” means a computer tape or other electronic medium generated by or on behalf of a Seller and delivered or transmitted to the Administrative Agent and Custodian which provides information relating to the Purchased Assets, including the identity of the related servicer with respect to each Mortgage Loan and the information set forth in the Asset Schedule, in a format reasonably acceptable to the Administrative Agent.

“Confidential Information” has the meaning set forth in Section 31 hereof.

“Confirmation” has the meaning set forth in Section 3(b) hereof.

“Contractual Obligation” means as to any Person, any material provision of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound or any material provision of any security issue by such Person.

“Co-op Loan” means a Mortgage Loan secured by the pledge of stock allocated to a dwelling unit in a residential cooperative housing corporation and collateral assignment of the related Proprietary Lease.

“Co-op Project” means, with respect to any Co-op Loan, all real property and improvements thereto and rights therein and thereto owned by a Co-op Corporation including without limitation the land, separate dwelling units and all common elements.

“Co-op Shares” means, with respect to any Co-op Loan, the shares of stock issued by a Co-op Corporation and allocated to a Co-op Unit and represented by a stock certificates.

“Co-op Unit” means, with respect to any Co-op Loan, a specific unit in a Co-op Project.

“Costs” has the meaning set forth in Section 22(a) hereof.

“Credit Limit” means, with respect to each HELOC, the maximum amount permitted under the terms of the related Credit Line Agreement.

“Credit Line Agreement” means, with respect to each HELOC, the related home equity line of credit agreement, account agreement and promissory note (if any) executed by the related Mortgagor and any amendment or modification thereof.

“Custodian” means Deutsche Bank National Trust Company, or its successors and permitted assigns.

“Custody Agreement” means the Custody Agreement, as it may be amended, supplemented or otherwise modified from time to time, dated as of the date hereof among the Sellers, the Administrative Agent, and the Custodian.

“Default” means any event that, with the giving of notice or the passage of time or both, would constitute an Event of Default.

“Default Rate” has the meaning set forth in the Side Letter

“Defaulting Party” has the meaning set forth in Section 38(b) hereof.

“Delinquent Mortgage Loan” means any Mortgage Loan which is a Delinquent 30 Day Mortgage Loan or a Delinquent 60 Day Mortgage Loan.

“Delinquent 30 Day Mortgage Loan” means any Mortgage Loan other than a Repurchased Mortgage Loan as to which any Monthly Payment, or part thereof, remains unpaid for at least 30 days but less than 60 days from the original Due Date for such Monthly Payment.

“Delinquent 60 Day Mortgage Loan” means any Mortgage Loan other than a Repurchased Mortgage Loan as to which any Monthly Payment, or part thereof, remains unpaid for at least 60 days but less than 90 days from the original Due Date for such Monthly Payment.

“Dollars” and “\$” means lawful money of the United States of America.

“Draw” means, with respect to each HELOC, an additional borrowing by the Mortgagor in accordance with the related Credit Line Agreement.

“Dry Mortgage Loan” means a Mortgage Loan for which the Mortgage Loan File has been delivered to the Custodian.

“Due Date” means the day of the month on which the Monthly Payment is due on a Mortgage Loan, exclusive of any days of grace.

“Due Diligence Cap” has the meaning set forth in the Side Letter.

“Due Diligence Costs” has the meaning set forth in Section 32 hereof.

“Due Diligence Review” means the performance by Administrative Agent, any Buyer or their designees of any or all of the reviews permitted under Section 32 hereof with respect to any or all of the Mortgage Loans, as desired by the Administrative Agent or any Buyer from time to time.

“Effective Date” means the date upon which the conditions precedent set forth in Section 15 has been satisfied.

“Electronic Tracking Agreement” means an Electronic Tracking Agreement among the Administrative Agent, the Sellers, MERS and MERSCORP, Inc., to the extent applicable, as it may be amended, supplemented or otherwise modified from time to time.

“Eligible Asset” means a Purchased Asset which complies with the representations and warranties set forth on Schedule 1 to this Repurchase Agreement.

“Environmental Law” means any federal, state, foreign or local statute, law, rule, regulation, ordinance, code, guideline, written policy and rule of common law now or hereafter in effect and in each case as amended, and any judicial or administrative interpretation thereof, including any judicial or administrative order, consent decree or judgment, relating to the environment, employee health and safety or hazardous materials, including, without limitation, CERCLA; RCRA; the Federal Water Pollution Control Act, 33 U.S.C. § 1251 et seq.; the Toxic Substances Control Act, 15 U.S.C. § 2601 et seq.; the Clean Air Act, 42 U.S.C. § 7401 et seq.; the Safe Drinking Water Act, 42 U.S.C. § 3803 et seq.; the Oil Pollution Act of 1990, 33 U.S.C. § 2701 et seq.; the Emergency Planning and the Community Right-to-Know Act of 1986, 42 U.S.C. § 11001 et seq.; the Hazardous Material Transportation Act, 49 U.S.C. § 1801 et seq. and the Occupational Safety and Health Act, 29 U.S.C. § 651 et seq.; and any state and local or foreign counterparts or equivalents, in each case as amended from time to time.

“ERISA” means, with respect to any Person, the Employee Retirement Income Security Act of 1974, as amended from time to time and any successor thereto, and the regulations promulgated and rulings issued thereunder.

“ERISA Affiliate” means, with respect to any Person, any Person which is a member of any group of organizations (i) described in Section 414(b) or (c) of the Code of which such Person is a member, or (ii) solely for purposes of potential liability under Section 302(c)(11) of ERISA and Section 412(c)(11) of the Code and the lien created under Section 302(f) of ERISA and Section 412(n) of the Code, described in Section 414(m) or (o) of the Code of which such Person is a member.

“Escrow Payments” means, with respect to any Mortgage Loan, the amounts constituting ground rents, taxes, assessments, water rates, sewer rents, municipal charges, mortgage insurance premiums, fire and hazard insurance premiums, condominium charges, and any other payments required to be escrowed by the Mortgagor with the mortgagee pursuant to the Mortgage or any other document.

“Event of Default” has the meaning assigned thereto in Section 18 hereof.

“Event of ERISA Termination” means, with respect to the Sellers, (i) with respect to any Plan, a reportable event, as defined in Section 4043 of ERISA, as to which the PBGC has not by regulation waived the reporting of the occurrence of such event, or (ii) the withdrawal of the Sellers or any ERISA Affiliate thereof from a Plan during a plan year in which it is a substantial employer,

as defined in Section 4001(a)(2) of ERISA, or (iii) the failure by the Sellers or any ERISA Affiliate thereof to meet the minimum funding standard of Section 412 of the Code or Section 302 of ERISA with respect to any Plan, including, without limitation, the failure to make on or before its due date a required installment under Section 412(m) of the Code or Section 302(e) of ERISA, or (iv) the distribution under Section 4041 of ERISA of a notice of intent to terminate any Plan or any action taken by the Sellers or any ERISA Affiliate thereof to terminate any Plan, or (v) the adoption of an amendment to any Plan that, pursuant to Section 401(a)(29) of the Code or Section 307 of ERISA, would result in the loss of tax-exempt status of the trust of which such Plan is a part if the Sellers or any ERISA Affiliate thereof fails to timely provide security to the Plan in accordance with the provisions of said Sections, or (vi) the institution by the PBGC of proceedings under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or (vii) the receipt by the Sellers or any ERISA Affiliate thereof of a notice from a Multiemployer Plan that action of the type described in the previous clause (vi) has been taken by the PBGC with respect to such Multiemployer Plan, or (viii) any event or circumstance exists which may reasonably be expected to constitute grounds for the Sellers or any ERISA Affiliate thereof to incur liability under Title IV of ERISA or under Section 412(c)(11) of the Code with respect to any Plan.

“Excluded Taxes” has the meaning assigned thereto in Section 10(e) hereof.

“Expenses” means all present and future costs and expenses of any kind, including indemnification costs and expenses, and other amounts contemplated by Section 22 hereof.

“Extended Margin Call Deadline” has the meaning set forth in the Side Letter.

“Fannie Mae” means Fannie Mae, the government sponsored enterprise formerly known as the Federal National Mortgage Association.

“FDIA” has the meaning set forth in Section 30(c) hereof.

“FDICIA” has the meaning set forth in Section 30(d) hereof.

“Federal Funds Rate” means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for such day on such transactions received by the Administrative Agent from three federal funds brokers of recognized standing selected by it.

“FICO” means Fair Isaac & Co., or any successor thereto.

“Fidelity Insurance” means insurance coverage with respect to employee errors, omissions, dishonesty, forgery, theft, disappearance and destruction, robbery and safe burglary, property (other than money and securities) and computer fraud in an aggregate amount acceptable to Sellers’ regulators.

“Financial Statements” means the consolidated financial statements of AHMIC and its Subsidiaries prepared in accordance with GAAP, applied on a consistent basis, which shall consist of balance sheets and the related statements of income, retained earnings and cash flows (i) audited as of the end of the fiscal year and for such fiscal year, and (ii) unaudited as of the end of each of the first three fiscal quarters in each fiscal year and for the portion of the fiscal year through the end of such fiscal quarter (subject to audited year-end adjustments), in each case including the related notes thereto. Financial Statements as of the end of the fiscal year will be audited by Deloitte & Touche LLP or such other nationally recognized independent certified public accountants appropriate to the nature and size of the Sellers’ business, and will be accompanied by an opinion of such auditors.

“First Payment Default” means, with respect to a Mortgage Loan, the failure of the Mortgagor to make the first Monthly Payment due under the Mortgage Loan on or before its scheduled Due Date.

“Fitch” means Fitch Ratings, Inc., or any successor thereto.

“Freddie Mac” means the Federal Home Loan Mortgage Corporation or any successor thereto.

“Full Documentation Loan” means a Mortgage Loan originated and owned by a Seller that has been closed, funded and qualifies without exception as an Eligible Asset and satisfies all of the requirements under the Underwriting and Origination Guidelines for a “full documentation” Mortgage Loan.

“GAAP” means generally accepted accounting principles in the United States of America, applied on a consistent basis and applied to both classification of items and amounts, and shall include, without limitation, the official interpretations thereof by the Financial Accounting Standards Board, its predecessors and successors.

“Ginnie Mae” means the Government National Mortgage Association and any successor thereto.

“Governmental Authority” means any nation or government, any state, county, municipality or other political subdivision thereof or any governmental body, agency, authority, department or commission (including, without limitation, any taxing authority) or any instrumentality or officer of any of the foregoing (including, without limitation, any court or tribunal) exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government and any corporation, partnership or other entity directly or indirectly owned by or controlled by the foregoing.

“Ground Lease” means the original executed instrument evidencing a leasehold estate with respect to a Mortgaged Property.

“Guarantee” means, as to any Person, any obligation of such Person directly or indirectly guaranteeing any Indebtedness of any other Person or in any manner providing for the payment of any Indebtedness of any other Person or otherwise protecting the holder of such Indebtedness against loss (whether by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, or to take-or-pay or otherwise); provided that the term “Guarantee” shall not include endorsements for collection or deposit in the ordinary course of business. The amount of any Guarantee of a Person shall be deemed to be an amount equal to the stated or determinable amount of the primary obligation in respect of which such Guarantee is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by such Person in good faith. The terms “Guarantee” and “Guaranteed” used as verbs have correlative meanings.

“Hedge Instrument” means any interest rate cap agreement, interest rate floor agreement, interest rate swap agreement or other interest rate hedging agreement entered into by the Sellers that relates to or applies to the Purchased Assets, as any such item may be amended, supplemented or otherwise modified from time to time.

“HELOC” means a home equity revolving line of credit secured by a mortgage, deed of trust or other instrument creating a second lien on the related Mortgaged Property, which lien secures the related line of credit and that is underwritten in accordance with the Sellers’ Underwriting and Origination Guidelines.

“High Cost Mortgage Loan” means a Mortgage Loan classified as (a) a “high cost” loan under the Home Ownership and Equity Protection Act of 1994 or (b) a “high cost,” “threshold,” “covered,” or “predatory” loan under any other applicable state, federal or local law (or a similarly classified loan using different terminology under a law, regulation or ordinance imposing heightened regulatory scrutiny or additional legal liability for residential mortgage loans having high interest rates, points and/or fees).

“Income” means, with respect to any Purchased Asset at any time, any principal and/or interest thereon and all dividends, sale or liquidation proceeds and other collections and distributions thereon, but not including any commitment fees, origination fees, or servicing fees (with respect to third party servicers that are not an Affiliate of the Sellers) accrued in respect of periods on or after the initial Purchase Date with respect to such Purchased Asset.

“Indebtedness” means, with respect to any Person, (a) obligations created, issued or incurred by such Person for borrowed money (whether by loan, the issuance and sale of debt securities or the sale of Property to another Person subject to an understanding or agreement, contingent or otherwise, to repurchase such Property from such Person); (b) obligations of such Person to pay the deferred purchase or acquisition price of Property or services, other than trade accounts payable (other than for borrowed money) arising, and accrued expenses incurred, in the ordinary course of business, so long as such trade accounts payable are payable within 90 days of the date the respective goods are delivered or the respective services are rendered; (c) Indebtedness of others secured by a Lien on the Property of such Person, whether or not the respective Indebtedness so secured has been assumed by such Person; (d) obligations (contingent or otherwise) of such Person in respect of letters of credit or similar instruments issued or accepted by banks and other financial institutions for the account of such Person; (e) Capital Lease Obligations of such Person; (f) obligations of

such Person under repurchase agreements, sale/buy-back agreements or like arrangements; (g) Indebtedness of others Guaranteed by such Person; (h) all obligations of such Person incurred in connection with the acquisition or carrying of fixed assets by such Person; (i) Indebtedness of general partnerships of which such Person is a general partner; and (j) any other contingent liabilities of such Person.

“Indemnified Party” has the meaning set forth in Section 22(a) hereof.

“Insolvency Event” means, for any Person:

(a) that such Person shall discontinue or abandon operation of its business; or

(b) that such Person shall fail generally to, or admit in writing its inability to, pay its debts as they become due; or

(c) a proceeding has been instituted in a court having jurisdiction seeking a decree or order for relief in respect of such Person in an involuntary case under any applicable bankruptcy, insolvency, liquidation, reorganization or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, trustee, custodian, sequestrator, conservator or other similar official of such Person, or for any substantial part of its property, or for the winding-up or liquidation of its affairs; or

(d) the commencement by such Person of a voluntary case under any applicable bankruptcy, insolvency or other similar Law now or hereafter in effect, or such Person’s consent to the entry of an order for relief in an involuntary case under any such Requirement of Law, or consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator, conservator or other similar official of such Person, or for any substantial part of its property, or any general assignment for the benefit of creditors; or

(e) that such Person shall become insolvent; or

(f) if such Person is a corporation, such Person shall take any corporate action in furtherance of, or the action of which would result in any of the actions set forth in the preceding clause (a), (b), (c), (d) or (e).

“Interest Only Loan” means a Mortgage Loan which only requires payments of interest for a period of time specified in the related Mortgage Note.

“Interest Rate Adjustment Date” means the date on which an adjustment to the Mortgage Interest Rate with respect to each Mortgage Loan becomes effective.

“Investment Company Act” means the Investment Company Act of 1940, as amended, including all rules and regulations promulgated thereunder.

“Jumbo Mortgage Loan” shall mean a first lien Mortgage Loan which would satisfy the requirement for a Conforming Mortgage Loan or an Alt-A Mortgage Loan except for a principal balance greater than the maximum balance permitted by the Agencies but not more than \$2,000,000.

“Late Payment Fee” means the excess of the Price Differential paid as a result of its calculation at the Default Rate over the Price Differential as would have been calculated at the Pricing Rate.

“LIBOR” means, for each day, a rate per annum determined by the Administrative Agent in accordance with the following formula (rounded upwards to the nearest 1/100th of one percent) which rate as determined by the Administrative Agent shall be conclusive absent manifest error by Administrative Agent:

$$\frac{\text{LIBOR Base Rate}}{1.00 - \text{LIBOR Reserve Percentage}}$$

“LIBOR Base Rate” means, for each day, an interest rate per annum equal to the rate of interest per annum at which one-month deposits in Dollars are offered by the Administrative Agent’s principal office in London, England, to prime banks in the London Interbank Market at 11:00 a.m. (London time) on such date (or, in the event such day is a day on which banks are required or authorized to close in London, England, the prior day) as set forth on Telerate Page 3750. In the event that on such date one-month deposits in Dollars are not then being offered by the Administrative Agent’s principal office in London, England, to prime banks in the London Interbank Market, LIBOR shall mean, for such date, an interest rate per annum equal to the rate of interest per annum at which one-month deposits in Dollars are offered for such date and in an amount substantially equal to the amount of the LIBOR Base Rate as set forth on the Reuters Screen LIBO Page as of 11:00 a.m. (London time) on such date (or, in the event such day is a day on which banks are required or authorized to close in London, England, the prior day). If at least two rates appear on the Reuters Screen LIBO Page, the rate for such date will be the arithmetic mean of such rates.

“LIBOR Reserve Percentage” means, for each day, the reserve percentage applicable for such day (or if more than one such percentage shall be so applicable the arithmetic mean of such percentages under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) (the “Board”) for determining the maximum reserve requirement (including, without limitation, any emergency, supplemental or other marginal reserve requirement) for the Administrative Agent with respect to liabilities or assets consisting of or including Eurocurrency Liabilities (as defined in Regulation D of the Board, as in effect from time to time).

“Lien” means any lien, claim, charge, restriction, pledge, security interest, mortgage, deed of trust or other encumbrance.

“Liquidity” means, as of any date of determination, the aggregate of all cash, Cash Equivalents, and Unused Borrowing Capacity, less the amount of Restricted Cash held by the Sellers on a consolidated basis.

“Loan-to-Value Ratio” or “LTV” means with respect to any Mortgage Loan, the ratio of the sum of original outstanding principal amount of the Mortgage Loan and the original outstanding principal amount of any subordinate lien mortgage loan on the related Mortgaged Property to the lesser of (a) the Appraised Value of the Mortgaged Property at origination or (b) if the Mortgaged Property was purchased within 12 months of the origination of the Mortgage Loan, the purchase price of the Mortgaged Property.

“Manufactured Home” means a unit of manufactured housing, including all accessories thereto, securing the indebtedness of the borrower under the related Mortgage Loan.

“Margin Call” has the meaning specified in Section 6(b) hereof.

“Margin Deficit” has the meaning specified in Section 6(b) hereof.

“Market Value” has the meaning set forth in the Side Letter.

“Material Adverse Effect” means the occurrence of any event which could reasonably be expected to have a material adverse effect on the business, assets, liabilities (actual or contingent), operations, financial condition, or business aspects of a Seller, taken as a whole, or the ability of any Seller to pay or perform the Obligations or on the validity, value or marketability of the Repurchase Assets.

“Maximum Aggregate Purchase Price” has the meaning set forth in the Side Letter.

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

“MERS System” means the system of recording transfers of mortgages electronically maintained by MERS.

“Monthly Payment” means the scheduled (or with respect to Option ARM Mortgage Loans, the optional) monthly payment of principal and/or interest on a Mortgage Loan.

“Moody’ s” means Moody’ s Investors Service, Inc. or any successors thereto.

“Mortgage” means each mortgage, assignment of rents, security agreement and fixture filing, or deed of trust, assignment of rents, security agreement and fixture filing, deed to secure debt, assignment of rents, security agreement and fixture filing, or similar instrument creating and evidencing a first or second lien on real property or a leasehold estate with respect to real property located in jurisdictions in which the use of leasehold estates for residential properties is a widely accepted practice and other property and rights incidental thereto, unless such Mortgage is granted in connection with a Co-op Loan, in which case the first lien is on the Co-op Shares of the subject Co-op Project and in the tenant’ s rights in the Proprietary Lease relating to such Co-op Shares.

“Mortgage Interest Rate” means the rate of interest borne on a Mortgage Loan from time to time in accordance with the terms of the related Mortgage Note.

“Mortgage Loan” means any first or second lien, one- to four-family residential mortgage loan evidenced by a Mortgage Note and secured by a Mortgage, which Mortgage Loan is subject to a Transaction hereunder, which in no event shall include any mortgage loan which (a) is subject to Section 226.32 of Regulation Z or any similar state law (relating to high interest rate credit/lending transactions), (b) includes any single premium credit life or accident and health insurance or disability insurance, or (c) is a High Cost Mortgage Loan.

“Mortgage Loan File” has the meaning assigned thereto in the Custody Agreement.

“Mortgage Note” means the promissory note or other evidence of the indebtedness of a Mortgagor secured by a Mortgage.

“Mortgaged Property” means the real property securing repayment of the debt evidenced by a Mortgage Note.

“Mortgagor” means the obligor or obligors on a Mortgage Note, including any Person who has assumed or guaranteed the obligations of the obligor thereunder.

“Multiemployer Plan” means, with respect to any Person, a “multiemployer plan” as defined in Section 4001(a)(3) of ERISA which is or was at any time during the current year or the immediately preceding five years contributed to (or required to be contributed to) by such Person or any ERISA Affiliate thereof on behalf of its employees and which is covered by Title IV of ERISA.

“Net Income” means, for any Person for any period, the net income of such Person for such period as determined in accordance with GAAP.

“Non-Defaulting Party” has the meaning set forth in Section 38(b) hereof.

“Non-Excluded Taxes” has the meaning set forth in Section 10(a) hereof.

“Non-Exempt Buyer” has the meaning set forth in Section 10(e) hereof.

“Non-Owner Occupied Mortgage Loan” means a Mortgage Loan whereby the Mortgagor does not occupy the related Mortgaged Property as its primary residence.

“Non-performing Mortgage Loan” means, as of any date of determination, any Repurchased Mortgage Loan as to which (a) any Monthly Payment is 90 or more days past due, (b) foreclosure proceedings have been commenced, (c) the related Mortgagor is subject to a bankruptcy proceeding and, in all cases, is not a Reperforming Mortgage Loan, or (d) any modification of the related Mortgage or Mortgage Note relating to the financial or payment characteristics thereof, including without limitation the maturity date, principal balance or delinquency status has occurred.

“Notice Date” has the meaning assigned thereto in Section 3(a) hereof.

“Obligations” means (a) any amounts due and payable by the Sellers to the Administrative Agent as administrative agent for the Buyers in connection with the Transactions hereunder, together with interest thereon (including interest which would be payable as post-petition interest in connection with any bankruptcy or similar proceeding) and all other fees, (b) all Expenses and (c) all other obligations or amounts due and payable by the Sellers to the Administrative Agent as administrative agent for the Buyers under the Program Documents.

“OFAC” has the meaning set forth in Section 16(aa) hereof.

“Option ARM Mortgage Loan” means an adjustable rate first lien mortgage with flexible payment options (a) which allows the Mortgagor to vary the monthly payment amount from time to time and (b) is underwritten in accordance with the Underwriting and Origination Guidelines.

“Other Taxes” has the meaning set forth in Section 10(b) hereof.

“Par Percentage” has the meaning set forth in the Side Letter.

“Payment Date” means the fifth (5th) Business Day of each month.

“PBGC” means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

“Performing Mortgage Loan” means a Repurchased Mortgage Loan for which, as of any date of determination, the current Monthly Payment is 29 days or less delinquent and no modification of the related Mortgage or Mortgage Note relating to the financial or payment characteristics thereof, including without limitation the maturity date, principal balance or delinquency status has occurred.

“Periodic Advance Repurchase Payment” has the meaning specified in Section 9(a) hereof.

“Person” means any legal person, including any individual, corporation, partnership, association, joint-stock company, trust, limited liability company, unincorporated organization, governmental entity or other entity of similar nature.

“Plan” means, with respect to the Sellers, any employee benefit or similar plan that is or was at any time during the current year or immediately preceding five years established, maintained or contributed to by the Sellers or any ERISA Affiliate thereof and that is covered by Title IV of ERISA, other than a Multiemployer Plan.

“PMI Policy” means a policy of primary mortgage guaranty insurance issued by a Qualified Insurer, as required by this Repurchase Agreement with respect to certain Mortgage Loans.

“Post Default Termination Event” has the meaning set forth in Section 19(a)(i) hereof.

“Price Differential” means, with respect to any Transaction hereunder as of any date, the aggregate amount obtained by daily application of the Pricing Rate (or, during the continuation of a Default or an Event of Default, by daily application of the Default Rate) for such Transaction to the Purchase Price for such Transaction on a 360 day per year basis for the actual number of days during the period commencing on (and including) the Purchase Date for such Transaction and ending on (but excluding) the Repurchase Date (reduced by any amount of such Price Differential previously paid by Sellers to Administrative Agent with respect to such Transaction).

“Pricing Rate” has the meaning set forth in the Side Letter.

“Pricing Spread” has the meaning set forth in the Side Letter.

“Program Documents” means this Repurchase Agreement, the Custody Agreement, any Servicing Agreement, the Account Agreement, the Electronic Tracking Agreement (if executed), the Side Letter, and any other agreement entered into by the Sellers on the one hand, and the Administrative Agent or one of its Affiliates (or Custodian on its behalf) on the other, in connection herewith or therewith.

“Prohibited Person” shall have the meaning set forth in Section 16(aa) hereof.

“Property” means any right or interest in or to property of any kind whatsoever, whether real, personal or mixed and whether tangible or intangible.

“Proprietary Lease” means the lease on a Co-op Unit evidencing the possessory interest of the owner in the Co-op Shares in such Co-op unit.

“Purchase Date” means the date on which Purchased Assets are to be transferred by Sellers to the Administrative Agent.

“Purchase Price” has the meaning assigned thereto in the Side Letter.

“Purchase Price Percentage” has the meaning assigned thereto in the Side Letter.

“Purchased Assets” means, with respect to a Transaction, the Mortgage Loans set forth on the related Asset Schedule, together with the related Records, Servicing Rights, and all instruments, chattel paper, and general intangibles comprising or relating to all of the foregoing. The term “Purchased Assets” with respect to any Transaction at any time also shall include Additional Purchased Assets delivered pursuant to Section 6(b) hereof.

“Qualified Insurer” means a mortgage guaranty insurance company duly authorized and licensed where required by law to transact mortgage guaranty insurance business and acceptable under the Underwriting and Origination Guidelines, as applicable.

“Rating Agency” means any of S&P, Moody’s or Fitch.

“Records” means all instruments, agreements and other books, records, reports and data generated by other media for the storage of information maintained by the Sellers or any of their Affiliates or agents, or their servicer or custodian with respect to a

Purchased Asset. Records shall include any Mortgages, the Mortgage Loan Files, and any other instruments necessary to document or service a Mortgage Loan that is a Purchased Asset, including, without limitation, the complete payment and modification history of each Mortgage Loan that is a Purchased Asset.

“Regulations T, U and X” means Regulations T, U and X of the Board of Governors of the Federal Reserve System (or any successor), as the same may be modified and supplemented and in effect from time to time.

“REIT” means a real estate investment trust, as defined in Section 856 of the Code.

“REO Property” means a Mortgaged Property acquired through foreclosure or by deed in lieu of foreclosure.

“Reperforming Mortgage Loan” means a Repurchased Mortgage Loan as to which (i) any scheduled payment of principal and interest is 30 or more days past due, and (ii) the related Mortgagor has made four contractual Monthly Payments in the last four calendar months and (iii) the related Mortgage or Mortgage Note has not been modified.

“Reportable Event” means any of the events set forth in Section 4043(c) of ERISA, other than those events as to which the thirty day notice period is waived under subsections .21, .22, .24, .26, .27 or .28 of PBGC Reg. § 4043.

“Repurchase Assets” has the meaning assigned thereto in Section 12 hereof.

“Repurchase Agreement” means this Master Repurchase Agreement, as it may be amended, supplemented or otherwise modified from time to time.

“Repurchase Date” has the meaning assigned thereto in Section 4(b) and shall also include the date determined by application of Section 19.

“Repurchase Margin Call” has the meaning set forth in the Side Letter.

“Repurchase Price” means the price at which Purchased Assets are to be transferred from the Administrative Agent to the Sellers upon termination of the related Transaction, which will be determined in each case (including Transactions terminable upon demand) as the sum of the Purchase Price and the Price Differential as of the date of such determination.

“Repurchased Mortgage Loan” means a Mortgage Loan (a) which is repurchased by a Seller from a third party as a result of (i) a breach of representations and warranties under the agreed upon terms in which the claimed breach is not a result of fraud or material misrepresentation of fact by any party to the Mortgage Loan or consumer credit law violation, or (ii) an early payment default repurchase obligation or (iii) missing or incomplete documentation (other than the Mortgage Note), provided that such Mortgage Loan shall not be considered a Repurchased Mortgage Loan if such document deficiency is cured, (b) where the claimed breach or early

payment default is expressly identified to Administrative Agent in writing, (c) which is subject to a Transaction hereunder for no more than 180 days (except for Nonperforming Mortgage Loans, which may be subject to a Transaction hereunder for no more than 360 days) and (d) which has not been foreclosed upon or converted to REO Property. In addition to the foregoing, in no event will a Repurchased Mortgage Loan be subject to a Transaction hereunder as a "Repurchased Mortgage Loan" if there is a breach of representation and warranty in respect of such Repurchased Mortgage Loan other than the breach identified in writing to the Administrative Agent pursuant to subclause (b) of this definition. For the avoidance of doubt, a Repurchased Mortgage Loan shall not also be a Wet Funded Mortgage Loan.

"Requirement of Law" means as to any Person, the certificate of incorporation and by-laws or other organizational or governing documents of such Person, and any law, treaty, rule, regulation, procedure or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"Responsible Officer" means as to any Seller, the chief executive officer, the chief financial officer, the executive vice president and treasurer, and the executive vice president and general counsel of such Seller.

"Restricted Cash" means all cash and Cash Equivalents that are subject to a Lien in favor of any Person that are required to be maintained by the Sellers pursuant to a Contractual Obligation or as a result of the operation of law.

"S&P" means Standard & Poor's Ratings Services, or any successor thereto.

"SEC" has the meaning set forth in Section 37(a) hereof.

"Second Lien Mortgage Loan" means a Mortgage Loan secured by a second lien on the related Mortgaged Property.

"Section 4402" has the meaning set forth in Section 38 hereof.

"Section 10 Certificate" has the meaning set forth in Section 10(e) hereof.

"Seller" means each of American Home Mortgage Acceptance, Inc., American Home Mortgage Corp., American Home Mortgage Investment Corp., American Home Mortgage Servicing, Inc. and their respective successors in interest thereto.

"Servicer" means American Home Mortgage Servicing, Inc. or any other servicer approved by the Administrative Agent in its sole discretion.

"Servicer Collection Account" means an account established by the Servicer, in accordance with this Repurchase Agreement, into which all Income shall be deposited following an Event of Default hereunder.

"Servicer Notice" means the notice acknowledged by the Servicer substantially in the form of Exhibit E hereto.

“Servicing Agreement” means any agreement giving rise or relating to servicing a Purchased Asset with a Servicer other than a Seller, including any assignment or other agreement relating to such agreement, as it may be amended, supplemented or otherwise modified from time to time.

“Servicing Rights” means contractual, possessory or other rights of the Sellers arising hereunder or any other Person arising under a Servicing Agreement, or otherwise, to administer or service a Purchased Asset or to possess related Records.

“Side Letter” means the pricing side letter, dated as of the date hereof, among Sellers, the Administrative Agent and the Buyers, as the same may be amended, supplemented or modified from time to time.

“Single-Employer Plan” means a single-employer plan as defined in Section 4001(a)(15) of ERISA which is subject to the provisions of Title IV of ERISA.

“SIPA” has the meaning set forth in Section 37 hereof.

“Statement Date” has the meaning set forth in Section 16(f) hereof.

“Sub-performing Mortgage Loan” means a Sub-performing 30 Day Mortgage Loan or a Sub-performing 60 Day Mortgage Loan.

“Sub-performing 30 Day Mortgage Loan” means, as of any date of determination, any Repurchased Mortgage Loan as to which (i) any scheduled monthly payment of principal and/or interest is 30 to 59 days past due and is not a Reperforming Mortgage Loan and (ii) the related Mortgage or Mortgage Note has not been modified.

“Sub-performing 60 Day Mortgage Loan” means, as of any date of determination, any Repurchased Mortgage Loan as to which (i) any scheduled monthly payment of principal and/or interest is 60 to 89 days past due and is not a Reperforming Mortgage Loan and (ii) the related Mortgage or Mortgage Note has not been modified.

“Subsidiary” means, with respect to any Person, any corporation, partnership or other entity of which at least a majority of the securities or other ownership interests having by the terms thereof ordinary voting power to elect a majority of the board of directors or other persons performing similar functions of such corporation, partnership or other entity (irrespective of whether or not at the time securities or other ownership interests of any other class or classes of such corporation, partnership or other entity shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned or controlled by such Person or one or more Subsidiaries of such Person or by such Person and one or more Subsidiaries of such Person.

“Substitute Assets” has the meaning assigned thereto in Section 7.

“Super Jumbo Mortgage Loan” shall mean a Mortgage Loan and has an original unpaid principal balance more than \$2,000,000 and no greater than \$6,500,000.

“Take-out Commitment” means a commitment of Sellers to sell one or more Mortgage Loans to a Take-out Investor, and the corresponding Take-out Investor’s commitment back to Sellers to effectuate the foregoing.

“Take-out Investor” means any institution which has made a Take-out Commitment.

“Tangible Net Worth” means, for any Person as of a particular date:

(a) all amounts which would be included under capital on a balance sheet of such Person at such date, determined in accordance with GAAP, less

(b) (i) amounts owing to such Person from Affiliates, or from officers, employees, shareholders or other Persons similarly affiliated with such Person, (ii) intangible assets and (iii) deferred tax charge.

“Taxes” has the meaning set forth in Section 10(a) hereof.

“Termination Date” means the earlier of (a) November 13, 2007, (b) the date of the occurrence of an Event of Default and (c) the date of the occurrence of a Termination Event.

“Termination Event” has the meaning set forth in Section 18(b) hereof.

“Test Period” means any two consecutive calendar quarters.

“Threshold Amount” has the meaning assigned thereto in the Side Letter.

“Total Indebtedness” means, for any date of determination, for any Person the aggregate of Indebtedness of such Person on a consolidated basis during such period maintained in accordance with GAAP; provided, however, that for any period, the aggregate Indebtedness of such Person during such period maintained in accordance with GAAP shall be calculated less the aggregate amount of any such Indebtedness that is reflected on the balance sheet of such Person in respect of obligations incurred pursuant to a securitization transaction, solely to the extent such obligations are secured by the assets securitized thereby and are non-recourse to such Person. In the event that any Indebtedness would be excluded from the calculation of Indebtedness but for the existence of recourse, such Person shall be entitled nonetheless to exclude the amount of such Indebtedness that is not subject to recourse.

“Transaction” has the meaning assigned thereto in Section 1 hereof.

“Transaction Notice” means a written request of the Sellers to enter into a Transaction, in the form attached to the Custody Agreement, which is delivered to the Administrative Agent and Custodian.

“Trust Receipt” has the meaning set forth in the Custody Agreement.

“Underwriting and Origination Guidelines” means the Sellers’ underwriting guidelines and credit and origination policies and procedures in effect as of the date of this Repurchase Agreement, attached hereto as Exhibit C, as the same may be amended from time to time in accordance with terms of this Repurchase Agreement.

“Uniform Commercial Code” or “UCC” means the Uniform Commercial Code as in effect from time to time in the State of New York; provided that if by reason of mandatory provisions of law, the perfection or the effect of perfection or non perfection of the security interest in any Repurchase Assets or the continuation, renewal or enforcement thereof is governed by the Uniform Commercial Code as in effect in a jurisdiction other than New York, “Uniform Commercial Code” means the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such perfection or effect of perfection or non perfection.

“Unused Borrowing Capacity” means, as of any date of determination, the excess of (i) the Asset Value of assets pledged to a lender under a committed warehouse or committed repurchase facility (after taking into account haircuts) with the Sellers as borrower (other than any assets subject to the repurchase facility that is the subject of this Repurchase Agreement) over (ii) the aggregate amount of the advances or loans made by the lender to the Sellers under any such facility.

“USC” has the meaning set forth in Section 30(a) hereof.

“Wet Funded Mortgage Loan” means a closed fully funded Mortgage Loan which the Sellers are selling to the Administrative Agent for the benefit of the Buyers and for which the Mortgage Loan File has not been delivered to the Custodian.

3. ENTERING INTO THE TRANSACTION, TRANSACTION NOTICE

- a. Purchase. From time to time, the Administrative Agent will purchase Mortgage Loans from the Sellers in accordance with the terms and conditions of this Repurchase Agreement. All Purchased Assets shall be Eligible Assets, shall meet or exceed the Underwriting and Origination Guidelines, and shall be serviced by the Servicer. The aggregate Purchase Price for all Purchased Assets for all Transactions under this Repurchase Agreement shall not exceed the Maximum Aggregate Purchase Price. Unless otherwise agreed, the Sellers shall give the Administrative Agent and Custodian notice of any proposed purchase pursuant to a Transaction Notice on or prior to 3:00 p.m., New York time, on the Business Day prior to the Purchase Date, (the date on which such request is made, the “Notice Date”). On the Notice Date, the Sellers shall request that the Administrative Agent enter into a Transaction by (i) furnishing to the Administrative Agent and Custodian a Transaction Notice and an Asset Schedule, (ii) delivering to the Administrative Agent a Computer Medium and (iii) with respect to Dry Mortgage Loans, delivering to Custodian the Mortgage Loan File for each Mortgage Loan subject to such Transaction.
- b. Transaction Frequency. Unless otherwise expressly agreed to by the Administrative Agent in writing, the Administrative Agent and the Sellers shall enter in no more than 1 Transaction in any Business Day. The minimum Purchase Price with respect to such Transaction is at least \$1,000,000.

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- c. Each Buyer shall be obligated to consider funding only that Buyer's share of any Transaction requested, and no Buyer or the Administrative Agent shall be obligated to the Sellers or any other Buyer to fund a greater share of any Transaction.

4. REPURCHASE

- a. Repurchase. With respect to any Transaction, the Sellers shall repurchase Purchased Assets from the Administrative Agent on each Repurchase Date at the Repurchase Price.
- b. Repurchase Date. Each Purchased Asset subject to a particular Transaction is to be repurchased by the Sellers on the earlier of (i) (A) with respect to Purchased Assets other than Aged Non-performing Mortgage Loans, the date that is 180 days from the Purchase Date relating to such Transaction (if such date is not a Business Day, the next succeeding Business Day), (B) with respect to Purchased Assets that are Aged Non-performing Mortgage Loans, the date that is 360 days from the Purchase Date relating to such Transaction (if such date is not a Business Day, the next succeeding Business Day) and (C) any other date agreed to by the Sellers and the Administrative Agent, subject to the provisions of Section 4(d) hereof and (ii) the Termination Date (such repurchase date, the "Repurchase Date"). The Sellers shall notify the Administrative Agent of the Purchased Assets being repurchased by the Sellers by 4:00 p.m. (New York City time) one (1) Business Day prior to the related Repurchase Date. The Sellers shall pay to the Administrative Agent the accrued and unpaid Price Differential relating to each Transaction in arrears for each Accrual Period by 4:00 p.m. (New York City time) on the Payment Date of each month, and on the Repurchase Date; provided that in calculating such Price Differential upon the occurrence and during the continuance of any Default or Event of Default, the Default Rate shall be used in lieu of the flat Pricing Rate.
- c. Liquidation. Prior to an Event of Default, if any Purchased Asset is finally liquidated in the ordinary course of servicing such Purchased Asset during any monthly period, (A) the Repurchase Date for such Purchased Asset shall be the date of liquidation, (B) all proceeds of such liquidation shall be held by Sellers, in trust for the Administrative Agent, for the benefit of Buyers, and shall constitute the property of the Administrative Agent, for the benefit of Buyers, and (C) the Repurchase Price for such Purchased Asset (including Price Differential through the date of payment) shall be paid to Buyer within two (2) Business Days following receipt.
- d. Breakage Costs. If the Administrative Agent locks in the rate of LIBOR at the request of the Sellers and the Sellers repurchase Purchased Assets on any day which is not the Repurchase Date (as determined at the time the Administrative

Agent locked in the rate of LIBOR) for such Purchased Assets, the Sellers shall indemnify the Administrative Agent and Buyers and hold the Administrative Agent and Buyers harmless from any actual losses and/or out-of-pocket costs or expenses which the Administrative Agent or Buyers sustain or incur arising from the reemployment of funds obtained by the Administrative Agent and Buyers hereunder or from fees payable to terminate the deposits from which such funds were obtained, in each case for the remainder of the applicable 30-day period ("Breakage Costs"). The Administrative Agent shall deliver to the Seller a statement setting forth the amount and basis of determination of any Breakage Costs in such detail as determined in good faith by the Administrative Agent to be adequate, it being agreed that such statement and the method of its calculation shall be adequate and shall be conclusive and binding upon the Sellers, absent manifest error.

5. TERMINATION

This Repurchase Agreement shall remain in effect until the Termination Date. However, no such termination shall affect the Sellers' outstanding obligations to the Administrative Agent at the time of such termination. The rights and obligations set forth in Section 34 hereof shall survive termination. The Sellers may terminate this Repurchase Agreement upon at least five (5) Business Days' notice and repayment by the Sellers of all outstanding Obligations hereunder. The obligations of the Sellers under Sections 10, 11, 13, 19, 22, 31 and 35 hereof shall survive the termination of this Repurchase Agreement.

6. MARGIN MAINTENANCE

- a. Asset Value. The Administrative Agent shall determine the Asset Value of the Purchased Assets at such intervals as determined by the Administrative Agent in its sole discretion.
- b. Margin Calls. (i) If at any time the aggregate Asset Value of all related Purchased Assets subject to all Transactions is less than the aggregate Purchase Price for all such Transactions (a "Margin Deficit") by an amount equal to or greater than the Threshold Amount, then the Administrative Agent may, by notice to the Sellers (as such notice is more particularly set forth below, a "Margin Call"), require the Sellers to transfer to the Administrative Agent or its designee cash or Eligible Assets other than Repurchased Mortgage Loans or Delinquent Mortgage Loans approved by the Administrative Agent in its sole discretion ("Additional Purchased Assets") so that the aggregate Asset Value of the Purchased Assets, including any such cash or Additional Purchased Assets, will thereupon equal or exceed the aggregate Purchase Price for all Transactions. If the Administrative Agent delivers a Margin Call to the Sellers on or prior to 10:30 a.m. (New York City time) on any Business Day, then the Sellers shall transfer cash or Additional Purchased Assets to the Administrative Agent for the benefit of the Buyers no later than (i) 5:00 p.m. (New York City time) that day or (ii) in the case of a Repurchase Margin Call, the Extended Margin Call Deadline. In the event the Administrative Agent delivers a Margin Call to the Sellers after 10:30 a.m. (New York City time) on any Business Day, the Sellers shall be required to transfer cash or Additional Purchased Assets no later than (i) 12:00 p.m. (New York City time) on the subsequent Business Day or (ii) in the case of a Repurchase Margin Call, the Extended Margin Call Deadline.

- c. Administrative Agent's Discretion. The Administrative Agent's election, in its sole and absolute discretion, not to make a Margin Call at any time there is a Margin Deficit in excess of the Threshold Amount shall not in any way limit or impair its right to make a Margin Call at any time a Margin Deficit in excess of the Threshold Amount exists.
- d. Cash. Any cash transferred to the Administrative Agent pursuant to Section 6(b) above shall be credited to the Repurchase Price of the related Transactions.

7. SUBSTITUTION

The Sellers may, subject to agreement with and acceptance by the Administrative Agent, substitute other assets which are substantially the same as the Purchased Assets and meet the criteria for Eligible Assets (the "Substitute Assets") for any Purchased Assets, provided the transfer of such Substitute Assets by the Sellers to the Administrative Agent shall be subject to the requirements of Section 3 and Section 15(b) hereof. Such substitution shall be made by transfer to the Administrative Agent of such Substitute Assets and transfer to the Sellers of such Purchased Assets. After substitution, the Substitute Assets shall be deemed to be Purchased Assets.

8. PAYMENT AND TRANSFER

- a. To Administrative Agent. Unless otherwise mutually agreed in writing, all transfers of funds to be made by the Sellers hereunder shall be made in Dollars, in immediately available funds, without deduction, set off or counterclaim, to the Administrative Agent at the following account maintained by the Administrative Agent: Account No. GLA 111569 - HEL, for the account of Bank of New York; Reference: Whole Loan Operations, ABA No. 021000018, or such other account indicated by the Administrative Agent in writing, not later than 5:00 p.m. New York City time, on the date on which such payment shall become due (and each such payment made after such time shall be deemed to have been made on the next succeeding Business Day). Each Seller acknowledges that it has no rights of withdrawal from the foregoing account.
- b. To Sellers. On the Purchase Date for each Transaction, ownership of the Purchased Assets shall be transferred to the Administrative Agent or its designee against the simultaneous transfer of the Purchase Price to the following account of the Sellers (or as otherwise directed by the Sellers in writing): Account No. 00380082, for the account of Deutsche Bank, ABA No. 021001033, Attn: Barclays WH, not later than 5:00 p.m. New York City time, simultaneously with the delivery to the Administrative Agent of the Purchased Assets relating to each Transaction. With respect to the Purchased Asset being sold by the Sellers on a Purchase Date, the Sellers hereby sell, transfer, convey and assign to the Administrative Agent or its

designee without recourse, but subject to the terms of this Repurchase Agreement, all the right, title and interest of the Sellers in and to the Purchased Assets together with all right, title and interest in and to the proceeds of any related Repurchase Assets.

9. INCOME PAYMENTS

- a. Periodic Advance Repurchase Payment. Notwithstanding that the Administrative Agent and the Sellers intend that the Transactions hereunder be sales to the Administrative Agent for the benefit of the Buyers of the Purchased Assets for all purposes except accounting and tax purposes, the Sellers shall pay to the Administrative Agent for the benefit of the Buyers the accreted value of the Price Differential (less any amount of such Price Differential previously paid by the Sellers to the Administrative Agent for the benefit of the Buyers) plus the amount of any unpaid Margin Deficit (each such payment, a “Periodic Advance Repurchase Payment”) on each Payment Date. Notwithstanding the preceding sentence, if Sellers fail to make all or part of the Periodic Advance Repurchase Payment by 2:00 p.m. (New York time) on any Payment Date, the Pricing Rate shall be equal to the Default Rate until the Periodic Advance Repurchase Payment is received in full by the Administrative Agent.
- b. Income. The Sellers shall hold for the benefit of, and in trust for, the Administrative Agent as agent for the Buyers all Income, including without limitation all Income received by or on behalf of the Sellers with respect to such Purchased Assets for the preceding Collection Period (including past due amounts). All such Income shall be held in trust for the Administrative Agent as agent for the Buyers, shall constitute the property of the Administrative Agent as agent for the Buyers, except for tax purposes which shall be treated as income and property of the Sellers, and shall not be commingled with other property of the Sellers or any Affiliate of the Sellers except as expressly permitted above. On each Payment Date and more frequently at the option of the Sellers, the Sellers shall remit Income collected on account of the Purchased Assets to the various parties as follows:
 - (i) first, to the payment of all (A) Expenses and (B) fees payable by the Sellers to the Administrative Agent as agent for the Buyers;
 - (ii) second, to the Administrative Agent as agent for the Buyers in payment of any accrued and unpaid Price Differential and any other unpaid Obligations;
 - (iii) third, without limiting the rights of the Administrative Agent under Section 6 of this Repurchase Agreement, to the Administrative Agent as agent for the Buyers, in the amount of any unpaid Margin Deficit; and
 - (iv) fourth, any excess to the Sellers.

- c. Take-out Investors. To the extent that the Administrative Agent receives any funds from a Take-out Investor with respect to the purchase by such Take-out Investor of a Mortgage Loan, the Administrative Agent shall promptly apply such funds in accordance with the same order of priority set forth in Section 9(b) hereof.
- d. Collection Account and Events of Default. After the occurrence of an Event of Default, the Sellers shall cause the Servicer to deposit all such Income in the Collection Account within two Business Days of receipt (the title of which shall indicate that the funds therein are being held in trust for the Administrative Agent) with a financial institution acceptable to the Administrative Agent as agent for the Buyers and subject to the Account Agreement. All such Income shall be held in trust for the Administrative Agent as agent for the Buyers, shall constitute the property of the Administrative Agent as agent for the Buyers and shall not be commingled with other property of the Sellers or any Affiliate of the Sellers except as expressly permitted above. Funds deposited in the Collection Account during any month shall be held therein, in trust for the Administrative Agent as agent for the Buyers, until the next Payment Date.
- e. Offset. The Administrative Agent shall offset against the Repurchase Price of each such Transaction all Income and Periodic Advance Repurchase Payments actually received by the Administrative Agent pursuant to Section 9(a) hereof, excluding any Late Payment Fees paid pursuant to any Periodic Advance Repurchase Payments made at the Default Rate pursuant to Section 9(a) hereof.
- f. Prepayment in Full. Upon the prepayment in full or part of any Purchased Asset, the Sellers shall remit all amounts received on account of such prepayment to the Administrative Agent within two Business Days for application to the applicable Repurchase Price.

10. TAXES

- a. Payment of Taxes. Any and all payments by the Sellers under or in respect of this Repurchase Agreement or any other Program Documents to which the Sellers are a party shall be made free and clear of, and without deduction or withholding for or on account of, any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities (including penalties, interest and additions to tax) with respect thereto, whether now or hereafter imposed, levied, collected, withheld or assessed by any taxation authority or other Governmental Authority (collectively, "Taxes"), unless required by law. If the Sellers shall be required under any applicable Requirement of Law to deduct or withhold any Taxes from or in respect of any sum payable under or in respect of this Repurchase Agreement or any of the other Program Documents to the Administrative Agent, (i) Sellers shall make all such deductions and withholdings in respect of Taxes, (ii) Sellers shall pay the full amount deducted or withheld in respect of Taxes to the relevant taxation authority or other Governmental Authority in accordance with any applicable Requirement of Law, and (iii) the sum payable by Sellers shall

be increased as may be necessary so that after Sellers has made all required deductions and withholdings (including deductions and withholdings applicable to additional amounts payable under this Section 10) such Buyer receives an amount equal to the sum it would have received had no such deductions or withholdings been made in respect of Non-Excluded Taxes. For purposes of this Repurchase Agreement the term “Non-Excluded Taxes” are Taxes other than, in the case of a Buyer, Taxes that are imposed on its overall net income (and franchise taxes imposed in lieu thereof) by the jurisdiction under the laws of which such Buyer is organized or of its applicable lending office, or any political subdivision thereof, unless such Taxes are imposed as a result of such Buyer having executed, delivered or performed its obligations or received payments under, or enforced, this Repurchase Agreement or any of the other Program Documents (in which case such Taxes will be treated as Non-Excluded Taxes).

- b. Other Taxes. In addition, Sellers hereby agree to pay any present or future stamp, recording, documentary, excise, property or value-added taxes, or similar taxes, charges or levies that arise from any payment made under or in respect of this Repurchase Agreement or any other Program Document or from the execution, delivery or registration of, any performance under, or otherwise with respect to, this Repurchase Agreement or any other Program Document (collectively, “Other Taxes”).
- c. Indemnity for Certain Taxes. Sellers hereby agree to indemnify the Administrative Agent and each Buyer for, and to hold it harmless against, the full amount of Non-Excluded Taxes and Other Taxes, and the full amount of Taxes of any kind imposed by any jurisdiction on amounts payable under this Section 10 imposed on or paid by such Buyer and any liability (including penalties, additions to tax, interest and expenses) arising therefrom or with respect thereto. Amounts payable by Sellers under the indemnity set forth in this Section 10(c) shall be paid within ten (10) days from the date on which Buyer makes written demand therefore.
- d. Evidence of Payment. Within thirty (30) days after the date of any payment of Taxes, Sellers (or any Person making such payment on behalf of Sellers) shall furnish to the Administrative Agent for its own account, a certified copy of the original official receipt evidencing payment thereof. For purposes of subsection (e) of this Section 10, the terms “*United States*” and “*United States person*” shall have the meanings specified in Section 7701 of the Internal Revenue Code.
- e. Forms. Each Buyer (including for avoidance of doubt any assignee, successor or participant) that either (i) is not incorporated under the laws of the United States, any State thereof, or the District of Columbia or (ii) whose name does not include “Incorporated,” “Inc.,” “Corporation,” “Corp.,” “P.C.,” “insurance company,” or “assurance company” (a “Non-Exempt Buyer”) shall deliver or cause to be delivered to Sellers the following properly completed and duly executed documents:
 - (i) in the case of a Non-Exempt Buyer that is not a United States person, a complete and executed (x) U.S. Internal Revenue Form W-8BEN with Part II completed in which Buyer claims the benefits of a tax treaty with the United States providing for a zero or reduced rate of withholding (or any successor forms thereto), including all appropriate attachments or (y) a U.S. Internal Revenue Service Form W-8ECI (or any successor forms thereto); or

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- (ii) in the case of an individual, (x) a complete and executed U.S. Internal Revenue Service Form W-8BEN (or any successor forms thereto) and a certificate substantially in the form of Exhibit F (a “Section 10 Certificate”) or (y) a complete and executed U.S. Internal Revenue Service Form W-9 (or any successor forms thereto); or
 - (iii) in the case of a Non-Exempt Buyer that is organized under the laws of the United States, any State thereof, or the District of Columbia, a complete and executed U.S. Internal Revenue Service Form W-9 (or any successor forms thereto), including all appropriate attachments; or
 - (iv) in the case of a Non-Exempt Buyer that (x) is not organized under the laws of the United States, any State thereof, or the District of Columbia and (y) is treated as a corporation for U.S. federal income tax purposes, a complete and executed U.S. Internal Revenue Service Form W-8BEN claiming a zero rate of withholding (or any successor forms thereto) and a Section 10 Certificate; or
 - (v) in the case of a Non-Exempt Buyer that (A) is treated as a partnership or other non-corporate entity, and (B) is not organized under the laws of the United States, any State thereof, or the District of Columbia, (x)(i) a complete and executed U.S. Internal Revenue Service Form W-8IMY (or any successor forms thereto) (including all required documents and attachments) and (ii) a Section 10 Certificate, and (y) without duplication, with respect to each of its beneficial owners and the beneficial owners of such beneficial owners looking through chains of owners to individuals or entities that are treated as corporations for U.S. federal income tax purposes (all such owners, “beneficial owners”), the documents that would be required by clause (i), (ii), (iii), (iv), (vi), (vii) and/or this clause (v) with respect to each such beneficial owner if such beneficial owner were Buyer, provided, however, that no such documents will be required with respect to a beneficial owner to the extent the actual Buyer is determined to be in compliance with the requirements for certification on behalf of its beneficial owner as may be provided in applicable U.S. Treasury regulations, or the requirements of this clause (v) are otherwise determined to be unnecessary, all such determinations under this clause (v) to be made in the sole discretion of Sellers, provided, however, that Buyer shall be provided an opportunity to establish such compliance as reasonable; or

- (vi) in the case of a Non-Exempt Buyer that is disregarded for U.S. federal income tax purposes, the document that would be required by clause (i), (ii), (iii), (iv), (v), (vii) and/or this clause (vi) of this Section 10(e) with respect to its beneficial owner if such beneficial owner were the Buyer; or
- (vii) in the case of a Non-Exempt Buyer that (A) is not a United States person and (B) is acting in the capacity as an “intermediary” (as defined in U.S. Treasury Regulations), (x)(i) a U.S. Internal Revenue Service Form W-8IMY (or any successor form thereto) (including all required documents and attachments) and (ii) a Section 10 Certificate, and (y) if the intermediary is a “non-qualified intermediary” (as defined in U.S. Treasury Regulations), from each person upon whose behalf the “non-qualified intermediary” is acting the documents that would be required by clause (i), (ii), (iii), (iv), (v), (vi), and/or this clause (vii) with respect to each such person if each such person were Buyer.

If the forms referred to above in this Section 10(e) that are provided by a Buyer at the time such Buyer first becomes a party to this Repurchase Agreement or, with respect to a grant of a participation, the effective date thereof, indicate a United States interest withholding tax rate in excess of zero, withholding tax at such rate shall be treated as Taxes other than “Non-Excluded Taxes” (“Excluded Taxes”) and shall not qualify as Non-Excluded Taxes unless and until such Buyer provides the appropriate form certifying that a lesser rate applies, whereupon withholding tax at such lesser rate shall be considered Excluded Taxes solely for the periods governed by such form. If, however, on the date a Person becomes an assignee, successor or participant to this Repurchase Agreement, Buyer transferor was entitled to indemnification or additional amounts under this Section 10, then the Buyer assignee, successor or participant shall be entitled to indemnification or additional amounts to the extent (and only to the extent), that the Buyer transferor was entitled to such indemnification or additional amounts for Non-Excluded Taxes, and the Buyer assignee, successor or participant shall be entitled to additional indemnification or additional amounts for any other or additional Non-Excluded Taxes.

f.

Failure to Provide Forms. For any period with respect to which Buyer has failed to provide Sellers with the appropriate form, certificate or other document described in subsection (e) of this Section 10 (other than (i) if such failure is due to a change in any applicable Requirement of Law, or in the interpretation or application thereof, occurring after the date on which a form, certificate or other document originally was required to be provided, (ii) if such form, certificate or other document otherwise is not required under subsection (e) of this Section 10, or (iii) if it is legally inadvisable or otherwise commercially disadvantageous for such Buyer to deliver such form, certificate or other document), such Buyer shall not be entitled to indemnification or additional amounts under subsection (a) or (c) of this Section 10 with respect to Non-Excluded

Taxes imposed by the United States by reason of such failure; provided, however, that should a Buyer become subject to Non-Excluded Taxes because of its failure to deliver a form, certificate or other document required hereunder, Sellers shall take such steps as such Buyer shall reasonably request, to assist such Buyer in recovering such Non-Excluded Taxes.

- g. Incorporation of Assignees etc. For the avoidance of doubt, references in this Section 10 to the Buyer shall also refer to and include any assignee, participant, transferee, successor or designee of all or a portion of the Buyer's rights and obligations under this Repurchase Agreement. Therefore, each assignee, participant, transferee, successor or designee shall be required to deliver or cause to be delivered to the Sellers properly completed and duly executed documents as provided in Section 10(e) hereof.
- h. Survival. Nothing contained in this Section 10 shall require the Buyer to make available any of its tax returns or any other information that it deems to be confidential or proprietary.

11. REQUIREMENTS OF LAW

- a. Requirement of Law. If any Requirement of Law (other than with respect to any amendment made to the Buyer's organizational or governing documents) or any change in the interpretation or application thereof or compliance by the Buyer with any request or directive (whether or not having the force of law) from any central bank or other Governmental Authority made subsequent to the date hereof:
 - (i) shall subject any Buyer to any Tax or increased Tax of any kind whatsoever with respect to this Repurchase Agreement or any Transaction or change the basis of taxation of payments to any Buyer in respect thereof;
 - (ii) shall impose, modify or hold applicable any reserve, special deposit, compulsory loan or similar requirement against assets held by, deposits or other liabilities in or for the account of, advances, or other extensions of credit by, or any other acquisition of funds by, any office of any Buyer which is not otherwise included in the determination of the Pricing Rate based on LIBOR hereunder;
 - (iii) shall cause any Buyer to determine that the introduction of, any change in, or the interpretation or administration of any Requirement of Law has made it unlawful or commercially impracticable to engage in any Transactions with a Pricing Rate based on LIBOR, Sellers shall, upon its receipt of notice of such fact and demand from the Administrative Agent (with a copy of such notice to Custodian), repurchase its Purchased Assets subject to such Transaction on the next succeeding Business Day and, at Sellers' election, concurrently enter into a new Transaction with Buyer with a Pricing Rate based on the Base Rate; or

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- (iv) shall impose on any Buyer any other condition;

and the result of any of the foregoing is to increase the cost to such Buyer, by an amount which such Buyer in good faith deems to be material, of entering, continuing or maintaining any Transaction or to reduce any amount due or owing hereunder in respect thereof, then, in any such case, the Sellers shall promptly pay the Administrative Agent for the benefit of the applicable Buyer such additional amount or amounts as calculated by such Buyer in good faith, which shall be conclusive absent manifest error, as will compensate such Buyer for such increased cost or reduced amount receivable, however, the Sellers shall not be required to pay any such amounts accruing more than sixty (60) days prior to the date of any request for payment. The Administrative Agent shall notify the Sellers as soon as reasonably possible after the Administrative Agent becomes aware of an any event for which a claim is made hereunder.

- b. Buyer Entitled to Additional Amounts. If any Buyer shall have determined in good faith that the adoption of or any change in any Requirement of Law regarding capital adequacy or in the interpretation or application thereof or compliance by any Buyer or any corporation controlling any Buyer with any request or directive regarding capital adequacy (whether or not having the force of law) from any Governmental Authority made subsequent to the date hereof shall have the effect of reducing the rate of return on such Buyer's or such corporation's capital as a consequence of its obligations hereunder to a level below that which such Buyer or such corporation could have achieved but for such adoption, change or compliance (taking into consideration such Buyer's or such corporation's policies with respect to capital adequacy) by an amount deemed by such Buyer to be material, then from time to time, the Sellers shall promptly pay to the Administrative Agent for the benefit of such Buyer such additional amount or amounts as will compensate such Buyer for such reduction.
- c. Certificate as to Additional Amounts. If any Buyer becomes entitled to claim any additional amounts pursuant to this Section, the Administrative Agent shall promptly notify the Sellers of the event by reason of which it has become so entitled. A certificate as to any additional amounts payable pursuant to this Section submitted by the Administrative Agent to the Sellers shall be conclusive in the absence of manifest error.

12. SECURITY INTEREST

- a. Security Interest. Although the parties intend that all Transactions hereunder be sales and purchases (other than for accounting and tax purposes) and not loans, in the event any such Transactions are deemed to be loans, and in any event, each Seller hereby pledges to the Administrative Agent, for the benefit of the Administrative Agent and the Buyers, as security for the performance by the Sellers of their Obligations and each Seller hereby grants, assigns and pledges to the Administrative Agent, for the benefit of the Buyers, a fully perfected first priority security interest in the Purchased Assets,

the Records, and all servicing rights related to the Purchased Assets, the Program Documents (to the extent such Program Documents and the Sellers' right thereunder relate to the Purchased Assets), any Property relating to any Purchased Assets or the related Mortgaged Property, any Take-out Commitments relating to any Purchased Asset, all insurance policies and insurance proceeds relating to any Purchased Asset or the related Mortgaged Property, including but not limited to any payments or proceeds under any related primary insurance or hazard insurance, any Income relating to any Purchased Asset, the Collection Account, any Hedge Instruments relating to any Purchased Asset, and any other contract rights, accounts (including any interest of the Sellers in escrow accounts) and any other payments, rights to payment (including payments of interest or finance charges) and general intangibles to the extent that the foregoing relates to any Purchased Asset and any other assets relating to the Purchased Assets (including, without limitation, any other accounts) or any interest in the Purchased Assets and any proceeds and distributions and any other property, rights, title or interests as are specified on a trust receipt and Asset Schedule with respect to any of the foregoing, in all instances, whether now owned or hereafter acquired, now existing or hereafter created (collectively, the "Repurchase Assets").

- b. Authorization. The Sellers hereby authorize the Administrative Agent to file such financing statement or statements relating to the Repurchase Assets as the Administrative Agent, at its option, may deem appropriate in its good faith discretion. The Sellers shall pay the filing costs for any financing statement or statements prepared pursuant to this Section 12.
- c. Release of Purchased Assets. Upon timely payment in full of the Repurchase Price and all other Obligations owing with respect to a Purchased Asset and provided, that no Default or Event of Default has occurred and is continuing and provided, further, that no Default, Event or Default or Margin Deficit would result therefrom, the Administrative Agent shall, and shall direct Custodian to, release such Purchased Asset. Except as set forth in Sections 6(b) and 7 hereof, the Sellers shall give at least one (1) Business Day prior written notice to the Administrative Agent if such repurchase shall occur on any date other than the Repurchase Date set forth in Section 4(b) hereof. The Administrative Agent shall provide reasonable cooperation in assisting and directing the Custodian to facilitate the release of the foregoing documents (without expense to the Administrative Agent).

13. USE OF PURCHASED ASSETS

Title to all Purchased Assets and Repurchase Assets shall pass to the Administrative Agent, for the benefit of the Buyers, and the Administrative Agent shall have free and unrestricted use of all Purchased Assets. Nothing in this Repurchase Agreement shall preclude the Administrative Agent from engaging in repurchase transactions with all or a portion of the Purchased Assets or otherwise pledging, selling, replying, transferring, hypothecating, or rehypothecating all or a portion of the Purchased Assets, including, without limitation, any pledge or assignment to secure obligations to a Federal Reserve Bank (without consent of the

Sellers); provided, however, that no such transaction shall relieve the Administrative Agent of its obligation to transfer Purchased Assets hereunder or to pay Income to, or apply Income to the obligations of, the Seller as required by this Repurchase Agreement. Nothing contained in this Repurchase Agreement shall obligate the Administrative Agent to segregate any Purchased Assets delivered to the Administrative Agent by the Sellers.

14. SERVICING

- a. Servicing of Mortgage Loans. The Sellers, on the Administrative Agent's behalf, shall contract with Servicer to, or if a Seller is the Servicer, such Seller shall service the Mortgage Loans consistent with the degree of skill and care that such Seller customarily requires with respect to similar Mortgage Loans owned or managed by it and in accordance with Accepted Servicing Practices. The Servicer shall (i) comply with all applicable Federal, State and local laws and regulations, (ii) maintain all state and federal licenses necessary for it to perform its servicing responsibilities hereunder and (iii) not impair the rights of the Administrative Agent in any Mortgage Loans or any payment thereunder. The Administrative Agent may terminate the servicing of any Mortgage Loan with the then existing servicer in accordance with Section 14(e) hereof.
- b. Escrow. The Sellers shall cause the Servicer to hold or cause to be held all escrow funds collected by the Sellers with respect to any Purchased Assets in trust accounts and shall apply the same for the purposes for which such funds were collected.
- c. Servicer Collection Account. Upon the occurrence and continuation of an Event of Default, the Sellers shall cause the Servicer to deposit all collections received by the Sellers on account of the Purchased Assets in the Servicer Collection Account no later than two (2) Business Days following receipt.
- d. Servicer Notice. Upon the Administrative Agent's request of any third-party Servicer, the Sellers shall provide promptly to the Administrative Agent (i) a Servicer Notice addressed to and agreed to by the Servicer of the related Purchased Assets, advising such Servicer of such matters as the Administrative Agent may reasonably request, including, without limitation, recognition by the Servicer of the Administrative Agent's interest in such Purchased Assets and the Servicer's agreement that upon receipt of notice of an Event of Default from the Administrative Agent, it will follow the instructions of the Administrative Agent with respect to the Purchased Assets and any related Income with respect thereto.
- e. Termination of Servicer. Upon the occurrence of a Default or Event of Default hereunder or a material default under any Servicing Agreement, the Administrative Agent shall have the right at any time upon two (2) Business Days' notice to terminate the Servicer's right to service the Purchased Assets without payment of any penalty or termination fee. The Sellers shall cooperate in transferring the servicing of the Purchased Assets to a successor servicer appointed by the Administrative Agent in its sole discretion.

- f. Notice to the Administrative Agent. If the Sellers should discover that, for any reason whatsoever, any entity responsible to the Sellers by contract for managing or servicing any such Purchased Asset has failed to perform fully the Sellers' obligations under the Program Documents or any of the obligations of such entities with respect to the Purchased Assets, the Sellers shall promptly notify the Administrative Agent.

15. CONDITIONS PRECEDENT

- a. To Initial Transaction. The Administrative Agent's obligation to enter into the initial Transaction hereunder is subject to the condition precedent that, (i) the Administrative Agent shall have received on or before the day of such initial Transaction the following, in form and substance satisfactory to the Administrative Agent in its sole discretion and duly executed by each party thereto (as applicable) and (ii) the following shall be true the day of such initial Transaction:
- (i) Program Documents. The Program Documents duly executed and delivered by the parties thereto and being in full force and effect, free of any modification, breach or waiver;
 - (ii) Security Interest. Evidence that all other actions necessary or, in the opinion of the Administrative Agent, desirable to perfect and protect the Administrative Agent's interest in the Purchased Assets and other Repurchase Assets have been taken, including, without limitation, duly authorized and filed Uniform Commercial Code financing statements on Form UCC-1;
 - (iii) Organizational Documents. A certified copy of Sellers' consents or corporate resolutions, as applicable, approving the Program Documents and the Transactions thereunder, and all documents evidencing other necessary corporate action or governmental approvals as may be required in connection with the Program Documents;
 - (iv) Incumbency Certificate. An incumbency certificate of the secretaries of Sellers certifying the names, true signatures and titles of Sellers' representatives duly authorized to request Transactions hereunder and to execute the Program Documents and the other documents to be delivered thereunder;
 - (v) Opinions of Counsel.
 - (A) An opinion of Sellers' counsel as to such matters as the Administrative Agent may reasonably request and substantially in the form of Exhibit A hereto;

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- (B) An opinion of Sellers' counsel that in the event of an insolvency of the Sellers, the Administrative Agent and the Buyers shall have the rights to exercise their rights under the Program Documents to cause the liquidation, acceleration and termination of the Transactions including the right of set-off and the Transactions under the Program Documents constitute a safe-harbored transaction under the Bankruptcy Code, not subject to the automatic stay, in form and substance acceptable to the Administrative Agent;
- (vi) Underwriting and Origination Guidelines. A copy of the Underwriting and Origination Guidelines certified by an officer of the Sellers and in form and substance acceptable to the Administrative Agent.
- (vii) Other Documents. Any other documents reasonably requested by the Administrative Agent; and
- b. To All Transactions. The Administrative Agent's agreement to enter into each Transaction pursuant to this Repurchase Agreement is subject to the following conditions precedent:
- (i) Transaction Notice and Trust Receipt. The Administrative Agent or its designee shall have received on or before the applicable Notice Date with respect to such Purchased Assets (unless otherwise specified in this Repurchase Agreement) a Transaction Notice, Asset Schedule and Computer Medium delivered pursuant to Section 3(a) hereof and the related Trust Receipt with the Asset Schedule attached;
- (ii) Delivery of Mortgage Loan File. The Sellers shall have delivered to the Custodian the Mortgage Loan File with respect to each Purchased Asset, other than Wet Funded Mortgage Loans and the Custodian shall have issued a Trust Receipt with respect to each such Purchased Asset to the Administrative Agent;
- (iii) Due Diligence Review. Without limiting the generality of Section 32 hereof, the Administrative Agent shall have completed, to its satisfaction, its due diligence review of the related Mortgage Loans, and Sellers and the Servicer;
- (iv) No Default. No Default or Event of Default shall have occurred and be continuing;
- (v) Change in Law. The Administrative Agent shall not have reasonably determined that a change in any Requirement of Law or in the interpretation or administration of any Requirement of Law applicable to the Buyer or the Servicer has made it unlawful, and no Governmental Authority shall have asserted that it is unlawful, for any Buyer to enter into Transactions with a Pricing Rate based on the LIBOR Base Rate.

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- (vi) Representations and Warranties. All representations and warranties in the Program Documents shall be true, correct and complete in all material respects on the date of such Transaction;
- (vii) Maximum Aggregate Purchase Price. The then aggregate outstanding Purchase Price for all Purchased Assets subject to all Transactions, when added to the Purchase Price for the requested Transaction, shall not exceed the Maximum Aggregate Purchase Price;
- (viii) No Material Adverse Change. None of the following events shall have occurred:
- (A) an event or events shall have occurred in the good faith determination of the Administrative Agent resulting in the effective absence of a “repo market” or comparable “lending market” for financing debt obligations secured by securities or an event or events shall have occurred resulting in the Administrative Agent not being able to finance Purchased Assets through the “repo market” or “lending market” with traditional counterparties at rates which would have been reasonable prior to the occurrence of such event or events; or
 - (B) an event or events shall have occurred resulting in the effective absence of a “securities market” for securities backed by mortgage loans or an event or events shall have occurred resulting in the Administrative Agent not being able to sell securities backed by mortgage loans at prices which would have been reasonable prior to such event or events; or
 - (C) there shall have occurred a material adverse change in the financial condition of the Administrative Agent which affects (or can reasonably be expected to affect) materially and adversely the ability of the Administrative Agent to fund its obligations under this Repurchase Agreement;
- (ix) Fees and Expenses. The Sellers shall have paid to the Administrative Agent any fees owed to the Administrative Agent and all outstanding Expenses;
- (x) No Margin Deficit. There shall exist no Margin Deficit at the time immediately prior to entering into, or as a result of entering into, a new Transaction; and
- (xi) Underwriting and Origination Guidelines. In the event that the Sellers have made any material amendment or material modification to the Underwriting and Origination Guidelines, the Sellers shall have promptly delivered to the Administrative Agent a complete copy of the amended or modified Underwriting and Origination Guidelines which the Administrative Agent has approved.

16. REPRESENTATIONS AND WARRANTIES

The Sellers hereby represent and warrant to the Administrative Agent on the date hereof, and as of each Purchase Date for the purchase of any Purchased Assets by the Administrative Agent from the Sellers, that:

- a. Acting as Principal. The Sellers will engage in such Transactions as principal (or, if agreed in writing in advance of any Transaction by the other party hereto, as agent for a disclosed principal).
- b. Due Organization and Qualification. AHMC is a corporation duly organized, validly existing and in good standing under the laws of New York. Each of AHMA, AHMS and AHMIC is a corporation duly organized, validly existing and in good standing under the laws of Maryland. The Sellers (i) have all requisite corporate power, and has all governmental licenses, authorizations, consents and approvals necessary to own its assets and carry on its business as now being or as proposed to be conducted, except where the lack of such licenses, authorizations, consents and approvals would not be reasonably likely to have a Material Adverse Effect; (ii) is qualified to do business and is in good standing in all other jurisdictions in which the nature of the business conducted by it makes such qualification necessary, except where failure so to qualify would not be reasonably likely (either individually or in the aggregate) to have a Material Adverse Effect; and (iii) has full corporate power and authority to execute, deliver and perform its obligations under the Program Documents.
- c. Noncontravention. None of the execution and delivery of the Program Documents by it or the consummation of the Transactions and transactions thereunder:
 - (i) conflicts with, breaches or violates any provision of any of its material agreements or in any material respect any law, rule, regulation, order, writ, judgment, injunction, decree, determination, or award currently in effect having applicability to the Sellers or their properties;
 - (ii) constitutes a material default by the Sellers under any Indebtedness, loan or repurchase agreement, mortgage, indenture, or other agreement or instrument to which it is a party or by which it or any of its properties is or may be bound or affected; or
 - (iii) results in or requires the creation of any Lien upon any property of or the assets of the Sellers except the Lien created by the Program Documents.
- d. Legal Proceeding. There are no actions, suits, arbitrations, investigations (including, without limitation, any of the foregoing which are pending or to any Seller's knowledge (after due inquiry), threatened) or other legal or arbitrable

proceedings affecting the Sellers or any of their respective Subsidiaries or affecting any of the Repurchase Assets or any of the other properties of the Sellers before any Governmental Authority which (i) questions or challenges the validity or enforceability of the Program Documents or any action to be taken in connection with the transactions contemplated hereby, (ii) makes a claim or claims in an aggregate amount greater than \$5,000,000, or (iii) individually or in the aggregate, if adversely determined, would have a Material Adverse Effect.

- e. Valid and Binding Obligations. Each of the Program Documents to which the Sellers are a party, when executed and delivered by it, will constitute a legal, valid and binding obligation, enforceable against it, in accordance with their respective terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and general equitable principles, whether enforcement is sought in a proceeding in equity or at law.
- f. Financial Statements. AHMIC has heretofore furnished to the Administrative Agent a copy of its Financial Statements for the fiscal year ended December 31, 2005, and the quarterly fiscal periods ended March 31, 2006 and June 31, 2006, in each case setting in comparative form the figures for the previous year. All such Financial Statements are complete and correct and fairly present, in all material respects, the consolidated financial condition and results of operations of the Sellers and their Subsidiaries as at such dates and for such fiscal periods, all in accordance with GAAP applied on a consistent basis. Since December 31, 2005, there has been no material adverse change in the consolidated business, operations, financial condition or prospects of the Sellers and their consolidated Subsidiaries taken as a whole from that set forth in said Financial Statements nor are the Sellers aware of any state of facts which (without notice or the lapse of time) would or could result in any such material adverse change or could have a Material Adverse Effect. The Sellers do not have, on the date of the statements delivered pursuant to this section (the "Statement Date"), any liabilities, direct or indirect, fixed or contingent, matured or unmatured, known or unknown, or liabilities for taxes, long-term leases or unusual forward or long-term commitments not disclosed by, or reserved against in, said balance sheet and related statements, and at the present time there are no material unrealized or anticipated losses from any Mortgage Loans, advances or other commitments of the Sellers except as heretofore disclosed to the Administrative Agent in writing.
- g. Accuracy of Information. Neither this Repurchase Agreement, the Program Documents nor any written statement made, or any report or other document issued or delivered or to be issued or delivered by or on behalf of Sellers, pursuant to this Repurchase Agreement or in connection with the Transactions contemplated hereby contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained herein not misleading.

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- h. No Consents. No consent, license, approval or authorization from, or registration, filing or declaration with, any regulatory body, administrative agency, or other governmental instrumentality, nor any consent, approval, waiver or notification of any material creditor, lessor or other non-governmental person, is required in connection with its execution, delivery and performance of this Repurchase Agreement or its consummation of any other Program Document, other than any that have heretofore been obtained, given or made.
- i. Compliance with Law. The practices, procedures, or policies employed or proposed to be employed by the Sellers in the conduct of their businesses do not violate any Requirement of Law.
- j. Solvency: Fraudulent Conveyance. The Sellers are not, and with the passage of time do not expect to become, insolvent.
- k. Purchased Assets.
- (i) The Sellers have not assigned, pledged, or otherwise conveyed or encumbered any Mortgage Loan to any other Person, and immediately prior to the sale of such Mortgage Loan to the Administrative Agent, the applicable Seller was the sole owner of such Mortgage Loan and had good and marketable title thereto, free and clear of all Liens, in each case except for Liens to be released simultaneously with the sale to the Administrative Agent hereunder.
 - (ii) The provisions of this Repurchase Agreement are effective to either constitute a sale of Repurchase Assets to the Administrative Agent for the benefit of the Buyers or to create in favor of the Administrative Agent for the benefit of the Buyers a valid security interest in all right, title and interest of the Sellers in, to and under the Repurchase Assets.
- l. Investment Company Act Compliance. No Seller is an “investment company” as defined under the Investment Company Act nor is it under the control of an “investment company” as defined under the Investment Company Act.
- m. Taxes. The Sellers and their Subsidiaries have timely filed all tax returns that are required to be filed by them and have timely paid all Taxes due, except for any such Taxes as are being appropriately contested in good faith by appropriate proceedings diligently conducted and with respect to which adequate reserves have been provided in accordance with GAAP. There are no Liens for Taxes, except for statutory liens for Taxes not yet due and payable. Any taxes, fees, and other governmental charges payable by the Sellers in connection with each Transaction and the execution and delivery of the Program Documents have been paid.
- n. No Broker. The Sellers have not dealt with any broker, investment banker, agent, or other person, except for the Administrative Agent, who may be entitled to any commission or compensation in connection with the sale of Purchased Assets pursuant to this Repurchase Agreement.

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- o. Underwriting and Origination Guidelines. The Underwriting and Origination Guidelines provided to the Administrative Agent are the true and correct Underwriting and Origination Guidelines of the Sellers.
 - p. Location of Books and Records. The location where the Sellers keep their books and records, including all computer tapes and records relating to the Purchased Assets is its respective chief executive office.
 - q. Chief Executive Office/Jurisdiction of Organization. As of the date hereof, AHMA' s chief executive office is, and has been, located at 538 Broadhollow Road, Melville, NY 11747 and jurisdiction of organization is Maryland. As of the date hereof, AHMC' s chief executive office is, and has been, located at 538 Broadhollow Road, Melville, NY 11747 and jurisdiction of organization is New York. As of the date hereof, AHMIC' s chief executive office is, and has been, located at 538 Broadhollow Road, Melville, NY 11747 and jurisdiction of organization is Maryland. As of the date hereof, AHMS' s chief executive office is, and has been, located at 538 Broadhollow Road, Melville, NY 11747 and jurisdiction of organization is Maryland.
 - r. Ability to Perform. No Seller believes, nor does it have any reason or cause to believe, that it cannot perform each and every covenant contained in the Program Documents to which it is a party on its part to be performed.
 - s. No Default. No Default or Event of Default has occurred and is continuing.
 - t. Adverse Selection. No Seller has selected any Purchased Assets in a manner so as to adversely affect the Administrative Agent' s interests.
 - u. Agreements. No Seller nor any of its Subsidiaries is a party to any agreement, instrument, or indenture or subject to any restriction materially and adversely affecting its business, operations, assets or financial condition, except, to the extent disclosure is required by GAAP, as disclosed in the Financial Statements. No Seller nor any of its Subsidiaries is in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any agreement, instrument, or indenture which default could result in a Material Adverse Effect with respect to such Seller.
 - v. ERISA.
 - (i) No liability under Section 4062, 4063, 4064 or 4069 of ERISA has been or is expected by the Sellers to be incurred by the Sellers or any ERISA Affiliate thereof with respect to any Plan which is a Single-Employer Plan in an amount that could reasonably be expected to have a Material Adverse Effect.

- (ii) No Plan of Sellers which is a Single-Employer Plan had an accumulated funding deficiency, whether or not waived, as of the last day of the most recent fiscal year of such Plan ended prior to the date hereof. Neither the Sellers nor any ERISA Affiliate thereof is (A) required to give security to any Plan which is a Single-Employer Plan pursuant to Section 401(a)(29) of the Code or Section 307 of ERISA, or (B) subject to a Lien in favor of such a Plan under Section 412(n) of the Code or Section 302(f) of ERISA.
 - (iii) Each Plan of the Sellers, each of their Subsidiaries and each of their ERISA Affiliates is in compliance in all material respects with the applicable provisions of ERISA and the Code.
 - (iv) Neither the Sellers nor any of their Subsidiaries has incurred a tax liability under Chapter 43 of the Code or a penalty under Section 502 of ERISA which has not been paid in full, except where the incurrence of such tax or penalty would not result in a Material Adverse Effect.
 - (v) Neither the Sellers nor any of their Subsidiaries nor any of its ERISA Affiliates thereof has incurred or reasonably expects to incur any withdrawal liability under Section 4201 of ERISA as a result of a complete or partial withdrawal from a Multiemployer Plan in an amount that could reasonably be expected to have a Material Adverse Effect.
- w. Plan Assets. No Seller is an employee benefit plan as defined in Section 3 of Title I of ERISA, or a plan described in Section 4975(e)(1) of the Code, and the Purchased Assets are not “plan assets” within the meaning of 29 CFR §2510.3-101 in the Sellers’ hands.
- x. Tangible Net Worth. On the initial Purchase Date, the Tangible Net Worth of AHMIC is not less than \$1,000,000,000.
- y. Margin Regulations. The use of all funds acquired by the Sellers under this Repurchase Agreement will not conflict with or contravene any of Regulations T, U or X promulgated by the Board of Governors of the Federal Reserve System as the same may from time to time be amended, supplemented or otherwise modified.
- z. No Reliance. Each of the Sellers has made its own independent decisions to enter into the Program Documents and each Transaction and as to whether such Transaction is appropriate and proper for it based upon its own judgment and upon advice from such advisors (including without limitation, legal counsel and accountants) as it has deemed necessary. No Seller is relying upon any advice from the Administrative Agent or any Buyer as to any aspect of the Transactions, including without limitation, the legal, accounting or tax treatment of such Transactions.
- aa. No Prohibited Persons. Neither the Sellers nor any of their Affiliates, officers, directors, partners or members, is an entity or person (or to the Sellers’ knowledge, owned or controlled by an entity or person): (i) that is listed in the Annex to, or is

otherwise subject to the provisions of Executive Order 13224 issued on September 24, 2001 (“EO13224”); (ii) whose name appears on the United States Treasury Department’s Office of Foreign Assets Control (“OFAC”) most current list of “Specifically Designated National and Blocked Persons” (which list may be published from time to time in various mediums including, but not limited to, the OFAC website, <http://www.treas.gov/ofac/t11sdn.pdf>); (iii) who commits, threatens to commit or supports “terrorism”, as that term is defined in EO13224; or (iv) who is otherwise affiliated with any entity or person listed above (any and all parties or persons described in clauses (i) through (iv) above are herein referred to as a “Prohibited Person”).

The representations and warranties set forth in this Repurchase Agreement shall survive transfer of the Purchased Assets to the Administrative Agent and shall continue for so long as the Purchased Assets are subject to this Repurchase Agreement.

17. COVENANTS OF SELLERS

On the date of this Repurchase Agreement and as of each day that this Repurchase Agreement is in effect each of the Sellers hereby, covenants with the Administrative Agent as follows:

- a. Disposition of Assets; Liens. The Sellers shall not create, incur, assume or suffer to exist any mortgage, pledge, Lien, charge or other encumbrance of any nature whatsoever on any of the Repurchase Assets, whether real, personal or mixed, now or hereafter owned, other than the Liens created in connection with the transactions contemplated by this Repurchase Agreement; nor shall the Sellers cause any of the Purchased Assets to be sold, pledged, assigned or transferred other than such sales, pledges, assignments or transfers pursuant to the terms of this Repurchase Agreement.
- b. No Adverse Selection. No Seller shall select Eligible Assets to be sold to the Administrative Agent as Purchased Assets using any type of adverse selection or other selection criteria which would adversely affect the Administrative Agent or the Buyers.
- c. Preservation of Existence; Compliance with Law. Each of the Sellers shall:
 - (i) Preserve and maintain its legal existence and all of its material rights, privileges, licenses, franchises, permits or other approvals necessary for the Sellers to conduct their business and to perform their obligations under the Program Documents;
 - (ii) Comply with all Requirements of Law and maintain and conduct their business strictly in accordance with applicable law;
 - (iii) Keep adequate records and books of account, in which complete entries will be made in accordance with GAAP consistently applied; and

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- (iv) Permit representatives of the Administrative Agent or any Buyer to perform due diligence in accordance with Section 32 hereof.
- d. Maintenance of Papers, Records and Files. The Sellers shall require, and the Sellers shall build, maintain and have available, a complete file in accordance with applicable lending industry custom and practice for each Purchased Asset. The Sellers will maintain or cause to be maintained all such Records not in the possession of Custodian in good and complete condition in accordance with applicable industry practices and preserve them against loss.
- (i) The Sellers shall collect and maintain or cause to be collected and maintained all Records relating to the Purchased Assets in accordance with industry custom and practice, including those maintained pursuant to the preceding subsection, and all such Records shall be in the possession of the Custodian, the Servicer or the Sellers unless the Administrative Agent otherwise approves. The Sellers will not allow any such papers, records or files that are an original or an only copy to leave Custodian's possession, except for individual items removed in connection with servicing a specific Mortgage Loan, in which event the Sellers will obtain or cause to be obtained a receipt from an authorized officer of the Sellers for any such paper, record or file.
- (ii) For so long as the Administrative Agent has an interest in or lien on any Purchased Asset, the Sellers will hold or cause to be held all related Records in trust, as the custodian and bailee, for the Administrative Agent. The Sellers shall notify, or cause to be notified, every other party holding any such Records of the interests and liens granted hereby.
- (iii) Subject to Section 32 hereof, upon one (1) Business Day's notice from the Administrative Agent, the Sellers shall (A) make any and all such Records available to Custodian or the Administrative Agent to examine any such Records, either by its own officers or employees, or by agents or contractors, or both, and make copies of all or any portion thereof, (B) permit the Administrative Agent or its authorized agents to discuss the affairs, finances and accounts of the Sellers with their respective chief operating officer and chief financial officer and to discuss the affairs, finances and accounts of the Sellers with their independent certified public accountants and (C) provide a Computer Medium.
- e. Financial Statements: Accountants' Reports: Other Information. The Sellers shall maintain a system of accounting established and administered in accordance with GAAP, and furnish to the Administrative Agent:
- (i) Financial Statements.
- (A) Within ninety (90) days after the close of AHMIC's fiscal year, the Financial Statements as of the end of such fiscal year and for such fiscal year;

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- (B) Within forty-five (45) days after the close of AHMIC' s first three fiscal quarters in each fiscal year, the Financial Statements as of the end of each fiscal quarter and for the portion of the fiscal year through the end of such fiscal quarter;
 - (C) Simultaneously with the furnishing of each of the Financial Statements to be delivered pursuant to subsection (A)-(B) above, a certificate in the form of Exhibit D hereto certified by the chief financial officer of the Sellers;
 - (D) Promptly, electronic notice of the posting of SEC filings, including without limitation 10-Ks, 10-Qs, 8-Ks and registration statements; and
 - (E) Promptly, from time to time, such other information regarding the business affairs, operations and financial condition of the Sellers as the Administrative Agent may reasonably request.
- (ii) No less than three (3) Business Days before each Payment Date, monthly reports in form and scope reasonably satisfactory to the Administrative Agent, setting forth data regarding the performance of the Purchased Assets for the immediately preceding month, and such other information as the Administrative Agent may reasonably request, including, without limitation, any other information regarding the Purchased Assets reasonably requested by the Administrative Agent, the performance of any Purchased Assets serviced by or on behalf of Servicer and any other financial information regarding the Sellers reasonably requested by the Administrative Agent.
 - (iii) On or before the second Business Day prior to each Payment Date, or any other time as the Administrative Agent may reasonably request upon reasonable prior notice, a Computer Medium containing such information with respect to the Purchased Assets as the Administrative Agent may reasonably request.
 - (iv) Quarterly, a schedule setting forth the Guarantees of the Sellers.
- f. Notice of Material Events. The Sellers shall give notice to the Administrative Agent immediately after a Responsible Officer of the Sellers has any knowledge of:
- (i) any Default or Event of Default;

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- (ii) any (a) material default or event of default under any Indebtedness of the Sellers or (b) litigation, investigation, regulatory action or proceeding that is pending or threatened by or against the Sellers in any federal or state court or before any Governmental Authority which, if not cured or if adversely determined, would reasonably be expected to have a Material Adverse Effect or constitute a Default or Event of Default, and (c) any Material Adverse Effect with respect to the Sellers;
 - (iii) any litigation, investigation, regulatory action or proceeding that is pending or threatened against (A) the Sellers in which the amount involved exceeds \$5,000,000 and is not covered by insurance, or which would reasonably be expected to have a Material Adverse Effect and (B) any litigation or proceeding that is pending or threatened in connection with any of the Repurchase Assets, which, if adversely determined, would reasonably be expected to have a Material Adverse Effect;
 - (iv) and, as soon as reasonably possible, notice of any of the following events:
 - (A) any material change in the insurance coverage required of the Sellers or any other Person pursuant to any Program Document, with copy of evidence of same attached;
 - (B) any material change in accounting policies or financial reporting practices or any change of auditor of the Sellers;
 - (C) any material change to the credit policies and practices of the Sellers;
 - (D) promptly upon receipt of notice or knowledge of any Lien or security interest (other than security interests created hereby or under any other Program Document) on, or claim asserted against, any of the Repurchase Assets; and
 - (E) any event, circumstance or condition that has resulted, or has a reasonable likelihood of resulting, in a Material Adverse Effect.
 - g. Reserved.
 - h. Taxes. The Sellers shall timely file all tax returns that are required to be filed by it and shall timely pay all Taxes due, except for any such Taxes as are being appropriately contested in good faith by appropriate proceedings diligently conducted with respect to which adequate reserves have been provided in accordance with GAAP.
 - i. Nature of Business. No Seller shall make any material change in the nature of its business as carried on at the date hereof and other businesses reasonably related to or arising in connection with such Seller' s existing businesses.

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- j. No Predatory Lending. The Sellers will comply with any and all requirements of any federal, state or local predatory and abusive lending laws applicable to the origination and servicing of mortgage loans, and each Seller has and shall maintain in its possession, available for the inspection of the Administrative Agent or its designees, and shall deliver to the Administrative Agent or its designees, within a commercially reasonable time period following a request therefore, evidence of compliance with such requirements. The Sellers shall not engage in any conduct or activity that could subject a material portion of its assets to forfeiture or seizure.
- k. Insurance. The Sellers shall continue to maintain Fidelity Insurance in an aggregate amount at least equal to \$10,000,000. The Sellers shall maintain Fidelity Insurance in respect of its officers, employees and agents, with respect to any claims made in connection with all or any portion of the Repurchase Assets. The Sellers shall notify the Administrative Agent of any material change in the terms of any such Fidelity Insurance.
- l. Change of Fiscal Year. The Sellers will not at any time, directly or indirectly, except upon ninety (90) days' prior written notice to the Administrative Agent, change the date on which the Sellers' fiscal year begins from the Sellers' current fiscal year beginning date.
- m. Servicer Approval. The Sellers shall not cause the Mortgage Loans to be serviced by any servicer other than a servicer expressly approved in writing by the Administrative Agent, which approval shall be deemed granted by the Administrative Agent with respect to the Sellers with the execution of this Repurchase Agreement.
- n. Underwriting and Origination Guidelines. The Sellers shall deliver to the Administrative Agent no less frequently than quarterly a complete copy of the amended or modified Underwriting and Origination Guidelines certified by Responsible Officer of the Sellers.
- o. Financial Condition Covenants.
- (i) Maintenance of Tangible Net Worth. AHMIC shall maintain a Tangible Net Worth of not less than the sum of (i) \$1,000,000,000 plus (ii) 75% of the net cash proceeds of any capital stock (including preferred stock) issued after the date hereof.
 - (ii) Maintenance of Ratio of Aggregate Collateral Value to Indebtedness. AHMIC shall maintain a ratio of Aggregate Collateral Value to the total of AHMIC's combined Indebtedness of at least 1:1.
 - (iii) Maintenance of Liquidity. The Sellers shall ensure that, at all times, they maintain Liquidity in an amount not less than \$50,000,000.

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- (iv) Maintenance of Profitability. The Sellers shall not permit, for any Test Period, Net Income for such Test Period, before income taxes for such Test Period and distributions made during such Test Period, to be less than \$1.00.
- (v) Guarantees. The Sellers shall not create, incur, assume or suffer to exist any Guarantees, except to the extent the Guarantee or the liability associated with such Guarantee is reflected in the Sellers' Financial Statements.
- p. Distributions. Upon the occurrence of a Default or Event of Default pursuant to Sections 18(a)(i) or 18(a)(iii) (but only with respect to Section 17(o) hereof) or 18(a)(vii) or 18(a)(xv), which is continuing, the Sellers shall not make any payment on account of, or set apart assets for, a sinking or other analogous fund for the purchase, redemption, defeasance, retirement or other acquisition of any equity interest of the Sellers, whether now or hereafter outstanding, or make any other distribution or dividend in respect of any of the foregoing or to any shareholder or equity owner of the Sellers, either directly or indirectly, whether in cash or property or in obligations of the Sellers or any of the Sellers' consolidated Subsidiaries. Upon the occurrence of a Default or Event of Default pursuant to any Section other than the Sections referred to in the preceding sentence, the Sellers shall only make such distributions or dividends in cash or property (and allocable to the income of the Sellers) that are reasonably necessary for AHMIC to maintain its status as a REIT under the Code and not to be subject to corporate level tax based on income or to excise tax under Section 4981 of the Code.
- q. Transactions with Affiliates. The Sellers shall not enter into any transaction, including, without limitation, the purchase, sale, lease or exchange of property or assets or the rendering or accepting of any service with any Affiliate, unless such transaction is (a) not otherwise prohibited in this Repurchase Agreement, (b) in the ordinary course of the Sellers' business and (c) upon fair and reasonable terms no less favorable to the Sellers, as the case may be, than it would obtain in a comparable arm's length transaction with a Person which is not an Affiliate.
- r. Further Assurances. The Sellers shall execute and deliver to the Administrative Agent all further documents, financing statements, agreements and instruments, and take all further action that may be required under applicable law, or that the Administrative Agent may reasonably request, in order to effectuate the transactions contemplated by this Repurchase Agreement and the Program Documents or, without limiting any of the foregoing, to grant, preserve, protect and perfect the validity and first-priority of the security interests created or intended to be created hereby. The Sellers shall do all things necessary to preserve the Repurchase Assets so that they remain subject to a first priority perfected security interest hereunder. Without limiting the foregoing, the Sellers will comply with all rules, regulations, and other laws of any Governmental Authority and cause the Repurchase Assets to comply with all applicable rules, regulations and other laws. The Sellers will not allow any default for which the Sellers are responsible to occur under any Repurchase Assets or any Program Document and the Sellers shall fully perform or cause to be performed when due all of its obligations under any Repurchase Assets or the Program Documents.

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- s. Information. All information, reports, exhibits, schedules, Financial Statements or certificates of the Sellers or any of their Affiliates thereof or any of their officers furnished to Administrative Agent hereunder and during the Administrative Agent's diligence of the Sellers are and will be true and complete in all material respects and shall not omit to disclose any material facts necessary to make the statements therein or therein, in light of the circumstances in which they are made, not misleading. All required Financial Statements, information and reports delivered by the Sellers to the Administrative Agent pursuant to this Repurchase Agreement shall be prepared in accordance with GAAP, or, if applicable, with respect to SEC filings, the appropriate SEC accounting regulations.
- t. ERISA Events.
- (i) Promptly upon becoming aware of the occurrence of any Event of ERISA Termination which together with all other Events of ERISA Termination occurring within the prior 12 months involve a payment of money by or a potential aggregate liability of the Sellers or any ERISA Affiliate thereof or any combination of such entities in excess of \$5,000,000 the Sellers shall give the Administrative Agent a written notice specifying the nature thereof, what action the Sellers or any ERISA Affiliate thereof has taken and, when known, any action taken or threatened by the Internal Revenue Service, the Department of Labor or the PBGC with respect thereto;
 - (ii) Promptly upon receipt thereof, the Sellers shall furnish to the Administrative Agent copies of (i) all notices received by the Sellers or any ERISA Affiliate thereof of the PBGC's intent to terminate any Plan or to have a trustee appointed to administer any Plan; (ii) all notices received by the Sellers or any ERISA Affiliate thereof from the sponsor of a Multiemployer Plan pursuant to Section 4202 of ERISA involving withdrawal liability in excess of \$5,000,000; and (iii) all funding waiver requests filed by the Sellers or any ERISA Affiliate thereof with the Internal Revenue Service with respect to any Plan, the accrued benefits of which exceed the present value of the plan assets as of the date the waiver request is filed, and all communications received by the Sellers or any ERISA Affiliate thereof from the Internal Revenue Service with respect to any such funding waiver request.
- u. ERISA Matters.
- (i) The Sellers shall not permit any event or condition which is described in the definition of "Event of ERISA Termination" to occur or exist with respect to any Plan or Multiemployer Plan if such event or condition, together with

all other events or conditions described in the definition of Event of ERISA Termination occurring within the prior 12 months, involves the payment of money by or an incurrence of liability of the Sellers or any ERISA Affiliate thereof, or any combination of such entities in an amount in excess of \$5,000,000.

- (ii) The Sellers shall not be an employee benefit plan as defined in Section 3 of Title I of ERISA, or a plan described in Section 4975(e)(1) of the Code and the Sellers shall not use “plan assets” within the meaning of 29 CFR §2510.3-101 to engage in this Repurchase Agreement or the Transactions hereunder.
- v. HELOC Provisions. With respect to each HELOC, if the related Credit Limit is increased, the increase will be effected by the applicable Servicer through modification of the Mortgage Loan with the Mortgagor. The applicable Seller shall deliver to the Buyer an updated Asset Schedule reflecting the modification to the Mortgage Loan and shall deliver any modified Mortgage Loan Files to the Custodian. Notwithstanding anything to the contrary herein, in no event shall Buyer have any obligation to fund any Draws with respect to any HELOC, which obligations shall be retained by the applicable Seller.
- w. BPOs and AVMs. Each Seller shall provide Administrative Agent a BPO of each Repurchasing Mortgage Loan and Non-performing Mortgage Loan no more than 120 days after such Seller’s repurchase of the Repurchased Mortgage Loan from a third party and an updated BPO or AVM within 180 days after receipt of the previous BPO or AVM, as applicable.

18. EVENTS OF DEFAULT

- a. If any of the following events (each an “Event of Default”) occur, the Sellers and the Administrative Agent shall have the rights set forth in Section 19 hereof, as applicable:
 - (i) Payment Default. The Sellers shall default in (A) the payment of any Price Differential or Repurchase Price on the date such Price Differential is due or a Repurchase Date, (B) the curing of any Margin Deficit when due pursuant to Section 6 hereof or (C) the payment of any other amount within three (3) Business Days after such amount referred to in this clause (C) is due; or
 - (ii) Representation and Warranty Breach. Any representation, warranty or certification made or deemed made herein or in any other Program Document by the Sellers or any certificate furnished to the Administrative Agent pursuant to the provisions hereof or thereof or any information with respect to the Mortgage Loans furnished in writing by on behalf of the Sellers shall prove to have been untrue or misleading in any material respect as of the time made or furnished (other than the representations and warranties set forth in Schedule 1, which shall be considered solely for the purpose of

determining the Market Value; unless (A) the Sellers shall have made any such representations and warranties with actual knowledge that they were materially false or misleading at the time made; or (B) any such representations and warranties have been determined in good faith by the Administrative Agent in its sole discretion to be materially false or misleading on a regular basis); or

- (iii) Immediate Covenant Default. The failure of the Sellers to perform, comply with or observe any term, covenant or agreement applicable to the Sellers contained in any of Sections 17(a), (c)(i), (i), (j), (k), (o), (p), (q), (s), or (u); or
- (iv) Additional Covenant Defaults. The Sellers shall fail to observe or perform any other covenant or agreement contained in this Repurchase Agreement (and not identified in clause (iii) of Section 18(a)) or any other Program Document, and if such default shall be capable of being remedied, and such failure to observe or perform shall continue unremedied for a period of three (3) Business Days; or
- (v) Judgments. A judgment or judgments for the payment of money in excess of \$5,000,000 in the aggregate shall be rendered against any of the Sellers or any of their Affiliates by one or more courts, administrative tribunals or other bodies having jurisdiction and the same shall not be satisfied, discharged (or provision shall not be made for such discharge) or bonded, or a stay of execution thereof shall not be procured, within 30 days from the date of entry thereof, and the Sellers or any such Affiliate shall not, within said period of 30 days, or such longer period during which execution of the same shall have been stayed or bonded, appeal therefrom and cause the execution thereof to be stayed during such appeal; or
- (vi) Cross-Default. Any “event of default” or any other default which permits a demand for, or requires, the early repayment of obligations due by any Seller or their Affiliates under any agreement (after the expiration of any applicable grace period under such agreement) relating to any Indebtedness or any Hedge Instrument of the Sellers or any Affiliate, as applicable in an amount individually or in the aggregate greater than \$5,000,000; or
- (vii) Insolvency Event. An Insolvency Event shall have occurred with respect to any Seller; or
- (viii) Enforceability. For any reason, this Repurchase Agreement at any time shall not be in full force and effect in all material respects or shall not be enforceable in all material respects in accordance with its terms, or any Lien granted pursuant thereto shall fail to be perfected and of first priority, or any Person (other than the Administrative Agent) shall contest the validity, enforceability, perfection or priority of any Lien granted pursuant thereto, or any party thereto (other than the Administrative Agent) shall seek to disaffirm, terminate, limit or reduce its obligations hereunder; or

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- (ix) Reserved; or
 - (x) Underwriting and Origination Guidelines. The Administrative Agent determines that a material portion of the Purchased Assets were not, for any reason, originated in accordance with the Underwriting and Origination Guidelines in existence at the time such Mortgage Loans were originated; or
 - (xi) Material Adverse Effect. A Material Adverse Effect shall occur as determined by the Administrative Agent in its sole good faith discretion; or
 - (xii) ERISA. (A) any Person shall engage in any “prohibited transaction” (as defined in Section 406 of ERISA or Section 4975 of the Code) involving any Plan, (B) any “accumulated funding deficiency” (as defined in Section 302 of ERISA), whether or not waived, shall exist with respect to any Plan or any Lien in favor of the PBGC or a Plan shall arise on the assets of the Sellers or any ERISA Affiliate, (C) a Reportable Event shall occur with respect to, or proceedings shall commence to have a trustee appointed, or a trustee shall be appointed, to administer or to terminate, any Plan, which Reportable Event or commencement of proceedings or appointment of a trustee is, in the reasonable opinion of the Administrative Agent, likely to result in the termination of such Plan for purposes of Title IV of ERISA, (D) any Plan shall terminate for purposes of Title IV of ERISA, (E) the Sellers or any ERISA Affiliate shall, or in the reasonable opinion of the Administrative Agent is likely to, incur any liability in connection with a withdrawal from, or the insolvency or reorganization of, a Multiemployer Plan or (F) any other event or condition shall occur or exist with respect to a Plan; and in each case in clauses (A) through (F) above, such event or condition, together with all other such events or conditions, if any, could reasonably be expected to exceed \$5,000,000 or to have a Material Adverse Effect; or
 - (xiii) Change of Control. A Change of Control of any Seller shall have occurred; or
 - (xiv) Going Concern. The Sellers’ audited annual Financial Statements or the notes thereto or other opinions or conclusions stated therein delivered pursuant to Section 17(e)(i)(A) hereof shall be qualified or limited by reference to the status of the Sellers as a “going concern” or a reference of similar import; or

- (xv) Qualification as REIT. The failure of AHMIC (i) to continue to be qualified as a REIT as defined in Section 856 of the Code or (ii) to continue to be entitled to a dividend paid deduction under Section 857 of the Code with respect to dividends paid by it with respect to each taxable year for which it claims a deduction on its Form 1120- REIT filed with the United States Internal Revenue Service for such year, or the entering into by AHMIC of “prohibited transactions” as defined in Sections 857(b)(6)(B)(iii) of the Code (taking into account Sections 857(b)(6)(C), 857(b)(6)(D) and 857(b)(6)(E) of the Code) or (iii) to satisfy any of the income or asset tests required to be satisfied by a REIT.

b. Termination Event.

- (i) If the following event (a “Termination Event”) occurs, the Administrative Agent shall have the rights set forth in Section 18(b)(ii) below:
- (A) the senior debt obligations of Administrative Agent or the Buyers shall be rated below the four highest generic grades (without regard to any pluses and minuses reflecting gradations within such generic grades) by any nationally recognized statistical rating organization;
- (ii) Upon the occurrence of a Termination Event, the Administrative Agent shall have the right, in its sole discretion, to immediately terminate the Administrative Agent’s agreement to enter into any additional Transactions. The Sellers shall repurchase any Purchased Assets subject to a Transaction hereunder within 5 Business Days following receipt of a request therefore from Administrative Agent following the occurrence of a Termination Event.

19. REMEDIES

- a. If an Event of Default occurs and is continuing, the following rights and remedies are available to the Administrative Agent; provided, that an Event of Default shall be deemed to be continuing unless expressly waived by the Administrative Agent in writing:
- (i) At the sole option of the Administrative Agent, exercised by written notice to the Sellers (which option shall be deemed to have been exercised, even if no notice is given, immediately upon the occurrence of an Insolvency Event with respect to the Sellers) (a “Post Default Termination Event”), the Repurchase Date for each Transaction hereunder, if it has not already occurred, shall be deemed immediately to occur.
- (ii) If the Administrative Agent exercises or is deemed to have exercised a Post Default Termination Event, the Sellers’ obligations in such Transactions to repurchase all Purchased Assets, at the Repurchase Price therefore on the Repurchase Date determined in accordance with subsection (a)(i) of this Section, (1) shall thereupon become immediately due and

payable; and (2) all Income paid after such exercise or deemed exercise shall be retained by the Administrative Agent and applied to the aggregate unpaid Repurchase Price and any other amounts owed by the Sellers hereunder.

- (iii) Upon the occurrence of one or more Events of Default, the Administrative Agent shall have the right to obtain physical possession of all files of the Sellers relating to the Purchased Assets and the Repurchase Assets and all documents relating to such assets which are then or may thereafter come in to the possession of the Sellers or any third party acting for the Sellers and the Sellers shall deliver to the Administrative Agent such assignments as the Administrative Agent shall request. The Administrative Agent shall be entitled to specific performance of all agreements of the Sellers contained in the Program Documents.
- (iv) Upon the occurrence of one or more Events of Default, the Administrative Agent may direct all Persons servicing the Purchased Assets to take such action with respect to the Purchased Assets as the Administrative Agent determines appropriate.
- (v) At any time on the Business Day following notice to the Sellers (which notice may be the notice given under subsection (a)(i) of this Section), in the event the Sellers have not repurchased all Purchased Assets, the Administrative Agent may immediately sell, without demand or further notice of any kind, at a public or private sale and at such price or prices as the Administrative Agent may deem satisfactory in its good faith discretion any or all Purchased Assets and the Repurchase Assets subject to such Transaction hereunder and apply the proceeds thereof to the aggregate outstanding Repurchase Prices and any other amounts owing by the Sellers hereunder provided, for the avoidance of doubt, nothing set forth herein shall prohibit the Administrative Agent from selling any or all of the Purchased Assets and Repurchase Assets to any Buyer or any Affiliate thereof. The Sellers shall remain liable to the Administrative Agent for any amounts that remain owing to the Administrative Agent following a sale under the preceding sentence. The proceeds of any disposition of Purchased Assets and the Repurchase Assets shall be applied as determined by the Administrative Agent in its sole discretion.
- (vi) The Sellers shall be liable to the Administrative Agent and each Buyer for (i) the payment of all Expenses, (ii) damages in an amount equal to the cost (including all fees, expenses and commissions) of entering into replacement transactions and entering into or terminating hedge transactions in connection with or as a result of an Event of Default, and (iii) any other loss, damage, cost or expense directly arising or resulting from the occurrence of an Event of Default in respect of a Transaction.

- b. Upon the occurrence of one or more Events of Default, the Sellers shall cause all proceeds of the Repurchase Assets received by it with respect to the Purchased Assets consisting of cash, checks, and other near-cash items to be held in trust for the Administrative Agent, segregated from all other funds of Sellers immediately delivered to the Administrative Agent or its designee in the exact form received by the Sellers (duly endorsed by the Sellers if required).
- c. Upon the occurrence and during the continuance of an Event of Default, the Administrative Agent shall without regard to the adequacy of the security for the Obligations, be entitled to the appointment of a receiver by any court having jurisdiction, without notice, to take possession of and protect, collect, manage, liquidate, and sell the Purchased Assets and any other Repurchase Assets or any portion thereof, collect the payments due with respect to the Purchased Assets and any other Repurchase Assets or any portion thereof, and do anything that the Administrative Agent is authorized hereunder to do. The Sellers shall pay all costs, expenses and other amounts incurred by the Administrative Agent in connection with the appointment and activities of such receiver.
- d. The Administrative Agent may enforce its rights and remedies hereunder without prior judicial process or hearing, and the Sellers hereby expressly waive, to the extent permitted by law, any right the Sellers might otherwise have to require the Administrative Agent to enforce its rights by judicial process. The Sellers also waives, to the extent permitted by law, any defense the Sellers might otherwise have to the Obligations, arising from use of nonjudicial process, enforcement and sale of all or any portion of the Purchased Assets and any other Repurchase Assets or from any other election of remedies. The Sellers recognize that nonjudicial remedies are consistent with the usages of the trade, are responsive to commercial necessity and are the result of a bargain at arm's length.

20. DELAY NOT WAIVER; REMEDIES ARE CUMULATIVE

No failure on the part of the Administrative Agent to exercise, and no delay in exercising, and no course of dealing with respect thereto, any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by the Administrative Agent of any right, power, privilege or remedy hereunder preclude any other or further exercise thereof or the exercise of any other right, power, privilege or remedy. All rights and remedies of the Administrative Agent provided for herein are cumulative and not exclusive of any remedies provided by law and in addition to any and all other rights and remedies provided by law, the Program Documents and the other instruments and agreements contemplated hereby and thereby, and are not conditional or contingent on any attempt by the Administrative Agent to exercise any of its rights under any other related document. Such rights and remedies may be exercised by the Administrative Agent without presentment, demand, protest or further notice of any kind other than as expressly set forth herein, all of which are expressly waived by the Sellers. The Administrative Agent may exercise at any time after the occurrence of an Event of Default one or more remedies, as it so desires, and may thereafter at any time and from time to time exercise any other remedy or remedies. Each representation and warranty made or deemed to be made by entering into a Transaction, herein or pursuant hereto shall survive the making of such representation and warranty. The Administrative Agent shall

not be deemed to have waived any Default or Event of Default that may arise because any such representation or warranty shall have proved to be false or misleading, notwithstanding that the Administrative Agent may have had notice or knowledge or reason to believe that such representation or warranty was false or misleading at the time the Transaction was made.

21. NOTICES AND OTHER COMMUNICATIONS

- a. Notices. Except as provided herein, any notice required or permitted by this Repurchase Agreement shall be in writing and shall be effective and deemed delivered only when received by the party to which it is sent and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopier as follows:

if to Sellers:

American Home Mortgage Corp.
538 Broadhollow Road
Melville, NY 11747
Attn: Craig S. Pino
Telephone: (516) 396-7700

American Home Mortgage Acceptance, Inc.
538 Broadhollow Road
Melville, NY 11747
Attn: Craig S. Pino
Telephone: (516) 396-7700

American Home Mortgage Investment Corp.
538 Broadhollow Road
Melville, New York 11747
Attn: Craig Pino
Telephone: (516) 495-7026

American Home Mortgage Servicing, Inc.
538 Broadhollow Road Melville, NY 11747
Attn: Craig S. Pino
Telephone: (516) 396-7700

with a copy to:

538 Broadhollow Road Melville, NY 11747
Attn: Alan B. Horn, General Counsel
Telephone: (516) 396-7700

if to the Administrative Agent:

Barclays Bank PLC
c/o Barclays Capital Services LLC
200 Cedar Knolls Road
Whippany, NJ 07981
Facsimile: (973) 576-3059
Attn: Glenn Pearson
Hansel Nieves
Email: glenn.pearson@barcap.com
hansel.nieves@barcap.com

with a copy to:

Barclays Capital Inc.
200 Park Avenue
New York, NY 10166
Facsimile: (212) 412-6846
Attn: Michael Dryden
David Lister
Alison Cohen
Julie Park
Email: michael.dryden@barcap.com
david.lister@barcap.com
alison.cohen@barcap.com
julie.park@barcap.com

and

Barclays Bank PLC
c/o Asset Securitization Group
200 Park Avenue
New York, NY 10166
Facsimile: (212) 412-6846
Attn: Mary Logan
Jeff Goldberg
Email: mary.logan@barcap.com
jeff.goldberg@barcap.com

- b. Delivery. Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received. Notices sent by telecopier shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next Business Day for the recipient). Notices delivered through electronic communications to the extent provided in clause (c) below, shall be effective as provided in said clause (c) below.

- c. Electronic Communications. Notices and other communications to the Administrative Agent hereunder may be delivered or furnished by electronic communication (including e-mail and internet or intranet websites) pursuant to procedures approved by the Administrative Agent; provided that, approval of such procedures may be limited to particular notices or communication. Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender' s receipt of an acknowledgement from the intended recipient (such as by the return e-mail or other written acknowledgement), provided that, if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next Business Day for the recipient and (ii) notices or other communication posted to an internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its email address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefore.
- d. Change of Address. Any party may change its address, telecopier number or e-mail for notices and other communication hereunder by notice to the other parties.

22. INDEMNITY; COSTS AND EXPENSES

- a. The Sellers agree to hold the Administrative Agent, the Buyers and their respective Affiliates and their officers, directors, employees, agents and advisors (each an "Indemnified Party") harmless from and indemnify any Indemnified Party against all liabilities, losses, damages, judgments, costs and expenses of any kind which may be imposed on, incurred by or asserted against such Indemnified Party (collectively, "Costs"), relating to or arising out of this Repurchase Agreement, any other Program Document or any transaction contemplated hereby or thereby, or any amendment, supplement or modification of, or any waiver or consent under or in respect of, this Repurchase Agreement, any other Program Document or any transaction contemplated hereby or thereby, that, in each case, results from anything other than the Indemnified Party' s gross negligence or willful misconduct as determined by a non-appealable judgment of a court of final jurisdiction. Without limiting the generality of the foregoing, the Sellers agree to hold any Indemnified Party harmless from and indemnify such Indemnified Party against all Costs with respect to all Mortgage Loans relating to or arising out of any taxes incurred or assessed in connection with the ownership of the Mortgage Loans, that, in each case, results from anything other than the Indemnified Party' s gross negligence or willful misconduct as determined by a non-appealable judgment of a court of final jurisdiction. In any suit, proceeding or action brought by an Indemnified Party in connection with any Mortgage Loan for any sum owing thereunder, or to enforce any provisions of any Mortgage Loan, the Sellers will save, indemnify and hold

such Indemnified Party harmless from and against all expense, loss or damage suffered by reason of any defense, set off, counterclaim, recoupment or reduction or liability whatsoever of the account debtor or obligor thereunder, arising out of a breach by the Sellers of any obligation thereunder or arising out of any other agreement, indebtedness or liability at any time owing to or in favor of such account debtor or obligor or its successors from the Sellers.

- b. The Sellers agree to pay (i) all reasonable out-of-pocket costs and expenses of the Administrative Agent and the Buyers in connection with the preparation, execution, delivery, modification, administration, amendment and waiver of the Program Documents, whether or not the transactions contemplated hereby or thereby shall be consummated (including, without limitation, (A) all collateral review and cost of title, lien, judgment and other record searches, including UCC searches, and other expenses associated with the perfection of the security interest in the Repurchased Assets, including the costs of preparing and recording any UCC financing statements or other filings, (B) any due diligence reviews conducted by the Administrative Agent, the Buyer or on their behalf or by refinancing or restructuring in the nature of a “workout” with respect to the transactions contemplated hereby and thereby, (C) subject to the limitations set forth in Section 32 hereof, the due diligence, inspection, testing and review costs and expenses incurred by the Administrative Agent and the Buyers with respect to Mortgage Loans submitted by the Sellers for purchase under this Repurchase Agreement, including, but not limited to, those out of pocket costs and expenses incurred by the Administrative Agent and the Buyers pursuant to Section 32 hereof, and (D) the fees, expenses and disbursements of counsel for the Administrative Agent and the Buyers with respect to advising the Administrative Agent and the Buyers as to their rights and responsibilities, or the perfection, protection or preservation of rights or interests, under the Program Documents, with respect to negotiations with the Sellers or with other creditors of the Sellers or any of its Subsidiaries arising out of any Default or Event of Default or any events or circumstances that may rise to a Default or an Event of Default and with respect to presenting claims in or otherwise participating in or monitoring any bankruptcy, insolvency or other similar proceeding involving creditors’ rights generally and any proceeding ancillary thereto); and (ii) all reasonable costs and expenses of the Administrative Agent and the Buyers in connection with the enforcement of the Program Documents (including any waivers), whether in any action, suit or litigation, any bankruptcy, insolvency or other similar proceeding affecting creditors’ rights generally whether or not the transactions contemplated hereby or thereby are consummated.

- c. To the fullest extent permitted by applicable law, the Sellers shall not assert, and hereby waive, any claim against any Indemnified Party, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of any Program Document or any agreement or instrument contemplated hereby or thereby, the transactions contemplated hereby or thereby, any Transaction or the use of the proceeds thereof, except to the extent such special, indirect, consequential or punitive damages are incurred as a result of

such Indemnified Party's gross negligence or willful misconduct. No Indemnified Party shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with the Program Documents or the transactions contemplated hereby or thereby.

- d. The obligations of the Sellers from time to time to pay the Repurchase Price, the Periodic Advance Repurchase Payments, and all other amounts due under this Repurchase Agreement shall be full recourse obligations of the Sellers. To the extent that a Default or an Event of Default has occurred and is continuing, the Sellers agree that all amounts due under this Section 22 will accrue interest at the Default Rate calculated on a basis of actual days elapsed and a year of 360-days. All amounts owing under this Section 22 shall be payable on demand in immediately available funds.

23. RESERVED

24. ENTIRE AGREEMENT; SINGLE AGREEMENT; SEVERABILITY

- a. Entire Agreement. This Repurchase Agreement, together with the Program Documents, constitute the entire understanding between the Administrative Agent, the Buyers and the Sellers with respect to the subject matter they cover and shall supersede any existing agreements between the parties containing general terms and conditions for repurchase transactions involving Purchased Assets. By acceptance of this Repurchase Agreement, the Administrative Agent, the Buyers and the Sellers acknowledge that they have not made, and are not relying upon, any statements, representations, promises or undertakings not contained in this Repurchase Agreement or the other Program Documents. Each provision and agreement herein shall be treated as separate and independent from any other provision or agreement herein and shall be enforceable notwithstanding the unenforceability of any such other provision or agreement.
- b. Single Agreement. The Administrative Agent, the Buyers and the Sellers acknowledge that, and have entered hereinto and will enter into each Transaction hereunder in consideration of and in reliance upon the fact that, all Transactions hereunder constitute a single business and contractual relationship and that each has been entered into in consideration of the other Transactions. Accordingly, each of the Administrative Agent, the Buyers and the Sellers agree (i) to perform all of its obligations in respect of each Transaction hereunder, and that a default in the performance of any such obligations shall constitute a default by it in respect of all Transactions hereunder, (ii) that each of them shall be entitled to set off claims and apply property held by them in respect of any Transaction against obligations owing to them in respect of any other Transaction hereunder; (iii) that payments, deliveries, and other transfers made by either of them in respect of any

Transaction shall be deemed to have been made in consideration of payments, deliveries, and other transfers in respect of any other Transactions hereunder, and the obligations to make any such payments, deliveries, and other transfers may be applied against each other and netted and (iv) to promptly provide notice to the other after any such set off or application.

25. ASSIGNMENT

- a. Right of Assignment. The rights and obligations of the parties under this Repurchase Agreement and under any Transaction shall not be assigned by the Sellers without the prior written consent of the Administrative Agent. Subject to the foregoing, this Repurchase Agreement and any Transactions shall be binding upon and shall inure to the benefit of the parties and their respective successors and assigns. Nothing in this Repurchase Agreement express or implied, shall give to any Person, other than the parties to this Repurchase Agreement and their successors hereunder, any benefit of any legal or equitable right, power, remedy or claim under this Repurchase Agreement.
- b. Participations. Each Buyer reserves the rights with notice to the Sellers and consent of the Administrative Agent, to sell to any bank, savings and loan, savings bank, credit union, other financial institution, commercial lending institution, or its own Buyer Affiliates participations in all or any part of such Buyer's shares of Transactions or to pledge any or all of its interests under the Transactions to the Federal Reserve Bank; provided, however, that (i) the Administrative Agent's and Buyers' obligations under this Repurchase Agreement shall remain unchanged, (ii) the Administrative Agent and Buyers shall remain solely responsible to the other parties hereto for the performance of such obligations; (iii) the Sellers shall continue to deal solely and directly with the Administrative Agent in connection with the Administrative Agent's and Buyers' rights and obligations under this Repurchase Agreement and the other Program Documents and (iv) the Administrative Agent shall continue to deal solely and directly with the Buyers in connection with the Administrative Agent's and Buyers' rights and obligations under this Repurchase Agreement and the other Program Documents. Each Buyer shall be entitled to obtain (on behalf of its participants) the benefits of this Agreement with respect to all participants in its Transactions outstanding from time to time. Except in the case of the sale of a participating interest to a Buyer, the relevant participation agreement shall not permit the participant to transfer, pledge, assign, sell any subparticipation in or otherwise alienate or encumber its participation interest in the Transactions.
- c. Assignments by Buyers. Without any requirement for further consent of the Sellers but with the consent of the Administrative Agent, and at no cost or expense to the Sellers or the Administrative Agent, any Buyer may assign (i) to any of its own Buyer Affiliates but with such assigning Buyer retaining and remaining liable for such Buyer's obligation to fund such Buyer's portion of the Transactions, or (ii) to any other Buyer, any or all of its rights and obligations under the Program Documents. With the prior written consent of the Sellers and the Administrative Agent (but not otherwise, except that if an Event of Default has occurred and is continuing, the consent of the Sellers shall not be required) and at no cost to

the Sellers or the Administrative Agent, any Buyer may assign any or all of its rights and obligations under the Program Documents to any assignee other than as contemplated by the preceding sentence. The Sellers agree that, for any such permitted assignment, they will cooperate with the prompt execution and delivery of documents reasonably necessary to such assignment process to the extent that the Sellers incur no cost or expense that is not paid by the assigning Buyer. Upon such assignment, the assignee shall be a Buyer for all purposes under this Agreement and the other Program Documents and, if the assignment is an assignment of all of the assignor's interest in the Transactions and its security to an assignee subject to the requirements of the first sentence hereof, the assignor shall be automatically released from all of its obligations and liabilities hereunder.

- d. Disclosure in Connection with Assignment. The Administrative Agent and any Buyer may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 25, disclose to the assignee or participant or proposed assignee or participant, as the case may be, any information relating to the Sellers or any of their Subsidiaries or to any aspect of the Transactions that has been furnished to the Administrative Agent and any Buyer by or on behalf of the Sellers or any of their Subsidiaries; provided that such assignee or participant agrees to hold such information subject to the confidentiality provisions of this Repurchase Agreement.
- e. Agency Provisions. In the event the Administrative Agent assigns all or a portion of its rights and obligations under this Repurchase Agreement, the parties hereto agree to negotiate in good faith an amendment to this Repurchase Agreement to add additional agency provisions similar to those included in repurchase agreements for similar syndicated repurchase facilities.
- f. Register. Administrative Agent, acting solely for this purpose as an agent of the Sellers, shall maintain at one of its offices in the United States a copy of each assignment and acceptance executed or delivered to it and a register for the recordation of the names and addresses of the assignees under each assignment and acceptance and the percentage or portion of such rights and obligations owing to, each such assignee pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive absent manifest error, and the Sellers, the Administrative Agent and the assignees under any assignment and acceptance may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Buyer hereunder for all purposes of this Repurchase Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Administrative Agent and any assignee under an assignment and acceptance, at any reasonable time and from time to time upon reasonable prior notice.

26. AMENDMENTS, ETC.

No amendment or waiver of any provision of this Repurchase Agreement nor any consent to any failure to comply herewith or therewith shall in any event be effective unless the same shall be in writing and signed by the Sellers, and the Administrative Agent, and then such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

27. BINDING EFFECT; GOVERNING LAW

THIS REPURCHASE AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH, AND GOVERNED BY, THE LAW OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO THE CONFLICT OF LAWS PRINCIPLES THEREOF (EXCEPT FOR SECTIONS 5-1401 AND 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW).

28. CONSENT TO JURISDICTION; WAIVER OF JURY TRIAL

THE BUYER AND EACH SELLER HEREBY IRREVOCABLY AND UNCONDITIONALLY:

- a. SUBMITS FOR ITSELF AND ITS PROPERTY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS REPURCHASE AGREEMENT AND THE OTHER PROGRAM DOCUMENTS AND THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY, OR FOR RECOGNITION AND ENFORCEMENT OF ANY JUDGMENT IN RESPECT THEREOF, TO THE EXCLUSIVE GENERAL JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK, THE FEDERAL COURTS OF THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT OF NEW YORK, AND APPELLATE COURTS FROM ANY THEREOF;**
- b. CONSENTS THAT ANY SUCH ACTION OR PROCEEDING MAY BE BROUGHT IN SUCH COURTS AND, TO THE EXTENT PERMITTED BY LAW, WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH ACTION OR PROCEEDING IN ANY SUCH COURT OR THAT SUCH ACTION OR PROCEEDING WAS BROUGHT IN AN INCONVENIENT COURT AND AGREES NOT TO PLEAD OR CLAIM THE SAME;**
- c. AGREES THAT SERVICE OF PROCESS IN ANY SUCH ACTION OR PROCEEDING MAY BE EFFECTED BY MAILING A COPY THEREOF BY REGISTERED OR CERTIFIED MAIL (OR ANY SUBSTANTIALLY SIMILAR FORM OF MAIL), POSTAGE PREPAID, TO ITS ADDRESS SET FORTH UNDER SECTION 21 HEREOF; AND**
- d. AGREES THAT NOTHING HEREIN SHALL AFFECT THE RIGHT TO EFFECT SERVICE OF PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR SHALL LIMIT THE RIGHT TO SUE IN ANY OTHER JURISDICTION.**

THE BUYER AND EACH SELLER HEREBY IRREVOCABLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS REPURCHASE AGREEMENT, ANY OTHER PROGRAM DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

29. SEVERABILITY

If any provision of any Program Document is declared invalid by any court of competent jurisdiction, such invalidity shall not affect any other provision of the Program Documents, and each Program Document shall be enforced to the fullest extent permitted by law.

30. INTENT

- a. Intent. The Sellers and the Administrative Agent recognize that each Transaction is a “repurchase agreement” as that term is defined in Section 101 of Title 11 of the United States Code, as amended (“USC”) (except insofar as the Mortgage Loans subject to such Transaction or the term of such Transaction would render such definition inapplicable), a “forward contract” as that term is defined in Section 101 of Title 11 of the USC and a “securities contract” as that term is defined in Section 741 of Title 11 of the USC (except insofar as the Mortgage Loans subject to such Transaction or the term of the Transaction would render such definition inapplicable) and that all payments hereunder are deemed “margin payments” or “settlement payments” as defined in Title 11 of the United States Code.
- b. Right to Liquidate. It is understood that the Administrative Agent’s right to liquidate the Purchased Assets delivered to it in connection with the Transaction hereunder or to exercise any other remedies pursuant to Section 19 hereof is a contractual right to liquidate the Transactions as described in Sections 555 and 559 of Title 11 of the USC.
- c. Insured Depository Institution. The parties agree and acknowledge that if a party hereto is an “insured depository institution,” as such term is defined in the Federal Deposit Insurance Act, as amended (“FDIA”), then each Transaction hereunder is a “qualified financial contract,” as that term is defined in FDIA and any rules, orders or policy statements thereunder (except insofar as the type of assets subject to such Transaction would render such definition inapplicable).
- d. Netting Contract. It is understood that this Repurchase Agreement constitutes a “netting contract” as defined in and subject to Title IV of the Federal Deposit Insurance Corporation Improvement Act of 1991 as amended (“FDICIA”) and each payment entitlement and payment obligation under any Transaction hereunder shall constitute a “covered contractual payment entitlement” or “covered contractual payment obligation”, respectively, as defined in and subject to FDICIA (except insofar as one or both of the parties is not a “financial institution” as that term is defined in FDICIA).

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- e. Repurchase Agreement. This Repurchase Agreement is intended to be a “repurchase agreement” and a “securities contract,” within the meaning of Section 555 and 559 under the Bankruptcy Code.

31. CONFIDENTIALITY

- a. General. The Administrative Agent, the Buyers and the Sellers each hereby acknowledge and agree that Confidential Information shall be kept confidential and shall not be divulged to any party without the prior written consent of such other party except for disclosure: (a) to its Affiliates and its and its Affiliates’ respective partners, directors, officers, employees, agents, advisors and other representatives (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Confidential Information and instructed to keep such information confidential), (b) to the extent requested by any regulatory authority purporting to have jurisdiction over it (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process or other Requirement of Law, (d) in connection with the exercise of any remedies hereunder or under any other Program Document or any action or proceeding relating to any Program Document or the enforcement of rights hereunder or thereunder, (e) subject to any agreement containing provisions substantially the same as those of this Section, to (i) any assignee of, or participant, or any prospective assignee of or participant in, any of Administrative Agent’s or any Buyer’s rights or obligations under this Repurchase Agreement or (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to the Sellers and their obligations, or (f) to the extent such information (x) becomes publicly available other than as a result of a breach of this Section or (y) becomes available to the Administrative Agent, any Buyer or its Affiliates on a nonconfidential basis from a source other than the Sellers.
- b. Confidential Information. For purposes of this Section, “Confidential Information” means (A) the terms of the Program Documents and (B) all information received by the Administrative Agent or any Buyer from the Sellers or from the Administrative Agent or any of the Sellers’ Subsidiaries relating to the Sellers or any of their Subsidiaries or any of their respective businesses pursuant to this Agreement in accordance with the delivery requirements of the Program Documents, other than any such information that is available to the Administrative Agent or such Buyer on a nonconfidential basis prior to disclosure by the Sellers or any of their Subsidiaries. Any Person required to maintain the confidentiality of Confidential Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Confidential Information as such Person would accord to its own confidential information.

- c. Disclosure. Notwithstanding the foregoing or anything to the contrary contained herein or in any other Program Document, the parties hereto may disclose to any and all Persons, without limitation of any kind, the federal, state and local tax treatment of the Transactions, any fact relevant to understanding the federal, state and local tax treatment of the Transactions, and all materials of any kind (including opinions or other tax analyses) relating to such federal, state and local tax treatment and that may be relevant to understanding such tax treatment; provided that Sellers may not disclose the name of or identifying information with respect to the Administrative Agent or any Buyer or any pricing terms (including, without limitation, the Pricing Rate, Purchase Price Percentage and Purchase Price) or other nonpublic business or financial information (including any sublimits and financial covenants) that is unrelated to the federal, state and local tax treatment of the Transactions and is not relevant to understanding the federal, state and local tax treatment of the Transactions, without the prior written consent of the Administrative Agent or such Buyer.

32. DUE DILIGENCE

- a. Due Diligence Review. The Sellers acknowledge that the Administrative Agent and the Buyers have the right to perform continuing due diligence reviews with respect to the Mortgage Loans, and the Sellers, the Servicer and the Custodian, for purposes of verifying compliance with the representations, warranties and specifications made hereunder, reviewing each such entity's corporate and credit information in a manner customary for transactions of this type or otherwise, and the Sellers agree that upon reasonable prior notice unless a Default or Event of Default shall have occurred, in which case no notice is required, to the Sellers, the Administrative Agent, the Buyers or their respective authorized representatives will be permitted during normal business hours to examine, inspect, and make copies and extracts of, the Mortgage Loan Files and any and all documents, records, agreements, instruments or information relating to such Mortgage Loans or to the Sellers or the Servicer in the possession or under the control of the Sellers, the Servicer and/or the Custodian. The Sellers also shall make available to the Administrative Agent and the Buyers a knowledgeable financial or accounting officer for the purpose of answering questions respecting the Mortgage Loan Files and the Mortgage Loans or to the Sellers or the Servicer. Without limiting the generality of the foregoing, the Sellers acknowledge that the Buyer may purchase Mortgage Loans from the Sellers based solely upon the information provided by the Sellers to the Administrative Agent in the Asset Schedule and the representations, warranties and covenants contained herein, and that Buyer, at its option, has the right at any time to conduct a partial or complete due diligence review on some or all of the Mortgage Loans purchased in a Transaction, including, without limitation, ordering broker's price opinions, new credit reports and new appraisals on the related Mortgaged Properties otherwise re-generating the information used to originate such Mortgage Loan. The

Administrative Agent and the Buyers may underwrite such Mortgage Loans itself or engage a mutually agreed upon third party underwriter to perform such underwriting. The Sellers agree to cooperate with the Administrative Agent, the Buyers and any third party underwriter in connection with such underwriting, including, but not limited to, providing the Administrative Agent, the Buyers and any third party underwriter with access to any and all documents, records, agreements, instruments or information relating to such Mortgage Loans in the possession, or under the control, of the Sellers or their agents.

- b. Expenses. The Sellers further agree that the Sellers shall pay all reasonable out-of-pocket costs and expenses incurred by the Administrative Agent and the Buyers in connection with the Administrative Agent's and the Buyers' activities pursuant to this Section 32 ("Due Diligence Costs"); provided, that such Due Diligence Costs shall not exceed the Due Diligence Cap per calendar year unless a Default or Event of Default shall have occurred, in which event the Administrative Agent and the Buyers shall have the right to perform due diligence, at the sole expense of the Sellers without regard to the dollar limitation set forth herein.

33. TAX TREATMENT

Each party to this Repurchase Agreement acknowledges that it is its intent for purposes of U.S. federal, state and local income and franchise taxes, to treat each Transaction as indebtedness of the Sellers that is secured by the Purchased Assets and that the Purchased Assets are owned by the Sellers in the absence of an Event of Default by the Sellers. All parties to this Repurchase Agreement agree to such treatment and agree to take no action inconsistent with this treatment, unless required by law.

34. RESERVED

35. SET OFF

In addition to any rights and remedies of the Administrative Agent or any Buyer provided by law, the Administrative Agent and the Buyers shall each have the right, without prior notice to the Sellers, any such notice being expressly waived by the Sellers to the extent permitted by applicable law, upon any amount becoming due and payable by the Sellers hereunder (whether at the stated maturity, by acceleration or otherwise) to set-off and appropriate and apply against such amount any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by the Administrative Agent, the Buyers, their respective Affiliates or any branch or agency thereof to or for the credit or the account of the Sellers. The Administrative Agent agrees promptly to notify the Sellers after any such set-off and application made by the Administrative Agent, the Buyers or their Affiliates; provided, that the failure to give such notice shall not affect the validity of such set-off and application.

36. RELIANCE

With respect to any Transaction, the Administrative Agent may conclusively rely upon, and shall incur no liability to the Sellers in acting upon, any request or other communication that the Administrative Agent reasonably believes to have been given or made by a person authorized to enter into a Transaction on the Sellers' behalf.

37. DISCLOSURE RELATING TO CERTAIN FEDERAL PROTECTIONS

The parties acknowledge that they have been advised that:

- a. in the case of Transactions in which one of the parties is a broker or dealer registered with the Securities and Exchange Commission ("SEC") under Section 15 of the Securities Exchange Act of 1934 as amended ("1934 Act"), the Securities Investor Protection Corporation has taken the position that the provisions of the Securities Investor Protection Act of 1970 as amended ("SIPA") do not protect the other party with respect to any Transaction hereunder;
- b. in the case of Transactions in which one of the parties is a government securities broker or a government securities dealer registered with the SEC under Section 15C of the 1934 Act, SIPA will not provide protection to the other party with respect to any Transaction hereunder; and
- c. in the case of Transactions in which one of the parties is a financial institution, funds held by the financial institution pursuant to a Transaction hereunder are not a deposit and therefore are not insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, as applicable.

38. NETTING

If the Administrative Agent and the Sellers are "financial institutions" as now or hereinafter defined in Section 4402 of Title 12 of the United States Code ("Section 4402") and any rules or regulations promulgated thereunder,

- a. All amounts to be paid or advanced by one party to or on behalf of the other under this Repurchase Agreement or any Transaction hereunder shall be deemed to be "payment obligations" and all amounts to be received by or on behalf of one party from the other under this Repurchase Agreement or any Transaction hereunder shall be deemed to be "payment entitlements" within the meaning of Section 4402, and this Repurchase Agreement shall be deemed to be a "netting contract" as defined in Section 4402.
- b. The payment obligations and the payment entitlements of the parties hereto pursuant to this Repurchase Agreement and any Transaction hereunder shall be netted as follows. In the event that either party (the "Defaulting Party") shall fail to honor any payment obligation under this Repurchase Agreement or any Transaction hereunder, the other party (the "Non-Defaulting Party") shall be entitled to reduce the amount of any payment to be made by the Non-Defaulting Party to the Defaulting Party by the amount of the payment obligation that the Defaulting Party failed to honor.

39. ACKNOWLEDGMENT OF ANTI-PREDATORY LENDING POLICIES

The Administrative Agent and each Buyer has in place internal policies and procedures that expressly prohibit its purchase of any High Cost Mortgage Loan.

40. MISCELLANEOUS

- a. Counterparts. This Repurchase Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and any of the parties hereto may execute this Repurchase Agreement by signing any such counterpart.
- b. Captions. The captions and headings appearing herein are for included solely for convenience of reference and are not intended to affect the interpretation of any provision of this Repurchase Agreement.
- c. Acknowledgment. The Sellers hereby acknowledge that:
 - (i) it has been advised by counsel in the negotiation, execution and delivery of this Repurchase Agreement and the other Program Documents;
 - (ii) this Repurchase Agreement and each other Program Document prepared in connection with the Transactions set forth herein have been mutually drafted and negotiated by each party, and consequently such documents shall not be construed against either party as the drafter thereof;
 - (iii) none of the Administrative Agent or the Buyers has any fiduciary relationship to the Sellers; and
 - (iv) no joint venture exists between the Administrative Agent or any Buyer and the Sellers.

41. SUCCESSOR ADMINISTRATIVE AGENT

- a. Successor Administrative Agent. The Administrative Agent may resign as Administrative Agent at any time by giving notice thereof to the Buyers and the Sellers. Upon any such resignation, the Buyers shall have the right to appoint a successor Administrative Agent. If no successor Administrative Agent shall have been appointed by the Buyers and shall have accepted such appointment within 30 days after the retiring Administrative Agent' s giving of notice of resignation, then the retiring Administrative Agent may, on behalf of the Buyers, appoint a successor Administrative Agent which shall be organized under the laws of the United States of America or any state thereof and having a combined capital and surplus of at least \$100,000,000. If within 45 days after written notice is given by the retiring Administrative Agent' s resignation no successor Administrative Agent shall have been appointed and shall have accepted such appointment, then on such 45th day

the Buyers shall thereafter perform all duties and obligations of the retiring Administrative Agent under the Program Documents until such time, if any, as the Buyers appoint a successor Administrative Agent. Upon acceptance of any appointment as Administrative Agent hereunder by a successor, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, discretion, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations under the Program Documents. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Section 41 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Administrative Agent.

42. NO PROCEEDINGS.

Each of the Administrative Agent, the Sellers and the Buyers hereby agrees that it will not institute against, or join any other Person in instituting against any Buyer that is a special purpose entity formed for the purpose of issuing asset-backed commercial paper or any successor or assignee of the Buyer, any proceedings of the type referred to in the definition of "Insolvency Event" hereunder until one year and one day shall have elapsed since the last day on which any commercial paper issued by such Buyer remains outstanding.

43. JOINT AND SEVERAL.

Each Seller shall be jointly and severally liable for the full, complete and punctual performance and satisfaction of all Obligations of the Sellers under this Repurchase Agreement. Accordingly, each Seller waives any and all notice of creation, renewal, extension or accrual of any of the Obligations and notice of or proof of reliance by Administrative Agent upon such Seller's joint and several liability. Each Seller waives diligence, presentment, protest, demand for payment and notice of default or nonpayment to or upon such Seller with respect to the Obligations. When pursuing its rights and remedies hereunder against a Seller, Administrative Agent may, but shall be under no obligation to, pursue such rights and remedies hereunder against a Seller or any other Person or against any collateral security for the Obligations or any right of offset with respect thereto, and any failure by Administrative Agent to pursue such other rights or remedies or to collect any payments from such Seller or any such other Person to realize upon any such collateral security or to exercise any such right of offset, or any release of such Seller or any such other Person or any such collateral security, or right of offset, shall not relieve such Seller of any liability hereunder, and shall not impair or affect the rights and remedies, whether express, implied or available as a matter of law, of Administrative Agent against such Seller.

[Signature Page Follows]

IN WITNESS WHEREOF, Sellers and the Administrative Agent have caused their names to be signed to this Repurchase Agreement by their respective officers thereunto duly authorized as of the date first above written.

BARCLAYS BANK PLC, as the Administrative Agent

By:

/s/ Jeffrey Goldberg

Name: Jeffrey Goldberg

Title: Associate Director

AMERICAN HOME MORTGAGE ACCEPTANCE,
INC., as Seller

By:

/s/ Alan B. Horn

Name: Alan B. Horn

Title: Executive Vice President General Counsel &
Secretary

AMERICAN HOME MORTGAGE CORP., as Seller

By:

/s/ Alan B. Horn

Name: Alan B. Horn

Title: Executive Vice President General Counsel &
Secretary

AMERICAN HOME MORTGAGE INVESTMENT
CORP., as Seller

By:

/s/ Alan B. Horn

Name: Alan B. Horn

Title: Executive Vice President General Counsel &
Secretary

AMERICAN HOME MORTGAGE SERVICING, INC.,
as Seller

By: /s/ Alan B. Horn

Name: Alan B. Horn

Title: Executive Vice President General Counsel &
Secretary

BARCLAYS BANK PLC, as a Buyer

By: /s/ David Lister

Name: David Lister

Title: Director

SHEFFIELD RECEIVABLES CORPORATION, as a
Buyer

by BARCLAYS BANK PLC as attorney-in-fact

By: /s/ David Lister

Name: David Lister

Title: Director

REPRESENTATIONS AND WARRANTIES RE: RESIDENTIAL MORTGAGE LOANS

The Sellers hereby represent and warrant to the Administrative Agent, the following, with respect to each Mortgage Loan, that as of the Purchase Date for the purchase of any Purchased Assets by the Administrative Agent from the Sellers and as of the date of this Repurchase Agreement and any Transaction hereunder and at all times while the Program Documents and any Transaction hereunder is in full force and effect, except with respect to any Repurchased Mortgage Loan in which the claimed breach of the representation or warranty is expressly identified to the Administrative Agent in writing pursuant to clause (b) of the definition of Repurchased Mortgage Loan. For purposes of this Schedule 1 and the representations and warranties set forth herein, a breach of a representation or warranty shall be deemed to have been cured with respect to a Mortgage Loan if and when the Sellers have taken or caused to be taken action such that the event, circumstance or condition that gave rise to such breach no longer adversely affects such Mortgage Loan. With respect to those representations and warranties which are made to the best of the Sellers' knowledge, if it is discovered by the Sellers or the Administrative Agent that the substance of such representation and warranty is inaccurate, notwithstanding the Sellers' lack of knowledge with respect to the substance of such representation and warranty, such inaccuracy shall be deemed a breach of the applicable representation and warranty.

- a. Mortgage Loans as Described. The information set forth on the Asset Schedule with respect to each Mortgage Loan is true and correct in all material respects;
- b. Good Title. The applicable Seller has good title to and is the sole owner of each Mortgage and Mortgage Note relating to the Mortgage Loans, and is conveying the same free and clear of any and all liens, claims, encumbrances, pledges, charges or security interests of any nature, the related Mortgage Note and the Mortgage were not subject to any pledge or assignment, and such Seller has full legal authority to sell and assign the Mortgage Loans pursuant to this Agreement;
- c. No Release. No default, release or waiver exists under the mortgage documents, and no modifications to the mortgage documents have been made that have not been disclosed in writing;
- d. No Outstanding Charges. There is no monetary default existing under any Mortgage or the related Mortgage Note; neither Seller, any of its Affiliates nor any servicer of any related Mortgage Loan has taken any action to waive any default, breach or event of acceleration with respect thereto; and no foreclosure action is threatened or has been commenced with respect to such Mortgage Loan;
- e. Underwriting. Each Mortgage Loan was underwritten in accordance with the Underwriting and Origination Guidelines. No Seller has any knowledge of any fact that should have led it to expect at the time of the initial creation of an interest in the Mortgage Loan that such Mortgage Loan would not be paid in full when due;

SCHEDULE 1-1

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- f. No Adverse Selection. No selection procedures reasonably believed by a Seller to be adverse to the interest of the Administrative Agent or the Buyers have been used in selecting the Mortgage Loans;
 - g. Valid Lien. Each Mortgage is a valid and enforceable first or second lien on the Mortgaged Property securing the related Mortgage Note subject only to (1) the lien of nondelinquent 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 or referred to in the lender's title insurance policy delivered to the originator of the related Mortgage Loan, (3) with respect to each second lien mortgage, the first or senior lien on the related Mortgaged Property, and (4) 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.
 - h. No Mechanic's Lien. There is no mechanic's lien or claim for work, labor or material affecting the premises subject to any Mortgage which is or may be a lien prior to, or equal with, the lien of such Mortgage except those which are fully insured against by a title insurance policy included in the Mortgage Loan File;
 - i. No Delinquent Assessments. There is no delinquent tax or assessment lien against the Mortgaged Property subject to any Mortgage, including the obligation of the Mortgagor to pay the unpaid principal and interest on such Mortgage Note;
 - j. No Defenses. There is no valid offset, defense or counterclaim of any obligor under any Mortgage Note or Mortgage, including the obligation of the Mortgagor to pay the unpaid principal and interest on such Mortgage Note;
 - k. No Damage. Except to the extent insurance is in place which will cover such damage, the physical property subject to any Mortgage is free of material damage and is in good repair, and there is no proceeding pending or, to the best of either Sellers' knowledge, threatened, for the total or partial condemnation of any Mortgaged Property;
 - l. No Violations. Neither any improvement located on or being part of the Mortgaged Property, nor the Mortgaged Property itself, is in violation of any applicable zoning law or regulation, or subdivision law or ordinance;
 - m. Properly Serviced. Each Mortgage Loan has been serviced since origination in accordance with Acceptable Servicing Practices and in accordance with all applicable laws and regulations, including, without limitation, usury, equal credit opportunity, disclosure and recording laws and all predatory lending laws and the terms of the related Mortgage Note, the Mortgage and other loan documents;

SCHEDULE 1-2

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- n. No Alteration. The terms of the Mortgage Note or Mortgage have not been impaired, altered or modified in any material respect, except that a Mortgage Loan may have been modified by a written instrument which has been recorded, if necessary to protect the interests of the owner of such Mortgage Loan or the Notes and which has been delivered to the Custodian or such other Person as the Administrative Agent shall designate;
- o. Title Insurance. A lender's policy of title insurance (on an ALTA or CLTA form) or binder, or other assurance of title customary in the relevant jurisdiction therefor in a form acceptable to Fannie Mae or Freddie Mac, which policy insures the applicable Seller and successor owners of indebtedness secured by the insured Mortgage as to the first lien priority (with respect to first lien Mortgage Loans) or second liens priority (with respect to Second Lien Mortgage Loans) of the Mortgage Loan subject to the standard exceptions set forth therein, together with a condominium endorsement and extended coverage endorsement, if applicable, and an 8.1 ALTA environmental endorsement or equivalent endorsement in an amount at least equal to the original principal balance of each such Mortgage Loan or a commitment binder, commitment to issue the same or preliminary policy affirmatively insuring ingress and egress and insuring against encroachments by or upon the Mortgaged Property on the standard ALTA form, was effective on the date of the origination of each Mortgage Loan, and each such policy is valid and remains in full force and effect;
- p. Appraisal. At the time of origination, each Mortgaged Property was the subject of an appraisal on Form 1004 or Form 2055 with an interior inspection which conformed to the Underwriting and Origination Guidelines;
- q. Flood Insurance. If for any Mortgage Loan the related 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 outstanding principal balance of the Mortgage Loan, (B) the minimum amount required to compensate for damage or loss on a replacement cost basis and (C) the maximum amount of coverage that is available under federal law; 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;
- r. Hazard Insurance. The improvements upon each Mortgaged Property are covered by a valid and existing hazard insurance policy which policy provides for fire extended coverage and such other hazards as are customary in the area where the Mortgaged Property is located representing coverage in an amount not less than the lesser of (A) the maximum insurable value of the improvements securing such Mortgage Loan and (B) the outstanding principal balance of the related Mortgage Loan, but in no event an amount less than an amount that is required to prevent the Mortgagor from being deemed to be a co-insurer thereunder;

SCHEDULE 1-3

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- s. Leaseholds. With respect to each Mortgage Loan secured by a leasehold estate:
- (i) The leasehold created by direct lease of the freehold estate, the ground lease or memorandum thereof has been recorded, and by its terms permits the leasehold estate to be mortgaged. The ground lease grants any leasehold mortgagee standard protections necessary to protect the security of a leasehold mortgagee including the right of the leasehold mortgagee to receive notice of the lessee's default under the ground lease; the right of the leasehold mortgagee, with adequate time, to cure such default; and, in the case of incurable defaults of the lessee, the right of the leasehold mortgagee to enter into a new ground lease with the lessor on terms financially identical and otherwise substantially identical to the existing ground lease;
 - (ii) The ground lease was made at the origination of the Mortgage Loan, and is in full force and effect without any outstanding defaults, and was and is not subject to liens and encumbrances;
 - (iii) The ground lease has an original term which extends not less than ten (10) years beyond the term of the Mortgage; and
 - (iv) The fee estate of the lessor under the ground lease is encumbered by the ground lease, and any lien of any present or future fee mortgagee is and will be subject to and subordinate to the ground lease. The foreclosure of the fee mortgage will not terminate the leasehold estate or the rights of the sub tenants, and the fee mortgage is subject to the ground lease;
- t. Recordable Mortgage. Except with respect to Mortgage Loans registered with MERS, each of the Mortgage and the assignment of Mortgage is in recordable form and is acceptable for recording under the laws of the jurisdiction in which the Mortgaged Property is located;
- u. Servicemembers Civil Relief Act of 2003. The Mortgagor has not notified a Seller, and no Seller has any knowledge of any relief requested or allowed to the Mortgagor under the Servicemembers Civil Relief Act of 2003;
- v. No Reverse Mortgage Loans/Buy Downs. None of the Mortgage Loans are reverse mortgage loans, graduated payment mortgage loans or growth equity mortgage loans. Other than Option ARM Mortgage Loans, none of the Mortgage Loans provide for deferred interest or negative amortization. None of the Mortgage Loans are "buy down" mortgage loans;
- w. Protection of Buyers. The terms of the related Mortgage Note and the related Mortgage have not been impaired, waived, altered or modified in any respect, except by written instruments, (x) if required by law in the jurisdiction where the Mortgaged Property is located, or (y) to protect the interests of the Administrative Agent on behalf of the Buyers;

SCHEDULE 1-4

- x. No Solicitation. No Seller has advanced funds, or induced, solicited or knowingly received any advance of funds from a party other than the owner of the related Mortgaged Property, directly or indirectly, for the payment of any amount required by the Mortgage Note or Mortgage;
- y. Assumability. With respect to each Mortgage Loan, either (i) the Mortgage Loan is assumable pursuant to the terms of the Mortgage Note, or (ii) the Mortgage Loan contains a customary provision for the acceleration of the payment of the unpaid principal balance of the Mortgage Loan in the event the related Mortgaged Property is sold without the prior consent of the mortgagee thereunder;
- z. Compliance with Law. Each Mortgage Loan complies with applicable local, state and federal laws and regulations, including, without limitation, usury, equal credit opportunity, real estate settlement procedures, the Federal Truth-In-Lending Act (“TILA”), disclosure laws and all applicable predatory and abusive lending laws and consummation of the transactions contemplated hereby, including without limitation, the receipt of interest by the owner of such Mortgage Loan, will not involve the violation of any such laws or regulations;
- aa. No High Cost Loans. None of the Mortgage Loans are (a) Mortgage Loans subject to 12 CFR Part 226.31, 12 CFR Part 226.32 or 226.34 of Regulation Z, the regulation implementing TILA, which implements the Home Ownership and Equity Protection Act of 1994, as amended, or (b) except as may be provided in subparagraph (c) below, classified and/or defined, as a “high cost”, “threshold”, “predatory”, “high risk home loan” or “covered” loan (or a similarly classified loan using different terminology under a law imposing additional legal liability for mortgage loans having high interest rates, points and or/fees) under any other applicable state, federal or local law including, but not limited to, the District of Columbia and the States of Georgia, New York, North Carolina, Arkansas, Maine, Nevada, Florida, Kentucky or New Mexico or (c) Mortgage Loans subject to the New Jersey Home Ownership Security Act of 2002 (the “Act”), unless such Mortgage Loan is a (1) “Home Loan” as defined in the Act that is a first lien Mortgage Loan, which is not a “High Cost Home Loan” as defined in the Act or (2) “Covered Home Loan” as defined in the Act that is a first lien purchase money Mortgage Loan, which is not a “High Cost Home Loan” under the Act;
- bb. No Covered Loans. No loan is a High Cost Loan or Covered Loan, as applicable (as such terms are defined in the then current Standard & Poor’s LEVELS® Glossary, Version 5.6c Revised (or the then current version), Appendix E, attached hereto as Exhibit 3 and no mortgage loan originated on or after October 1, 2002 through March 6, 2003 is governed by the Georgia Fair Lending Act;

SCHEDULE 1-5

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- cc. Illinois Interest Act. None of the Mortgage Loans that are secured by property located in Illinois are in violation of the provisions of the Illinois Interest Act;
- dd. Borrower Credit Files. The servicer for each Mortgage Loan has fully furnished, in accordance with the Fair Credit Reporting Act and its implementing regulations, accurate and complete information (i.e., favorable and unfavorable) on its borrower credit files to Equifax, Experian, and Trans Union Credit Information Company (three of the credit repositories), on a monthly basis;
- ee. Anti-Money Laundering. Each Seller has complied with all applicable anti-money laundering laws and regulations, including without limitation the USA Patriot Act of 2001 (collectively, the “Anti-Money Laundering Laws”); to the extent required to comply with the Anti-Money Laundering Laws, as of the Closing Date, each Seller has established an anti-money laundering compliance program as required by the Anti-Money Laundering Laws, has conducted the requisite due diligence in connection with the origination of each Mortgage Loan for purposes of the Anti-Money Laundering Laws, including with respect to the legitimacy of the applicable Mortgagor and the origin of the assets used by the said Mortgagor to purchase the property in question, and maintains, and will maintain, sufficient information to identify the applicable Mortgagor for purposes of the Anti-Money Laundering Laws;
- ff. Prepayment penalty. Each prepayment penalty is permissible and enforceable in accordance with its terms upon the mortgagor’s full and voluntary principal prepayment under applicable law, except to the extent that: (1) the enforceability thereof may be limited by bankruptcy, insolvency, moratorium, receivership and other similar laws relating to creditors’ rights; (2) the collectibility thereof may be limited due to acceleration in connection with a foreclosure or other involuntary prepayment; or (3) subsequent changes in applicable law may limit or prohibit enforceability thereof under applicable law;
- gg. Compliance of Mortgage Loans. Each mortgage loan and prepayment penalty associated with the mortgage loan at origination complied in all material respects with applicable local, state and federal laws, including, without limitation, usury, equal credit opportunity, real estate settlement procedures, truth-in-lending and disclosure laws, and the consummation of the transactions contemplated hereby will not involve the violation of any such laws;
- hh. Payments Current. Other than Delinquent Mortgage Loans and Repurchased Mortgage Loans, no payment required under the Mortgage Loan is 30 days or more delinquent nor has any payment under the Mortgage Loan been 30 days or more delinquent at any time since the origination of the Mortgage Loan . With respect to Delinquent Mortgage Loans no payment required under the Mortgage Loan is 90 days or more delinquent nor has any payment under the Mortgage Loan been 90 days or more delinquent at any time since the origination of the Mortgage Loan. Other than Delinquent Mortgage Loans and Repurchased Mortgage Loans, no Mortgage Loan has a First Payment Default;

SCHEDULE 1-6

- ii. Status. Other than the Mortgaged Properties related to Non-performing Mortgage Loans, the Mortgaged Property has not been subject to any bankruptcy proceeding or foreclosure proceeding and the Mortgagor has not filed for protection under applicable bankruptcy laws;
 - jj. Location and Type of Mortgaged Property. The Mortgaged Property is a fee simple property located in the state identified in the Asset Schedule except that with respect to real property located in jurisdictions in which the use of leasehold estates for residential properties is a widely-accepted practice, the Mortgaged Property may be a leasehold estate and consists of a single parcel of real property with a detached single family residence erected thereon, or a two- to four-family dwelling, or an individual residential condominium unit in a low-rise condominium project, or an individual unit in a planned unit development or a Co-op Unit and that no residence or dwelling is (i) a mobile home or (ii) a manufactured home. The Mortgaged Property is not raw land. As of the date of origination, no portion of the Mortgaged Property was used for commercial purposes, and since the date of origination, no portion of the Mortgaged Property has been used for commercial purposes; provided, that Mortgaged Properties which contain a home office shall not be considered as being used for commercial purposes as long as the Mortgaged Property has not been altered for commercial purposes and is not storing any chemicals or raw materials other than those commonly used for homeowner repair, maintenance and/or household purposes;
 - kk. CLTV, LTV, PMI Policy. No Mortgage Loan that is a Second Lien Mortgage Loan has a CLTV in excess of 100%. No Mortgage Loan has an LTV greater than 100%. The LTV of the Mortgage Loan either is not more than 80% or the excess over 80% of the Appraised Value is and will be insured as to payment defaults by a PMI Policy until the LTV of such Mortgage Loan is reduced to 80%. All provisions of such PMI Policy have been and are being complied with, such policy is in full force and effect, and all premiums due thereunder have been paid. No action, inaction, or event has occurred and no state of facts exists that has, or will result in the exclusion from, denial of, or defense to coverage. Any Mortgage Loan subject to a PMI Policy obligates the Mortgagor thereunder to maintain the PMI Policy and to pay all premiums and charges in connection therewith. The Mortgage Interest Rate for the Mortgage Loan as set forth on the Asset Schedule is net of any such insurance premium;
- II.
- Origination; Payment Terms. The Mortgage Loan was originated by a mortgagee approved by the Secretary of Housing and Urban Development pursuant to Sections 203 and 211 of the National Housing Act, a savings and loan association, a savings bank, a commercial bank, credit union, insurance company or other similar institution which is supervised and examined by a federal or state authority. The documents, instruments and agreements submitted for loan underwriting were not falsified and contain no untrue statement of material fact or omit to state a material fact required to be stated therein or necessary to make the information and statements therein not misleading. Other than with respect to an Option ARM Mortgage Loan, no Mortgage Loan contains terms or provisions which would result in negative amortization. For any

SCHEDULE 1-7

Option ARM Mortgage Loan, the maximum negative amortization cap on such Mortgage Loan is 125%. Other than Option ARM Mortgage Loans and HELOCs, principal payments on the Mortgage Loan commenced no more than sixty days after funds were disbursed in connection with the Mortgage Loan. The Mortgage Interest Rate as well as the Lifetime Rate Cap and the Periodic Cap are as set forth on the Asset Schedule. Other than with respect to an Option ARM Mortgage Loan, the Mortgage Note is payable in equal monthly installments of principal and/or interest (other than interest only Mortgage Loans for which the Mortgage Note may provide for monthly installments of interest only for a period of up to 180 months following origination), which installments of interest, with respect to Adjustable Rate Mortgage Loans, are subject to change due to the adjustments to the Mortgage Interest Rate on each Interest Rate Adjustment Date, with interest calculated and payable in arrears, sufficient to amortize the Mortgage Loan fully by the stated maturity date, over an original term of not more than forty years from commencement of amortization. Each Mortgage Loan has an original term to maturity of less than forty years. Other than an Option ARM Mortgage Loan, no Mortgage Loan is a Balloon Mortgage Loan. The Mortgage Interest Rate is adjusted, with respect to adjustable rate Mortgage Loans, on each Interest Rate Adjustment Date to equal the index (which such index may be one year LIBOR, six month LIBOR, one month LIBOR, twelve month Monthly Treasury Average, or the Cost of Funds Index) plus the gross margin (rounded up or down to the nearest .125% or as provided by the related Mortgage Note), subject to the Mortgage Interest Rate Cap. Unless otherwise specified, the Mortgage Loan is payable on the first day of each month. There are no convertible Mortgage Loans which contain a provision allowing the Mortgagor to convert the Mortgage Note from an adjustable interest rate Mortgage Note to a fixed interest rate Mortgage Note;

- mm. Customary Provisions. The Mortgage Note has a stated maturity. The Mortgage and Mortgage Note contain customary and enforceable provisions such as to render the rights and remedies of the holder thereof adequate for the realization against the Mortgaged Property or, with respect to Co-Op Loans, Co-op Shares of the subject Co-op Project and in the tenant' s rights in the Proprietary Lease relating to such Co-op Shares of the benefits of the security provided thereby including, (i) in the case of a Mortgage designated as a deed of trust, by trustee' s sale, and (ii) otherwise by judicial foreclosure. Except for Co-op Loans, upon default by a Mortgagor on a Mortgage Loan and foreclosure on, or trustee' s sale of, the Mortgaged Property pursuant to the proper procedures, the holder of the Mortgage Loan will be able to deliver good and merchantable title to the Mortgaged Property. There is no homestead or other exemption available to a Mortgagor which would interfere with the right to sell the Mortgaged Property at a trustee' s sale or the right to foreclose the Mortgage;
- nn. FICO Scores. Each Mortgage Loan has a non-zero FICO score. No Mortgage Loan that is a first lien mortgage loan has a Mortgagor with a FICO score of less than 525. No Mortgage Loan that is a second lien mortgage loan has a Mortgagor with a FICO score of less than 625;

SCHEDULE 1-8

- oo. Mortgagor Selection. No Mortgagor was encouraged or required to select a Mortgage Loan product offered by the originator which is a higher cost product designed for less creditworthy mortgagors, unless at the time of the Mortgage Loan's origination, such Mortgagor did not qualify taking into account credit history and debt to income ratios for a lower cost credit product then offered by the originator or any Affiliate of the originator. If, at the time of loan application, the Mortgagor may have qualified for a lower cost credit product then offered by any mortgage lending Affiliate of the originator, the originator referred the related Mortgagor's application to such Affiliate for underwriting consideration;
- pp. Underwriting Methodology. The methodology used in underwriting the extension of credit for each Mortgage Loan employs objective mathematical principles which relate the related Mortgagor's income, assets and liabilities to the proposed payment and such underwriting methodology does not rely on the extent of the related Mortgagor's equity in the collateral as the principal determining factor in approving such credit extension. Such underwriting methodology confirmed that at the time of origination (application/approval) the related Mortgagor had a reasonable ability to make timely payments on the Mortgage Loan;
- qq. Outstanding Balance. As of the Purchase Date, the Mortgage Loan has an outstanding principal balance of at least \$25,000 but not greater than \$6,500,000;
- rr. Origination Date. The origination date of each Mortgage Loan is no earlier than one hundred and eighty (180) days prior to the related Purchase Date;
- ss. No Satisfaction of Mortgage. The Mortgage has not been satisfied, canceled, subordinated or rescinded, in whole or in part, and the Mortgaged Property has not been released from the lien of the Mortgage, in whole or in part, nor has any instrument been executed that would effect any such release, cancellation, subordination or rescission. No Seller has waived the performance by the Mortgagor of any action, if the Mortgagor's failure to perform such action would cause the Mortgage Loan to be in default, nor has any Seller waived any default resulting from any action or inaction by the Mortgagor;
- tt. Validity of Mortgage Documents. The Mortgage Note and the Mortgage and any other agreement executed and delivered by a Mortgagor in connection with a Mortgage Loan are genuine, and each is the legal, valid and binding obligation of the maker thereof enforceable in accordance with its terms. All parties to the Mortgage Note, the Mortgage and any other such related agreement had legal capacity to enter into the Mortgage Loan and to execute and deliver the Mortgage Note, the Mortgage and any such agreement, and the Mortgage Note, the Mortgage and any other such related agreement have been duly and properly executed by other such related parties. The documents, instruments and agreements submitted for loan underwriting were not falsified and contain no untrue statement of material fact or omit to state a material fact required to be

SCHEDULE 1-9

stated therein or necessary to make the information and statements therein not misleading. No fraud, error, omission, misrepresentation, negligence or similar occurrence with respect to a Mortgage Loan has taken place on the part of any Person, including without limitation, the Mortgagor, any appraiser, any builder or developer, or any other party involved in the origination or servicing of the Mortgage Loan;

- uu. Full Disbursement of Proceeds. Except with respect to HELOCs, the Mortgage Loan has been closed and the proceeds of the Mortgage Loan have been fully disbursed and there is no requirement for future advances thereunder, and any and all requirements as to completion of any on-site or off-site improvement and as to disbursements of any escrow funds therefore have been complied with. All costs, fees and expenses incurred in making or closing the Mortgage Loan and the recording of the Mortgage were paid, and the Mortgagor is not entitled to any refund of any amounts paid or due under the Mortgage Note or Mortgage;
- vv. No Defaults. Other than payments due but not yet 30 days or more delinquent, or payments due, with respect to any Delinquent Mortgage Loan or Repurchased Mortgage Loan, there is no default, breach, violation or event which would permit acceleration existing under the Mortgage or the Mortgage Note and no event which, with the passage of time or with notice and the expiration of any grace or cure period, would constitute a default, breach, violation or event which would permit acceleration, and neither Seller nor any of its affiliates nor any of their respective predecessors, have waived any default, breach, violation or event which would permit acceleration. With respect to each Second Lien Mortgage Loan, (i) the prior mortgage is in full force and effect, (ii) there is no default, breach, violation or event of acceleration existing under such prior mortgage or the related mortgage note, (iii) no event which, with the passage of time or with notice and the expiration of any grace or cure period, would constitute a default, breach, violation or event of acceleration thereunder, and either (A) the prior mortgage contains a provision which allows or (B) applicable law requires, the mortgagee under the Second Lien Mortgage Loan to receive notice of, and affords such mortgagee an opportunity to cure any default by payment in full or otherwise under the prior mortgage;

ww.

Payment Provisions. Payments on the Mortgage Loan commenced no more than sixty days after the proceeds of the Mortgage Loan were disbursed. The Mortgage Loan bears interest at the Mortgage Interest Rate. The Mortgage Note is payable each month in Monthly Payments, which, in the case of a fixed rate Mortgage Loan other than balloon loans or thirty (30) or forty (40) year Mortgage Loans, are sufficient to fully amortize the original principal balance over the original term thereof and to pay interest at the related Mortgage Interest Rate, and, in the case of an adjustable rate Mortgage Loan, are changed on each Interest Rate Adjustment Date (other than with respect to Option ARM Mortgage Loans and HELOCs), and in any case, are sufficient to fully amortize the original principal balance over the original term thereof and to pay interest at the related Mortgage Interest Rate. Other than with respect to Option ARM Mortgage Loans and Interest Only

SCHEDULE 1-10

Loans, the Mortgage Note does not permit negative amortization. There are no convertible Mortgage Loans which contain a provision allowing the Mortgagor to convert the Mortgage Note from an adjustable interest rate Mortgage Note to a fixed interest rate Mortgage Note;

- xx. No Violation of Environmental Laws. The Mortgaged Property is free from any and all toxic or hazardous substances and there exists no violation of any local, state or federal environmental law, rule or regulation. There is no pending action or proceeding directly involving the Mortgaged Property in which compliance with any environmental law, rule or regulation is an issue; there is no violation of any environmental law, rule or regulation with respect to the Mortgage Property; and nothing further remains to be done to satisfy in full all requirements of each such law, rule or regulation constituting a prerequisite to use and enjoyment of said property;
- yy. Value of Mortgaged Property. Neither Seller has any knowledge of any circumstances existing that could reasonably be expected to adversely affect the value or the marketability of any Mortgaged Property or Mortgage Loan or to cause the Mortgage Loans to prepay during any period materially faster or slower than similar mortgage loans held by any Seller generally secured by properties in the same geographic area as the related Mortgaged Property;
- zz. Tax Service Contract; Flood Certification Contract. Each Mortgage Loan is covered by a paid in full, life of loan, tax service contract and a paid in full, life of loan, flood certification contract and each of these contracts is assignable to the Administrative Agent;
- aaa. Qualified Mortgage. The Mortgage Loan is a “qualified mortgage” within the meaning of Section 860G(a)(3) of the Code. Each Seller represents and warrants that, either as of the date of origination or the Purchase Date, the fair market value of the property securing each Mortgage Loan was not less than 80% of the “adjusted issue price” (within the meaning of the REMIC Provisions) of such Mortgage Loan;
- bbb. First Lien Consent. With respect to each Mortgage Loan which is a second lien, either no consent for the Mortgage Loan is required by the holder of the first lien or such consent has been obtained and is contained in the Mortgage File;
- ccc. United States. Each Mortgage Loan is secured by property located in the United States of America, and the related Mortgage Note is payable in United States dollars, and the related Mortgagor is a resident of the United States;
- ddd. No Prior Offer. The Mortgage Loan has not previously been refused for purchase by another lender or repurchase counterparty;
- eee. Delivery of Mortgage Documents. Except with respect to each Wet Funded Mortgage Loan, the Mortgage Note, the Mortgage, the assignment of Mortgage and any other documents required to be delivered under the Custody Agreement

SCHEDULE 1-11

for each Mortgage Loan have been delivered to the Custodian. The Sellers are in possession of a complete, true and accurate Mortgage File in compliance with the Custody Agreement hereto, except for such documents the originals of which have been delivered to the Custodian;

- fff. No Defense to Insurance Coverage. The Sellers have caused or will cause to be performed any and all acts required to preserve the rights and remedies of the Administrative Agent in any insurance policies applicable to the Mortgage Loans including, without limitation, any necessary notifications of insurers, assignments of policies or interests therein, and establishments of coinsured, joint loss payee and mortgagee rights in favor of the Administrative Agent. No action has been taken or failed to be taken, no event has occurred and no state of facts exists or has existed on or prior to the Purchase Date (whether or not known to the Sellers on or prior to such date) which has resulted or will result in an exclusion from, denial of, or defense to coverage under any applicable, special hazard insurance policy, PMI Policy or bankruptcy bond (including, without limitation, any exclusions, denials or defenses which would limit or reduce the availability of the timely payment of the full amount of the loss otherwise due thereunder to the insured) whether arising out of actions, representations, errors, omissions, negligence, or fraud of a Seller, the related Mortgagor or any party involved in the application for such coverage, including the appraisal, plans and specifications and other exhibits or documents submitted therewith to the insurer under such insurance policy, or for any other reason under such coverage, but not including the failure of such insurer to pay by reason of such insurer's breach of such insurance policy or such insurer's financial inability to pay;
- ggg. Doing Business. All parties which have had any interest in the Mortgage Loan, whether as mortgagee, assignee, pledgee or otherwise, are (or, during the period in which they held and disposed of such interest, were) (i) in compliance with any and all applicable licensing requirements of the laws of the state wherein the Mortgaged Property is located, and (ii) either (A) organized under the laws of such state, (B) qualified to do business in such state, (C) a federal savings and loan association, a savings bank or a national bank having a principal office in such state, (D) not doing business in such state, or (E) exempt from qualification. The Mortgage Loan has been originated by Originator, and, if applicable, purchased by the applicable Seller or its subsidiary from an Originator duly licensed and validly authorized under applicable law to originate mortgage loans in the related jurisdiction;
- hhh. Recordation. Each original Mortgage was recorded and, except for those Mortgage Loans subject to the MERS identification system, all subsequent assignments of the original Mortgage (other than the assignment to the Administrative Agent) have been recorded in the appropriate jurisdictions wherein such recordation is necessary to perfect the lien thereof as against creditors of the Originators, or is in the process of being recorded; and

SCHEDULE 1-12

iii. Revolving Period. Each HELOC provides for an initial period (the "Revolving Period") during which the Mortgagor is required to make monthly payments of interest payable in arrears and requires repayment of the unpaid principal balance thereof over a period following the Revolving Period (the "Repayment Period") which is not in excess of 120 months. As of the Purchase Date no HELOC was in its Repayment Period. The Mortgage Interest Rate on each Mortgage Loan adjusts periodically in accordance with the Credit Line Agreement to equal the sum of the index and the related gross margin. On each Adjustment Date the related Seller has made interest rate adjustments on the Mortgage Loan which are in compliance with the related Mortgage and Mortgage Note and applicable law.

SCHEDULE 1-13

Barclays Bank PLC, as Administrative Agent

and

American Home Mortgage Acceptance, Inc., as a Seller

and

American Home Mortgage Corp., as a Seller

and

American Home Mortgage Investment Corp., as a Seller

and

American Home Mortgage Servicing, Inc., as a Seller

and

Deutsche Bank National Trust Company, as Custodian

CUSTODIAL AGREEMENT

As of November 14, 2006

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APPENDIX A ADDITIONAL DEFINITIONS

EXHIBITS

- EXHIBIT 1 FORM OF TRUST RECEIPT
- EXHIBIT 2 FORM OF REQUEST FOR RELEASE OF DOCUMENTS AND RECEIPTS
- EXHIBIT 3 AUTHORIZED REPRESENTATIVES OF THE CUSTODIAN
- EXHIBIT 4 AUTHORIZED REPRESENTATIVES OF SELLER
- EXHIBIT 5 AUTHORIZED REPRESENTATIVES OF SELLER' S DESIGNEE
- EXHIBIT 6 AUTHORIZED REPRESENTATIVES OF THE ADMINISTRATIVE AGENT
- EXHIBIT 7 FORM OF LOAN SCHEDULE
- EXHIBIT 8 FORM OF CUSTODIAL DELIVERY
- EXHIBIT 9 FORM OF NOTICE TO CUSTODIAN
- EXHIBIT 10 FORM OF REPURCHASE RELEASE
- EXHIBIT 11 FORM OF LOST NOTE AFFIDAVIT
- EXHIBIT 12 RESERVED
- EXHIBIT 13 FORM OF TRANSMITTAL LETTER
- EXHIBIT 14 RESERVED
- EXHIBIT 15 FORM OF TRANSACTION NOTICE
- EXHIBIT 16 FORM OF WET FUNDED TRUST RECEIPT

THIS CUSTODIAL AGREEMENT, dated as of November 14, 2006, is made by and among Barclays Bank PLC, as buyer (“Buyer”), a public limited company organized under the laws of England and Wales, American Home Mortgage Acceptance, Inc., as seller (“AHMA” and a “Seller”), a Maryland corporation, American Home Mortgage Corp., as seller (“AHMC” and a “Seller”), a New York corporation, American Home Mortgage Investment Corp., as seller (“AHMIC” and a “Seller”), a Maryland corporation, and American Home Mortgage Servicing, Inc., as seller (“AHMS”, a “Seller” and, together with AHMA, AHMC and AHMIC, the “Sellers”), a Maryland corporation, and Deutsche Bank National Trust Company, a national banking association (“DBNTC”), as custodian (in such capacity, together with each successor custodian, the “Custodian”).

W I T N E S S E T H:

WHEREAS, the Administrative Agent, for the benefit of the Buyers, and the Sellers may, from time to time, enter into transactions (each, a “Transaction”) in which a Seller sells to the Buyers certain Purchased Assets against payment by such Buyer of a purchase price therefor, with a simultaneous agreement by Sellers to repurchase from such Buyer that same Purchased Asset and to pay to such Buyer a repurchase price, all as provided in that certain Master Repurchase Agreement, dated as of November 14, 2006, between Sellers and Barclays Bank PLC as buyer (the “Buyer”) and as Administrative Agent (as amended, restated, supplemented or otherwise modified from time to time, the “Master Repurchase Agreement”). Sellers shall deliver to the Custodian, upon execution of this Agreement, a true and correct copy of the Master Repurchase Agreement.

WHEREAS, the Administrative Agent has requested DBNTC to act as Custodian on behalf of the Registered Holder(s) for purposes of holding the Purchased Assets pursuant to the Repurchase Agreement;

WHEREAS, DBNTC is a national banking association, and a bank (as defined in Section 9-102(a) of the Uniform Commercial Code), is otherwise authorized to act as Custodian pursuant to this Agreement, and has agreed to act as Custodian/bailee for hire for the Registered Holder(s), all as more particularly set forth herein; and

WHEREAS, Sellers shall from time to time deliver to the Custodian Purchased Assets that are subject to each Transaction and have agreed to deliver or cause to be delivered to the Custodian certain documents with respect to such Purchased Assets in accordance with the terms and conditions hereof;

NOW, THEREFORE, in consideration of the mutual undertakings herein expressed, the parties hereto hereby agree as follows:

Section 1. Definitions. Capitalized terms (including those contained in the preamble hereof) used but not defined herein shall have the meanings assigned to them in the Master Repurchase Agreement. All references to times in this Agreement shall be references to New York City time unless otherwise stated herein.

In addition, the following terms shall have the respective meanings set forth below:

“Additional Purchased Assets”: has the meaning set forth in Section 9 hereof.

“Affiliate”: has the meaning set forth in the Master Repurchase Agreement.

“Agreement” (or “this Agreement”): means this Custodial Agreement and all exhibits, attachments and supplements hereto, as amended from time to time.

“Appraised Value”: has the meaning set forth in the Master Repurchase Agreement.

“Asset Schedule”: means the list of Purchased Assets delivered by Sellers to the Administrative Agent and the Custodian in the form set forth in Exhibit 7 hereto. Each Asset Schedule shall set forth, as to each Purchased Asset, the related Mortgagor’s name, the address of the related Mortgaged Property and the outstanding principal balance of the Purchased Asset as of the initial Purchase Date, together with any other information specified by the Administrative Agent from time to time in good faith.

“Assignment of Mortgage”: means an assignment of the Mortgage, notice of transfer or equivalent instrument in recordable form (excluding only the name of the assignee, if delivered in blank), sufficient under the laws of the jurisdiction where the related Mortgaged Property is located to reflect the transfer of the Mortgage to the party indicated therein.

“Authorized Representative”: has the meaning set forth in Section 29 hereof.

“Business Day”: means any day other than (i) a Saturday or Sunday or (ii) a day upon which the New York Stock Exchange, the Federal Reserve Bank of New York or the Custodian is authorized or obligated by law or executive order to be closed.

“Buyer”: means each of Barclays Bank PLC and Sheffield Receivables Corp., and their respective successors in interest and assigns.

“Collateral”: has the meaning set forth in Section 7 of the Master Repurchase Agreement.

“Computer Medium”: means a computer tape or other electronic medium generated by or on behalf of Sellers and delivered or transmitted to Administrative Agent and Custodian which provides information relating to the Purchased Assets, including the identity of the related servicer with respect to each Mortgage Loan and the information set forth in the Asset Schedule, in a format reasonably acceptable to Administrative Agent.

“Confidential Information”: has the meaning set forth in Section 33 hereof.

“Confirmation”: has the meaning set forth in the Master Repurchase Agreement.

“Custodial Delivery”: means the letter executed by the applicable Seller in order to deliver the Mortgage Loan Files to the Custodian pursuant to this Agreement on the related Purchase Date, a form of which is attached as Exhibit 8 hereto.

“Custodial Delivery Failure”: has the meaning set forth in Section 27(b) hereof.

“Custodian”: means Deutsche Bank National Trust Company, or any successor in interest, assigns, or any successor to the Custodian under this Agreement as herein provided.

“Dry Mortgage Loan” means a Mortgage Loan for which the Mortgage Loan File has been delivered to the Custodian.

“Electronic Agent”: shall mean MERSCORP, INC, and its successors in interest or assigns.

“Electronic Tracking Agreement”: has the meaning set forth in the Master Repurchase Agreement.

“Event of Default”: has the meaning set forth in the Master Repurchase Agreement.

“Exception Report”: means the exception report prepared by the Custodian pursuant to this Agreement, which report shall contain a loan schedule identifying each Mortgage Loan delivered pursuant hereto, and any items of noncompliance with the review criteria set forth in Section 4(a) hereof (except with respect to Wet Funded Mortgage Loans, only a loan schedule).

“Fannie Mae”: means Fannie Mae, the government sponsored enterprise formerly known as the Federal National Mortgage Association.

“Freddie Mac”: means Freddie Mac, the government sponsored enterprise formerly known as the Federal Home Loan Mortgage Corporation, or any successor thereto.

“Income”: has the meaning set forth in the Master Repurchase Agreement.

“Interim Funder”: means with respect to each MERS Mortgage Loan, the Person named on the MERS System as the interim funder pursuant to the MERS Procedures Manual.

“Margin Call”: has the meaning set forth in the Master Repurchase Agreement to satisfy a Margin Deficit.

“Master Repurchase Agreement”: has the meaning set forth in the preamble hereof.

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

“MERS Designated Mortgage Loan”: has the meaning assigned to such term in Section 3 of the Electronic Tracking Agreement.

“MERS Identification Number”: means the eighteen digit number permanently assigned to each MERS Mortgage Loan.

“MERS Procedures Manual”: means the MERS Procedures Manual attached as Exhibit B to the Electronic Tracking Agreement, as it may be amended, supplemented or modified from time to time.

“MERS Report”: means the schedule listing MERS Designated Mortgage Loans and other information prepared by an electronic agent pursuant to the Electronic Tracking Agreement.

“MERS[®] System”: means an Electronic Agent’s mortgage electronic registry system, as more particularly described in the MERS Procedures Manual.

“Mortgage”: means the mortgage, deed of trust, or other instrument that creates a Lien on the related Mortgaged Property and secures a Note.

“Mortgage Interest Rate”: means the rate of interest borne on a Mortgage Loan from time to time in accordance with the terms of the related Mortgage Note.

“Mortgage Loan”: has the meaning set forth in the Master Repurchase Agreement.

“Mortgage Loan File”: has the meaning set forth in Appendix A attached hereto.

“Mortgage Note”: means the promissory note or other evidence of the indebtedness of a Mortgagor secured by a Mortgage.

“Mortgaged Property”: has the meaning set forth in the Master Repurchase Agreement.

“Mortgagor”: means the obligor or obligors on a Mortgage Note, including any Person who has assumed or guaranteed the obligations of the obligor thereunder.

“Notice to the Custodian”: has the meaning set forth in Section 28(b) hereof.

“Person”: means any legal person, including any individual, corporation, partnership, association, joint-stock company, trust, limited liability company, unincorporated organization, governmental entity or other entity of similar nature.

“Price Differential”: has the meaning set forth in the Master Repurchase Agreement.

“Program Documents”: has the meaning set forth in the Master Repurchase Agreement.

“Property”: means any right or interest in or to property of any kind whatsoever, whether real, personal or mixed and whether tangible or intangible.

“Purchase Date”: means the date on which Purchased Assets are to be transferred by Sellers to the Administrative Agent. The Purchase Date shall be specified in the Confirmation.

“Purchase Price”: has the meaning set forth in the Master Repurchase Agreement.

“Registered Holder”: has the meaning set forth in Section 28(a) hereof.

“Repurchase Agreement”: has the meaning set forth in the preamble hereof.

“Repurchase Date”: has the meaning set forth in the Master Repurchase Agreement.

“Repurchase Price”: has the meaning set forth in the Master Repurchase Agreement.

“Request for Release”: has the meaning set forth in Section 11 hereof.

“Responsible Officer”: means, when used with respect to the Custodian, any officer assigned to the corporate trust office located at 1761 East St. Andrew Place, Santa Ana, California 92705, Attention: Mortgage Custody AH06BC (or any successor thereto), including any Vice President, Assistant Vice President, Trust Officer, any Assistant Secretary, any trust officer or any other officer of the Custodian customarily performing functions similar to those performed by any of the above designated officers and having direct responsibility for the administration of this Agreement and designated on Exhibit 3 attached hereto (which will be updated from time to time by the Custodian and provided to the Administrative Agent and Sellers); when used with respect to Sellers or an Administrative Agent, its Chief Executive Officer, President, Chief Financial Officer, any Vice President or Treasurer; and, when used with respect to any Person (including the foregoing), any other officer authorized by such Person.

“Sellers”: has the meaning set forth in the preamble hereto.

“Sellers’ Authorized Representatives”: means each Authorized Representative of each Seller set forth on Exhibit 4 hereto (as the same may be modified from time to time) and each Authorized Representative of each Seller’s Designee set forth on Exhibit 5 hereto (as the same may be modified from time to time) as described in Section 29.

“Sellers’ Designee”: has the meaning set forth in Section 29 hereof.

“Servicer”: means any Person approved by Administrative Agent in its sole discretion exercised in good faith.

“Substitute Assets”: has the meaning set forth in the Master Repurchase Agreement.

“Transaction”: has the meaning set forth in the preamble hereof.

“Transaction Notice”: means a written request of Sellers to enter into a Transaction, which is delivered to the Administrative Agent, in the form attached as Exhibit 15 hereto.

“Transferee”: has the meaning set forth in Section 28(b) hereof.

“Trust Receipt”: means a trust receipt issued by the Custodian evidencing the Purchased Assets it holds, in the form attached hereto as Exhibit 1, and delivered to the Administrative Agent by the Custodian in accordance with Section 4 hereof.

“Uniform Commercial Code”: has the meaning set forth in the Master Repurchase Agreement.

“Wet Funded Mortgage Loan” means a closed fully funded Mortgage Loan which the Sellers are selling to the Administrative Agent for the benefit of the Buyers and for which the Mortgage Loan File has not been delivered to the Custodian.

“Wet Funded Delivery Date” means with respect to each Wet Funded Mortgage Loan, the date of delivery of the Mortgage Loan File to the Custodian, which shall not be later than the seventh (7th) Business Day following the Purchase Date.

“Wet Funded Trust Receipt” means a trust receipt issued by the Custodian evidencing Purchased Assets which are Wet Funded Mortgage Loans, substantially in the form attached hereto as Exhibit 16, and delivered to the Administrative Agent by the Custodian in accordance with Section 5 hereof.

“Written Instructions”: means written communications received by a Responsible Officer of the Custodian from an Authorized Representative of the Administrative Agent or the related Seller, including communications received by any means permitted by Section 24 hereof.

Section 2. Deposit of Mortgage Loans; Effecting a Transaction; Funding Account.

(a) With respect to any Mortgage Loan that a Seller desires to sell on a Purchase Date, the applicable Seller, the Custodian and the Administrative Agent agree to follow the process set forth below with respect to such Mortgage Loan:

The applicable Seller will deliver to the Administrative Agent the related Transaction Notice, and to the Custodian the Custodial Delivery, the Mortgage Loan File and the related Asset Schedule on a Computer Medium via electronic transmission no later than 4:00 p.m. (New York City time) on the Business Day immediately preceding the proposed Purchase Date;

The Administrative Agent will notify the Custodian and the related Seller, no later than 11:00 a.m. (New York City time) on the Purchase Date, of any Mortgage Loan not accepted by the Buyers, and thereupon the Custodian shall remove such Mortgage Loan from the related Asset Schedule;

Together with such notification, the Administrative Agent will also deliver to the applicable Seller such additional information in respect of the accepted Mortgage Loans as required under the Master Repurchase Agreement;

With respect to Mortgage Loans other than Wet Funded Mortgage Loans, the Custodian shall deliver to the Administrative Agent a copy of the Exception Report for the new Mortgage Loans being purchased by Buyers, along with a cumulative Exception Report for all Purchased Assets, and a Trust Receipt relating cumulatively to all Purchased Assets. Such schedules and reports shall be provided on a Computer Medium via electronic transmission no later than 2:00 p.m., (New York City time) on the proposed Purchase Date;

With respect to Mortgage Loans other than Wet Funded Mortgage Loans, the Custodian shall deliver to the Administrative Agent a copy of the Exception Report for the new Mortgage Loans purchased on such Purchase Date along with a cumulative Exception Report for all Mortgage Loans purchased and a cumulative Trust Receipt (together with the cumulative Exception Report) relating to all Mortgage Loans purchased, in each case, via overnight courier for delivery on the Business Day immediately following the related Purchase Date; and

By 5:00 p.m. (New York City time) of each Business Day other than a Purchase Date, the Custodian shall deliver to the Administrative Agent a cumulative Exception Report on a Computer Medium via electronic transmission.

(b) Upon the issuance of any new cumulative Exception Report, the prior Exception Reports attached to the Trust Receipts for such Purchased Assets shall be deemed amended and restated in their entirety by such new cumulative Exception Report. It is understood and agreed that the Custodian shall not be required to review more than 500 Mortgage Loan Files subject to this Agreement on any one Business Day.

(c) The Custodian shall hold the Mortgage Loan Files as Custodian and bailee for hire for the exclusive benefit of the Registered Holder and shall not act upon written instructions of the Administrative Agent or Sellers to deliver the Purchased Assets other than as expressly provided in this Agreement.

Section 3. Repurchase Date.

The Sellers shall pay to the Administrative Agent, by no later than 4:00 p.m. (New York City time) on such Repurchase Date, in immediately available funds, the Repurchase Price for such Purchased Asset, including the unpaid Price Differential related thereto and together with all other payments due and payable by Sellers to Administrative Agent under the Program Documents in relation to such Purchased Asset. Upon receipt by the Custodian of written notice from the Registered Holder in the form of Exhibit 10 hereto (or via facsimile or e-mail confirmation from an Authorized Representative of the Administrative Agent) stating that the Registered Holder has received the Repurchase Price for the Purchased Assets subject to, and in accordance with the terms of, such Transactions, the Custodian shall release to the related Seller or its designee the Mortgage Loan Files with respect to such repurchased Purchased Assets and shall deliver to the related Registered Holder an amended Trust Receipt with an Exception Report

attached thereto, listing all of the Purchased Assets still subject to one or more Transactions. So long as the notice to the Custodian from the Registered Holder or Authorized Representative of the Administrative Agent is received by 5:00 p.m. (New York City time), the delivery of the related Mortgage Loan Files at the direction of Sellers shall occur as soon as reasonably possible, but no later than five Business Days following receipt of such direction from Sellers; provided, however, if the Sellers direct the Custodian to transfer such Mortgage Loan Files to another custodianship with the Custodian, the Custodian shall immediately effectuate such transfer.

Section 4. Trust Receipt.

(a) No later than the time set forth in Section 2 and provided that the Custodian has timely received the items required pursuant to Section 2 herein for up to 500 Mortgage Loan Files subject to this Agreement (with one additional Business Day to review up to an additional 500 Mortgage Loan Files subject to this Agreement in excess of such limit), the Custodian shall issue and deliver to the Administrative Agent an original Trust Receipt relating to the Purchased Assets (other than Wet Funded Mortgage Loans) (with an Exception Report attached thereto) delivered hereunder and shall deliver to the related Seller an original of such Trust Receipt via overnight courier, to evidence its possession of the Purchased Assets and the Mortgage Loan Files and its certification that each such document in the Mortgage Loan Files is complete and appears regular on its face and each such document in the Mortgage Loans Files purporting to be an original appears on its face to be so.

(b) The Exception Report attached to any Trust Receipt shall be amended on each Business Day via electronic transmission to the Administrative Agent and each subsequently transmitted Exception Report shall automatically supersede each prior Exception Report with respect to such Trust Receipt, and shall render all previously transmitted Exception Reports relating to such Trust Receipt null and void. Each Registered Holder may request the Custodian to provide such Registered Holder with a paper copy of the most recent Exception Report transmitted by the Custodian via electronic transmission with respect to a related Trust Receipt. The Custodian shall be under no duty to review, inspect or examine such documents to determine that any of them are enforceable or appropriate for their prescribed purpose, conform to their stated definitions or that they are other than what they purport to be on their face; provided, however, that nothing in this sentence shall limit the obligations of the Custodian set forth in clause (a) above. The Custodian shall not be required to determine whether any Mortgage Loan File is required to include documents or instruments identified in paragraphs (b), (d), and (h) of the definition of Mortgage Loan File and delivery of any Trust Receipt shall be deemed to acknowledge receipt of such documents or instruments only to the extent of Custodian's actual possession of such items, if any. It is specifically agreed that the Custodian shall have no responsibility for determining whether any document is valid and binding, whether the text of any assignment or endorsement is in proper or recordable form or whether any document has been recorded in accordance with the requirements of any applicable jurisdiction.

(c) The Sellers shall be solely responsible for providing each and every document required for each Mortgage Loan File to the Custodian in a timely manner and for completing or correcting any missing, incomplete or inconsistent documents, and the Custodian shall not be responsible or liable for taking any such action, causing any Seller or any other Person to do so or notifying any

Person (other than the Administrative Agent to the extent specifically required in this Agreement) that any such action has or has not been taken. The Custodian makes no representations as to and shall not be responsible to verify (i) the validity, legality, enforceability, sufficiency, due authorization, recordability, or genuineness of any document in any Mortgage Loan File or any of the Purchased Assets identified on the Asset Schedule or the Exception Report or (ii) the collectability, insurability, effectiveness, perfection, priority or suitability of any such Purchased Asset. Except as expressly set forth herein, the Custodian shall not be required to review the content (except as necessary to certify its review in accordance with Section 4(a)) of any document described in this Section 4 in order to deliver the Trust Receipt.

Section 5. Wet Funded Mortgage Loans.

(a) With respect to each Wet Funded Mortgage Loan, on or prior to 2:00 p.m. (New York City time) on the related Purchase Date, the Custodian shall issue to the Administrative Agent a Wet Funded Trust Receipt certifying that the Custodian has received the Asset Schedule identifying such Wet Funded Mortgage Loans as Purchased Assets.

(b) With respect to Wet Funded Mortgage Loans, upon receipt of the Wet Funded Trust Receipt and Asset Schedule from the Custodian, in form and substance acceptable to the Administrative Agent, the Administrative Agent shall transfer to the Sellers immediately available funds in an amount equal to the related Purchase Price in accordance with the terms of the Master Repurchase Agreement.

(c) No later than 9:00 a.m. (New York City time) on the Wet Funded Delivery Date, the related Seller shall deliver or cause to be delivered to the Custodian the Mortgage Loan Files with respect to the related Wet Funded Mortgage Loans. On or prior to 5:00 p.m. (New York City time) on such Wet Funded Delivery Date, the Custodian shall issue a Trust Receipt in accordance with Section 2 hereof which shall identify such Wet Funded Mortgage Loan as a Dry Purchased Asset.

(d) The Custodian shall notify the Administrative Agent in writing by 5:00 p.m. (New York City time) on the Wet Funded Delivery Date in the event that either the Custodian does not receive a Mortgage Loan File relating to a Wet Funded Mortgage Loan or such Mortgage Loan File has been received but does not include the documents necessary for the Custodian to include such Wet Funded Mortgage Loan on an Asset Schedule to a Trust Receipt on such Wet Funded Delivery Date. If such Wet Funded Mortgage Loan is not included on an Asset Schedule to a Trust Receipt by 5:00 p.m. (New York City time) on the Wet Funded Delivery Date, the Custodian shall continue to hold the Mortgage Loan File relating to such Wet Funded Mortgage Loan as agent and bailee for the Administrative Agent until the receipt of instructions to the Custodian in writing to release the related Mortgage Loan File as provided therein.

Section 7. Obligations of the Custodian; Certain Representations and Warranties.

(a) Without prejudice to DBNTC' s or the Custodian' s functions and obligations under Sections 2 and 5 hereof, with respect to the Mortgage Loan Files delivered to the Custodian or which come into the possession of the Custodian, the Custodian is, following the related transfer pursuant to Sections 2 and 5 above, the custodian, bailee, and agent for the Buyer, and if different from the Buyer, the Registered Holder, as well. The Custodian shall, following the related transfer pursuant to Sections 2 and 5 above, hold all documents received by it for the exclusive use and benefit of the Administrative Agent, and, if different from the Administrative Agent, the Registered Holder, as well, and shall make disposition thereof only in accordance with this Agreement and written instructions furnished by such Registered Holder. The Custodian shall segregate and maintain continuous custody of the Mortgage Loan Files in secure and fire-resistant facilities in accordance with customary standards for such custody.

(b) The Custodian shall promptly notify the Administrative Agent (and, if different, the Registered Holder) if (i) Sellers fail to pay any amount due to the Custodian under this Agreement or any separate fee agreement related hereto; (ii) a Responsible Officer of the Custodian has written notice that any mortgage, pledge, lien, security interest or other charge or encumbrance has been placed on the Mortgage Loan Files other than in the ordinary course of business; or (iii) any representation, warranty and covenant contained in Section 22 were to become untrue or incorrect at any time during the term of this Agreement.

(c) No provision of this Agreement shall require Custodian to expend or risk its own funds or otherwise incur financial liability (other than expenses or liabilities otherwise required to be incurred by the express terms of Section 15 (c), Section 17 or Section 27(c) of this Agreement) in the performance of its duties under this Agreement if it shall have reasonable grounds for believing that repayment of such funds or indemnity satisfactory to it is not reasonably assured to it.

(d) Other than as provided herein, the Custodian shall not be liable for any action or omission to act hereunder except for its own negligence or lack of good faith or willful misconduct and for the actions or omissions of its officers, directors and employees in connection with this Agreement. In no event shall Custodian have any responsibility to ascertain or take action except as expressly provided herein. None of the Custodian' s officers, directors or employees shall have any personal or individual liability hereunder.

(e) Custodian shall have no duties or responsibilities except those that are specifically set forth in this Agreement. Custodian shall have no responsibility for duty with respect to any Mortgage Loan File while not in its possession. No representation, warranty, covenant, agreement, obligation or duty of the Custodian shall be implied with respect to this Agreement or the Custodian' s services hereunder other than those specifically set forth in this Agreement.

(f) The Custodian, the Administrative Agent and each Seller each hereby represents and warrants to each other party that this Agreement has been duly authorized, executed and delivered by such party and constitutes the legal, valid, and binding obligation of such party enforceable in accordance with its terms except as the enforceability thereof may be limited by (a) bankruptcy, insolvency, liquidation, receivership, moratorium, reorganization or other similar laws affecting the enforcement of the rights of creditors and (b) general principles of equity, whether enforcement is sought in a proceeding in equity or at law.

(g) In the event that (i) the Administrative Agent, a Seller, or the Custodian shall be served by a third party with any type of levy, attachment, writ, or court order with respect to any Mortgage Loan File or any document included within a Mortgage Loan File or (ii) a third party shall institute any court proceeding by which any Mortgage Loan File or a document included within a Mortgage Loan File shall be required to be delivered otherwise than in accordance with the provisions of this Agreement, the party receiving such service shall promptly deliver or cause to be delivered to the other parties to this Agreement copies of all court papers, orders, documents and other materials concerning such proceedings. The Custodian shall, to the extent permitted by law or court order continue to hold and maintain all the Mortgage Loan Files that are the subject of such proceedings pending a final, nonappealable order of a court of competent jurisdiction permitting or directing disposition thereof. Upon final determination of such court, the Custodian shall dispose of such Mortgage Loan File or any document included within such Mortgage Loan File as directed by the Administrative Agent which shall give a direction consistent with such determination. Expenses of the Custodian (including reasonable attorneys' fees and related expenses) incurred as a result of such proceedings shall be borne by Seller.

Section 8. Substitution.

(a) On the Business Day of Custodian's receipt of a Request for Release executed by a Seller and Registered Holder, as applicable, in the form of Exhibit 2 attached hereto (with box 4 checked), and provided that the Custodian has delivered to the Administrative Agent a Trust Receipt with respect to the Substitute Assets, the Custodian will transfer, or cause to be transferred, the Mortgage Loan Files or portions thereof then held by Custodian related to the Purchased Assets specified in such Request to the related Seller or its designee in exchange for the simultaneous transfer by such Seller to the Custodian of Mortgage Loans. The related Seller must deliver or cause to be delivered to Custodian, the Mortgage Loan Files for the Substitute Assets together with a Custodial Delivery and Asset Schedule in accordance with the provisions of Section 2 hereof. It is expressly understood and agreed that the Custodian shall have no duty to perform any valuation of collateral and shall have no responsibility to ascertain the adequacy of any Substitute Assets or their conformity to the definition of "Substitute Assets".

(b) The Custodian shall deliver to the related Registered Holder and the Administrative Agent, if the Administrative Agent is not the Registered Holder, an amended Exception Report and cumulative Trust Receipt that reflects the release of the applicable Purchased Assets and the delivery of the Substitute Assets in accordance with the provisions of Section 2 hereof and Section 4 hereof.

Section 9. Additional Purchased Assets.

(a) In satisfaction of its obligations with respect to a Margin Call pursuant to Section 6(a) of the Master Repurchase Agreement, Sellers, with the prior written consent of the Administrative Agent, may, from time to time, deliver to the Custodian, additional Purchased Assets (the “Additional Purchased Assets”) as an addition to the Purchased Assets already held by the Custodian in accordance with the provisions of this Custodial Agreement. In such event, Sellers shall deliver to the Custodian the Mortgage Loan Files for the Additional Purchased Assets together with a Custodial Delivery, with a copy to the Registered Holder(s) and, if the Administrative Agent is not the applicable Registered Holder at such time, the Administrative Agent, stating that the Additional Purchased Assets are being delivered pursuant to Section 6 of the Master Repurchase Agreement and delivery of the related Asset Schedule to the Custodian shall occur no later than 2:00 p.m. (New York City time) on the proposed day of substitution. If such Additional Purchased Assets are already in the Custodian’s possession or if such Additional Purchased Assets are Wet Funded Mortgage Loans, the Custodian shall in turn deliver by electronic transmission to the Administrative Agent the related Exception Report on a Computer Medium no later than 3:00 p.m. (New York City time) on the proposed day of substitution. If new Additional Purchased Assets are delivered to the Custodian with the Asset Schedules, such delivery must occur by 12:00 p.m. (New York City time) and the Custodian shall in turn deliver such related Exception Report no later than 4:00 p.m. (New York City Time) of that day. The Administrative Agent shall notify the Custodian no later than 4:30 p.m. (New York City time) on the proposed day of substitution of any Mortgage Loans not accepted by Administrative Agent as Additional Purchased Assets.

(b) The Custodian shall deliver to the related Registered Holder and the Administrative Agent, if the Administrative Agent is not the Registered Holder, a cumulative Trust Receipt and amended Exception Report that reflects the delivery of the Additional Purchased Assets in accordance with the provisions of Section 2 hereof, Section 4 hereof and this Section 9.

Section 10. Future Defects. During the term of this Agreement, if the Custodian discovers any defect with respect to any Mortgage Loan File, the Custodian shall give written specification via the Exception Report of such defect to the related Seller, the Registered Holder(s) and, if the Administrative Agent is not a Registered Holder, the Administrative Agent. For purposes of this Section, “defect” means a failure of a document to conform to the review requirements set forth in Section 4(a). Sellers shall be solely responsible for completing or correcting any missing, incomplete or inconsistent documents, and the Custodian shall not be responsible or liable for taking or failing to take any such action, causing any Seller or any other person or entity to do so or notifying any Person that any such action has or has not been taken.

Section 11. Release for Servicing.

(a) From time to time and as appropriate for the foreclosure or servicing of any of the Purchased Assets or in connection with a sale of a group of Mortgage Loans by Sellers to a third party investor, the Custodian is hereby authorized, upon receipt in written form of a Request for Release from the related Seller in the form of Exhibit 2 attached hereto (“Request for Release”), with respect to releases of files relating to fifteen (15) or more Purchased Assets on any one date, with the written acknowledgement of the

applicable Registered Holder and, if the Administrative Agent is not the applicable Registered Holder at such time, the Administrative Agent, release or cause to be released to such Seller or such Seller's Authorized Representative the related Mortgage Loan File or the documents of the related Mortgage Loan File set forth in such Request for Release; provided, that if the Mortgage Loan File is released to such Seller or its designee for any purpose other than one of the reasons set forth for boxes 1-5 of Exhibit 2 attached hereto, such Seller shall ensure that any document released to it or its Authorized Representative pursuant to a Request for Release shall be returned to Custodian no later than ten (10) days from the date of such Request for Release.

(b) All Mortgage Loan Files or documents of Mortgage Loan Files released by the Custodian to Sellers or, at Sellers' written direction, Sellers' Authorized Representative pursuant to this Section 11 shall be held by Sellers or Sellers' Authorized Representative, as applicable, in trust for the benefit of the related Registered Holder unless and until either such Mortgage Loan Files or documents of Mortgage Loan Files are returned by Sellers or Sellers' Authorized Representative to the Custodian or the related Mortgage Loan is liquidated, sold or repurchased and all related proceeds have been paid to the Registered Holder, or following and during the continuance of an Event of Default under the Repurchase Agreement, deposited into the Collection Account. Sellers or Sellers' Authorized Representative or the Servicer, as applicable, shall return to the Custodian, the Mortgage Loan File or other such documents of Mortgage Loan Files when the need therefor in connection with servicing or such other purpose specified in box 6 of Exhibit 2 attached hereto no longer exists (but in any event no later than ten (10) days from the date of such Request for Release), unless the Mortgage Loan shall be liquidated, repurchased or sold as provided above. If the Custodian has previously released a Mortgage Loan File as documents for servicing under Section 11(a), and such Mortgage Loan is liquidated or required to be sold, transferred or repurchased, Sellers or, if the Mortgage Loan File or documents were released to Sellers' Authorized Representative, Sellers' Authorized Representative shall deliver to Custodian an additional Request for Release that has been acknowledged and agreed by the Administrative Agent Registered Holder, certifying such liquidation, sale or transfer.

(c) The Custodian shall keep a record of the release and return, if any, of any Mortgage Loan Files. Upon confirmation of the liquidation, sale or transfer of any Mortgage Loan, the Custodian shall amend the related mortgage loan schedule included in the Exception Report to remove reference to such Mortgage Loan and deliver promptly such amended Mortgage Loan Schedule to the Registered Holder and, if the Administrative Agent is not the Registered Holder at such time, the Administrative Agent.

Section 12. Limitation on Release. Upon notice from the Administrative Agent to the Custodian that the Mortgage Loan Files relating to twenty-five (25) Purchased Assets in the aggregate have been released and are outstanding at one time (other than in connection with a sale of a group of Purchased Assets by Seller to a third party investor), the procedure for release of Mortgage Loan Files relating to a total of more than twenty-five (25) Purchased Assets at any one time shall be determined by the Registered Holder and, if the Administrative Agent is not the Registered Holder, the Administrative Agent and the Custodian at the time of such request. Any document a part of, or relating to, a Mortgage Loan File requested to be released by Sellers or Sellers' Authorized Representative may be released only upon the written acknowledgment of the Request for Release by the Registered Holder(s). The limitations of this

paragraph shall not apply to the release of Mortgage Loan Files to Sellers or, at Sellers' written direction, Sellers' Authorized Representative under Section 13 below or to the release of Mortgage Loan Files to third party purchasers in connection with sales of Purchased Assets to third party purchasers in accordance with Section 11.

Section 13. Release for Payment. Upon the payment in full of any Mortgage Loan, and upon receipt by the Custodian of a Request for Release from Sellers (with the written approval of the Administrative Agent) certifying that such payment in full has been received or delivered to the Administrative Agent in immediately available funds (with Sellers to provide a copy to the applicable Registered Holder and, if the Administrative Agent is not the applicable Registered Holder at such time, the Administrative Agent), the Custodian shall promptly release the related Mortgage Loan File to Sellers or, at Sellers' written direction, Sellers' Authorized Representative and amend the related mortgage loan schedule included in the Exception Report to remove reference to such Purchased Asset.

Section 14. Fees of Custodian. The Custodian shall charge such fees for its services under this Agreement as are set forth in a separate agreement between the Custodian and Sellers, the payment of which fees, together with the Custodian's expenses in connection herewith (including reasonable attorneys' fees and costs), shall be solely the obligation of Sellers. In the event of the resignation or termination or discharge of the Custodian from its duties hereunder, all then accrued unpaid fees due the Custodian shall be paid by Sellers.

Section 15. Removal or Resignation of Custodian With Respect to Some or All of the Purchased Assets.

(a) The Custodian may at any time resign and terminate its obligations under this Custodial Agreement upon at least 60 days' prior written notice to the Sellers and the Administrative Agent. Promptly after receipt of notice of the Custodian's resignation, the Administrative Agent shall appoint, in its sole discretion, after notice to Sellers, a successor Custodian to act on behalf of the Administrative Agent; provided, however, if no Event of Default has occurred and is continuing, the Administrative Agent's appointment of a successor Custodian shall be subject to written approval by Sellers (which consent shall not be unreasonably withheld). One original counterpart of such instrument of appointment shall be delivered to each of the Administrative Agent, Sellers, the Custodian and the successor custodian. If the successor Custodian shall not have been appointed within 60 days of the Custodian's providing such notice, the Custodian may petition any court of competent jurisdiction to appoint a successor Custodian; provided that the Custodian may not terminate its obligations until a successor custodian is appointed.

(b) The Administrative Agent may require the Custodian to complete the endorsements on the Mortgage Notes in the name of the applicable Registered Holder at the expense of Sellers. In the event the Custodian breaches any of its representations or warranties hereunder, or otherwise fails to satisfy its obligations hereunder, the Administrative Agent may remove and discharge, the Custodian from the performance of its duties under this Agreement with respect to some or all of the Mortgage Loans by at least 30 days' written notice from the Administrative Agent to the Custodian, with a copy to each other party to this Agreement. In the event

that the Administrative agent removes the Custodian from the performance of its duties under this Agreement with respect to all of the Mortgage Loans, the Administrative Agent may, in its sole discretion, after notice to Sellers, appoint a successor Custodian to act on behalf of the Administrative Agent by written instrument; provided, however, if no Event of Default has occurred and is continuing, the Administrative Agent's appointment of a successor Custodian shall be subject to written approval by Sellers (which consent shall not be unreasonably withheld).

(c) In the event of any such new appointment as contemplated in subsections (a) and (b) above, the Custodian shall promptly, upon the simultaneous surrender of any outstanding Trust Receipts held by the Administrative Agent, transfer to the successor Custodian or the applicable Registered Holder, as directed by the Administrative Agent, the applicable Mortgage Loan Files being held by the Custodian under this Agreement. The cost of the shipment of Mortgage Loan Files arising out of the resignation of Custodian shall be at the expense of Custodian; provided, however, that if a reason for Custodian's resignation is due to the non-payment of fees and expenses due to it hereunder by the Sellers, then the shipment cost of such shipment of the Mortgage Loan Files shall be at the expense of Sellers. Sellers shall be responsible for the cost of shipment in all other circumstances and shall be responsible in all cases for the fees and expenses of the successor custodian and for endorsing the Mortgage Notes and assigning the Mortgages to the successor custodian, if required.

(d) In the event of termination of this Agreement, the Custodian shall follow the reasonable instructions of the Registered Holder(s) with respect to the disposition of the respective Mortgage Loan Files. Concurrently with the transfer and release of all of the Mortgage Loan Files by the Custodian, the Registered Holder(s) shall submit the related Trust Receipts to the Custodian for cancellation. Notwithstanding the foregoing, in the event that the Administrative Agent terminates this Agreement with respect to some, but not all, of the Mortgage Loans, this Agreement shall remain in full force and effect with respect to any Mortgage Loans for which this Agreement is not terminated. In addition, the Administrative Agent and the Custodian may, at the sole option of the Administrative Agent, enter into a separate Custodial Agreement which shall be mutually acceptable to the parties with respect to any or all of the Mortgage Loans with respect to which this Agreement is terminated.

Section 16. Examination and Copies of Mortgage Loan Files.

(a) Upon two Business Days written request to the Custodian by a Registered Holder, Seller or the Administrative Agent, such Registered Holder, Sellers or the Administrative Agent, as applicable, and its respective agents, accountants, attorneys, auditors and prospective purchasers will be permitted, during normal business hours to examine the related Mortgage Loan Files and any other documents, records and papers in the possession of or under the control of the Custodian relating to any or all of the Mortgage Loans. The Sellers shall be responsible for any reasonable expenses in connection with its examinations and the Buyer and Sellers shall be responsible for any reasonable expenses in connection with any other such examinations to be shared among them in accordance with Section 32 of the Master Repurchase Agreement.

(b) Upon the written request of the Administrative Agent, a Registered Holder, or a Seller, the Custodian shall provide the Sellers, the Administrative Agent or such Registered Holder, as the case may be, at such requesting party's expense, with copies of the Mortgage Notes, Mortgages, Assignment of Mortgages and other documents relating to one or more of the Mortgage Loans.

Section 17. Insurance of Custodian. At its own expense, the Custodian shall maintain at all times during the existence of this Agreement and keep in full force and effect fidelity insurance, theft of document insurance, forgery insurance, and errors and omissions insurance. All such insurance shall be in amounts, with standard coverage and subject to standard deductibles, as is customary for insurance typically maintained by institutions which act as custodian of collateral substantially similar to the Purchased Assets or the Collateral and act in a custodial capacity. The minimum coverage under any such bond and insurance policies shall be at least equal to the corresponding amounts required by Fannie Mae in the Fannie Mae Mortgage-Backed Securities Selling and Servicing Guide or by Freddie Mac in the Freddie Mac Seller's & Servicer's Guide. A certificate of the Custodian as to such coverage shall be furnished to the Administrative Agent or Sellers upon request stating that it is in full force and effect.

Section 18. Covenants of Sellers. Each Seller covenants to the Administrative Agent as of the date that any Mortgage Loan File documents are released to Sellers or Sellers' subservicer pursuant to a Request for Release that:

(a) if the Request for Release has been submitted for the release of a Purchased Asset that has been paid in full, all amounts representing principal and interest received in connection with the payment in full of the Purchased Asset have been paid to the Administrative Agent in immediately available funds as provided in the Repurchase Agreement prior to or simultaneously with the release of such files; provided, however, that if such prepayment in full occurs on any date on which an Event of Default has occurred and is continuing, all amounts received in connection with the payment in full of the Purchased Asset shall be paid to the Administrative Agent in immediately available funds as provided in the Repurchase Agreement prior to or simultaneously with the release of the related files;

(b) if item No. 3 has been checked on the Request for Release, the Repurchase Price for the applicable Purchased Asset has been paid to the Administrative Agent in immediately available funds;

(c) if item No. 4 has been checked on the Request for Release, a Custodial Delivery has been delivered simultaneously therewith listing the Substitute Assets; and

(d) if item No. 5 has been checked on the Request for Release, all proceeds of foreclosure, insurance, condemnation or other liquidation have been finally received by the Administrative Agent and credited to the Sellers pursuant to the Repurchase Agreement and this Agreement.

Section 19. Periodic Statements. Upon the reasonable written request of the Administrative Agent, Sellers, or a Registered Holder, the Custodian shall provide to the Administrative Agent, Sellers or Registered Holder, as the case may be, a list, on a Computer Medium, of all the Purchased Assets for which the Custodian holds a Mortgage Loan File pursuant to this Agreement.

Section 20. Governing Law; Counterparts. This Agreement shall be governed by the internal laws of the State of New York, without giving effect to the conflict of laws principles thereof (except for Sections 5-1401 and 5-1402 of the New York General Obligations Law). For the purpose of facilitating the execution 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 and be one and the same instrument.

Section 21. No Adverse Interest of Custodian. By execution of this Agreement, the Custodian represents and warrants that it currently holds, and during the existence of this Agreement shall hold, no adverse interest, by way of security or otherwise, in any Purchased Asset, and hereby waives and releases any such interest which it may have in any Purchased Asset as of the date hereof. The Purchased Assets shall not be subject to any security interest, lien or right of set-off by Custodian, or its Affiliates, or any third party claiming through Custodian, and Custodian shall not pledge, encumber, hypothecate, transfer, dispose of, or otherwise grant any third party interest in, the Purchased Assets.

Section 22. Custodian Representations. The Custodian (and any successor custodian as of the appointment of such custodian) hereby represents and warrants as of the date hereof and as of each date it delivers an executed Trust Receipt (and as of the date of appointment with respect to any successor custodian) that:

(a) it is duly organized, validly existing and in good standing as a national banking association and has all licenses necessary to carry on its business as it is now being conducted;

(b) it has proper authority to perform its duties hereunder;

(c) it is not controlled by, under common control with or otherwise affiliated with or related to any Seller and covenants and agrees with the Administrative Agent that prior to any such affiliation in the future, it shall obtain the prior written approval of the Administrative Agent;

Section 23. Cumulative Rights. The rights, powers and remedies of the Administrative Agent under this Agreement shall be in addition to all rights, powers and remedies given to the Administrative Agent by virtue of any statute or rule of law, the Master Repurchase Agreement or any other agreement, all of which rights, powers and remedies shall be cumulative and may be exercised successively or concurrently without impairing the Administrative Agent's ownership interest and security interest of the Administrative Agent, in the Purchased Assets and the Collateral.

Section 24. Notices. All demands, notices and communications hereunder (including, without limitation, Trust Receipts) shall be in writing and shall be deemed to have been duly given if mailed, by registered or certified mail, return receipt requested, or, if by other means, including electronic mail, facsimile or similar electronic telecommunication device capable of transmitting or

creating a written record directly to the office of the recipient, when received by the recipient party at the address shown below, or at such other addresses as may hereafter be furnished to the other parties by like notice. Any such demand, notice or communication hereunder shall be deemed to have been received on the date delivered to or received at the premises of the addressee (as evidenced, in the case of registered or certified mail, by the date noted on the return receipt, or in the case of electronic mail, facsimile or similar electronic telecommunication, the date noted on the confirmation of such transmission).

if to Administrative Agent:

Barclays Bank PLC
c/o Barclays Capital Services LLC
200 Cedar Knolls Road
Whippany, NJ 07981
Facsimile: (973) 576-3059
Attn: Glenn Pearson
Hansel Nieves
Email: Glenn.Pearson@barclayscapital.com
hansel.nieves@barcap.com
asgoperations@barcap.com

with a copy to:

Barclays Capital Inc.
200 Park Avenue
New York, NY 10166
Facsimile: (212) 412-6846
Attn: Jay Kim
David Lister
Michael Dryden
Email: jay.kim@barcap.com
david.lister@barcap.com
michael.dryden@barcap.com

if to Sellers:

American Home Mortgage Acceptance, Inc.
538 Broadhollow Road
Melville, New York 11747
Attn: Craig S. Pino

Email:
cpino@americanhm.com

American Home Mortgage Corp.

538 Broadhollow Road

Melville, New York 11747

Attn: Craig S. Pino
Email: cpino@americanhm.com

American Home Mortgage Investment Corp.

538 Broadhollow Road

Melville, New York 11747

Attn: Craig S. Pino
Email: cpino@americanhm.com

American Home Mortgage Servicing, Inc.

538 Broadhollow Road

Melville, New York 11747

Attn: Craig S. Pino
Email: cpino@americanhm.com

with a copy to:

American Home Mortgage Acceptance, Inc.

538 Broadhollow Road

Melville, New York 11747

Attention: Alan B. Horn

if to Custodian:

Deutsche Bank National Trust Company

1761 East St. Andrew Place

Santa Ana, CA 92705

Attention: Mortgage Custody-AH06BC

Facsimile: (714) 247-6035

Telephone: (714) 247-6000

or as such other address or number may be changed by like notice.

Section 25. Successors and Assigns; Benefits of Custodial Agreement. This Agreement shall inure to the benefit of the successors and assigns of the parties hereto. No other Person, including any Mortgagor shall be entitled to any benefit or equitable

right, remedy or claim under this Agreement. Administrative Agent may assign its rights hereunder as provided in the Master Repurchase Agreement to the extent permitted by, and on the terms and conditions of, Section 15 of the Master Repurchase Agreement (which section is incorporated herein by reference). The Custodian may not assign its rights or obligations hereunder without the prior written consent of the Administrative Agent and Sellers; provided that if an Event of Default has occurred and is continuing, the consent of Sellers shall not be required. Notwithstanding the foregoing, any Person into which the Custodian may be merged or consolidated, or any national association resulting from any merger, conversion or consolidation to which the Custodian is a party, or any Person succeeding to all or substantially all of the business of the Custodian, shall be the successor to the Custodian hereunder. Seller may not assign its rights or obligations hereunder without the prior written consent of the Administrative Agent.

Section 26. Reliance of Custodian.

(a) In the absence of bad faith on the part of the Custodian, the Custodian may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any request, instruction, certificate, opinion or other document furnished to the Custodian, reasonably believed by the Custodian to be genuine and to have been signed or presented by the proper party or parties and conforming on its face to the requirements of this Custodial Agreement; but in the case of any request, instruction, document or certificate which by any provision hereof is specifically required to be furnished to the Custodian, the Custodian shall be under a duty to examine the same in accordance with the requirements of this Custodial Agreement.

(b) If the Custodian requests instructions from the Administrative Agent with respect to any act, action or failure to act in connection with this Agreement, the Custodian shall be entitled to refrain from taking such action and continue to refrain from acting unless and until Custodian shall have received Written Instructions from the Administrative Agent with respect to a Mortgage Loan File without incurring any liability therefor to the Administrative Agent, Seller or any other Person.

(c) To help fight the funding of terrorism and money laundering activities, the Custodian will obtain, verify, and record information that identifies individuals or entities that establish a relationship or open an account with the Custodian. The Custodian will ask for the name, address, tax identification number and other information that will allow the Custodian to identify the individual or entity who is establishing the relationship or opening the account. The Custodian may also ask for formation documents such as articles of incorporation, an offering memorandum, and other identifying documents to be provided.

Section 27. Indemnification.

(a) The Sellers, jointly and severally, agree to reimburse, indemnify, defend and hold the Custodian and its directors, officers, agents and employees harmless against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, or out-of-pocket expenses of any kind or nature whatsoever, including reasonable attorneys' fees, that may be imposed on, incurred by, or asserted against it or them in any way relating to or arising out of this Agreement or any action taken or not taken by it

or them hereunder unless such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, or out-of-pocket expenses were imposed on, incurred by or asserted against the Custodian due to the breach, negligence, lack of good faith or willful misconduct on the part of the Custodian or any of its directors, officers, agents or employees. The foregoing indemnification shall survive any resignation or removal of the Custodian or the termination or assignment of this Agreement.

(b) In the event that the Custodian fails to produce a Mortgage Note, Assignment of Mortgage or any other document related to a Mortgage Loan that was in its possession pursuant to Section 2 within five (5) Business Days after written request therefor by the Administrative Agent or Sellers in accordance with the terms and conditions of this Custodial Agreement; and provided that (i) the Custodian previously delivered to the Administrative Agent a Trust Receipt and Custodial Delivery which did not list such document as an exception on the related date of pledge; (ii) such document is not outstanding pursuant to a Request for Release in the form annexed hereto as Exhibit 2; and (iii) such document was held by the Custodian on behalf of the Sellers or the Administrative Agent, as applicable (a “Custodial Delivery Failure”), then the Custodian shall (a) with respect to any missing Mortgage Note, promptly deliver to the Administrative Agent or the Sellers upon request, a Lost Note Affidavit in the form of Exhibit 11 hereto and (b) with respect to any missing document related to such Mortgage Loan, including but not limited to a missing Mortgage Note, indemnify Sellers and the Administrative Agent in accordance with the succeeding paragraph of this Section 27.

(c) The Custodian agrees to indemnify and hold the Administrative Agent, Sellers, and their respective officers, designees, successors and assigns harmless against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, or out-of-pocket expenses, including reasonable attorney’s fees, that may be imposed on, reasonably incurred by, or asserted against it or them solely and directly relating to or arising out of such Custodial Delivery Failure or the Custodian’s negligence, willful misconduct, lack of good faith, or any breach of the conditions, representations or warranties contained herein. The foregoing indemnification shall survive any termination or assignment of this Agreement.

Section 28. Obligations of the Custodian With Respect to the Trust Receipts.

(a) The Custodian shall keep a register in which the Custodian shall provide for the registration of transfers of Trust Receipts as provided herein and in which it shall record the name and address of the Person to whom such Trust Receipt is issued (the “Registered Holder”). The Administrative Agent, shall be the initial Registered Holder for all Purchased Assets. Each Trust Receipt, upon initial issuance or reissuance, shall be dated the date of such issuance or reissuance and shall evidence the receipt and possession by the Custodian on behalf of the Registered Holder of the Trust Receipt of the related Mortgage Loan Files and the Registered Holder’s right to possess those Mortgage Loan Files. The Custodian shall treat the person or entity in whose name the Trust Receipt is registered as the person or entity entitled to possession of the Mortgage Loan Files evidenced by such Trust Receipt for all purposes whatsoever, subject to the terms of this Agreement, and the Custodian shall not be affected by notice of any facts to the contrary. No Trust Receipt shall be valid for any purpose unless substantially in the form set forth in Exhibit 1 to this Agreement and executed by manual signature of an Authorized Representative of the Custodian. Such signature upon any Trust Receipt shall be conclusive

evidence, and the only evidence, that such Trust Receipt has been duly delivered under this Agreement. Trust Receipts bearing the manual signatures of individuals who were, at the time when such signatures were affixed, Authorized Representatives of the Custodian shall bind the Custodian, notwithstanding that such individuals have ceased to be so authorized prior to the delivery of those Trust Receipts. Each Trust Receipt shall have attached thereto an Exception Report with respect to the applicable Purchased Assets and shall otherwise comply with the second paragraph of Section 4 of this Agreement. Any transferee or assignee of the Trust Receipt shall succeed to all the rights of the transferring Registered Holder under this Agreement with respect to such Trust Receipt and the related Purchased Assets upon notice to the Custodian and delivery to the Custodian of the appropriate evidence of such transfer and assignment.

(b) The Registered Holder may transfer its interest in the Mortgage Loan Files covered by any Trust Receipt by delivering to the transferee (the "Transferee") such Trust Receipt, together with an appropriate notice to the Custodian in the form of Exhibit 9 hereto (the "Notice to the Custodian"). Within three (3) Business Days of receipt of the Notice to the Custodian and receipt by the Custodian of the Trust Receipt from the Transferee, the Custodian shall deliver, in accordance with the written instructions of the Transferee, a Trust Receipt issued in the name of the Transferee and to the place indicated in any such written direction from the Transferee; provided that the Custodian shall not be required to issue a Trust Receipt to such Transferee until the date which is three (3) Business Days following the date that the Custodian has received all information necessary to allow the Custodian to complete its internal "Know Your Customer" procedures with respect to such Transferee. Upon receipt of the Notice to the Custodian from the Registered Holder, the Custodian shall change its records to reflect that such Transferee is the Registered Holder of the Mortgage Loan Files.

(c) In the event that (i) any mutilated Trust Receipt is surrendered to the Custodian, or the Custodian receives evidence to its satisfaction of the destruction, loss or theft of any Trust Receipt and (ii) there is delivered to the Custodian such security or indemnity as may be required by it to save it harmless, then, in the absence of notice to the Custodian that such Trust Receipt has been acquired by a bona fide purchaser, the Custodian shall execute and deliver a new Trust Receipt to such Registered Holder in exchange for or in lieu of any such mutilated, lost or stolen Trust Receipt.

(d) Simultaneously with the relinquishment of a Trust Receipt to the Custodian by the Registered Holder thereof and the delivery by the Custodian of the related Mortgage Loan Files to Sellers or their designee pursuant to Section 3 above or to such Registered Holder or a designee of the Registered Holder, the Trust Receipt shall be canceled and the related Mortgage Loan Files will no longer be subject to this Agreement.

Section 29. Authorized Representatives. Each individual designated as an authorized representative of the Custodian, Sellers and the Administrative Agent (each, an "Authorized Representative"), is authorized to give and receive notices, requests and instructions and to deliver certificates and documents in connection with this Agreement on behalf of the Custodian, Sellers, Sellers' Designee or the Administrative Agent, respectively, and the specimen signature for each such Authorized Representative of the Custodian, Sellers, Sellers' Designee or the Administrative Agent initially authorized hereunder is set forth on Exhibits 3, 4,

5, and 6, respectively. From time to time, the Custodian, Sellers and the Administrative Agent may, by delivering to the others a revised exhibit, change the information previously given pursuant to this Section, but each of the parties hereto shall be entitled to rely conclusively on the then current exhibit until receipt of a superseding exhibit. Sellers shall deliver or cause to be delivered to Custodian an Authorized Representatives exhibit for each subservicer designated by Sellers in connection with Sections 9, 10, and 11 of this Agreement (each, a "Sellers' Designee"); provided, that the Custodian shall not recognize any request from Sellers' subservicer unless and until Sellers have given the Custodian written notice identifying such subservicer and such Authorized Representatives exhibit is received by the Custodian. The Custodian shall be entitled to rely conclusively upon (i) written notice from Sellers identifying a subservicer authorized to give instructions under Sections 9, 10 and 11 of this Agreement until receipt of written notice from Sellers revoking such authority and (ii) the most recent Authorized Representatives exhibit delivered to it by a subservicer of Sellers until receipt of a superseding exhibit. If the Custodian shall at any time receive conflicting instructions from Sellers and a subservicer of Sellers, the Custodian shall be entitled to rely on the instructions of Sellers.

Section 30. Reproduction of Documents. This Agreement and all documents relating thereto, including, without limitation, (i) consents, waivers and modifications which may hereafter be executed, and (ii) certificates and other information previously or hereafter furnished, may be reproduced by any photographic, photostatic, microfilm, microcard, miniature photographic or other similar process. The parties agree that any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding, whether or not the original is in existence and whether or not such reproduction was made by a party in the regular course of business, and that any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence.

Section 31. Amendment; Waiver; Entire Agreement; Severability. No amendment or waiver of any provision of this Agreement nor consent to any departure herefrom shall in any event be effective unless the same shall be in writing and signed by all the parties hereto, and then such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. This Agreement, together with the Exhibits, Appendixes, Annexes and other writings referred to herein or delivered pursuant hereto, constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. If any provisions of this Agreement shall be held invalid or unenforceable, this Agreement shall be construed as if not containing such provisions, and the rights and obligations of the parties hereto shall be construed and enforced accordingly.

Section 32. Consent to Jurisdiction. EACH PARTY HERETO HEREBY WAIVES TRIAL BY JURY. EACH HEREBY IRREVOCABLY CONSENTS TO THE NON-EXCLUSIVE PERSONAL JURISDICTION OF ANY COURT OF THE STATE OF NEW YORK, OR IN THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK, ARISING OUT OF OR RELATING TO THE PROGRAM DOCUMENTS IN ANY ACTION OR PROCEEDING. EACH HEREBY SUBMITS TO, AND IRREVOCABLY WAIVES ANY OBJECTION SUCH SELLER MAY HAVE TO, NON-EXCLUSIVE PERSONAL JURISDICTION AND VENUE IN THE COURTS OF THE STATE OF NEW YORK AND THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK, WITH RESPECT TO ANY DISPUTES ARISING OUT OF OR RELATING TO THE PROGRAM DOCUMENTS.

Section 33. Confidentiality. Custodian hereby acknowledges and agrees that (i) all written or computer-readable information provided by Administrative Agent or Sellers regarding (a) Administrative Agent or Sellers, or (b) the Purchased Assets, as set forth on the related Asset Schedule, and (ii) the terms of this Agreement and the Repurchase Agreement (the “Confidential Information”), shall be kept confidential and shall not be divulged to any Person other than the parties hereto without Administrative Agent’s and Sellers’ prior written consent except to the extent that (i) Custodian reasonably deems necessary to do so in working with legal counsel, auditors, taxing authorities or other governmental agencies or regulatory bodies or in order to comply with any applicable federal or state laws, (ii) any portion of the Confidential Information is in the public domain other than due to a breach of this covenant by Custodian or any disclosure authorized by this Agreement or (iii) to the extent that Custodian is required to disclose Confidential Information pursuant to the requirements of any legal proceeding, Custodian shall notify the Administrative Agent and the related Seller within one Business Day of its knowledge of such legally required disclosure (unless such legally required disclosure is pursuant to a grand jury subpoena or disclosure of such request is otherwise prohibited by law) so that the Administrative Agent or Sellers may seek an appropriate protective order and/or waive Custodian’s compliance with this Agreement. Notice shall be both by telephone and in writing. In the absence of a protective order or waiver, Custodian may disclose the relevant Confidential Information if (i) in the written opinion of its counsel, failure to disclose such Confidential Information would subject Custodian to liability for contempt, censure or other legal penalty or liability or (ii) Custodian has not received such protective order or waiver by the time that it is obligated to comply with such legal proceeding requirement.

IN WITNESS WHEREOF, the Sellers, Administrative Agent and the Custodian have caused their names to be duly signed hereto by their respective officers thereunto duly authorized, all as of the date first above written.

BARCLAYS BANK PLC, as Administrative Agent

By: /s/ Jeffrey Goldberg

Name: Jeffrey Goldberg

Title: Associate Director

AMERICAN HOME MORTGAGE ACCEPTANCE,
INC., as Seller

By: /s/ Alan B. Horn
Name: Alan B. Horn
Title: Executive Vice President
General Counsel & Secretary

AMERICAN HOME MORTGAGE CORP., as Seller

By: /s/ Alan B. Horn
Name: Alan B. Horn
Title: Executive Vice President
General Counsel & Secretary

AMERICAN HOME MORTGAGE INVESTMENT
CORP., as Seller

By: /s/ Alan B. Horn
Name: Alan B. Horn
Title: Executive Vice President
General Counsel & Secretary

AMERICAN HOME MORTGAGE SERVICING, INC.,
as Seller

By: /s/ Alan B. Horn
Name: Alan B. Horn
Title: Executive Vice President
General Counsel & Secretary

DEUTSCHE BANK NATIONAL TRUST COMPANY,
as Custodian

By: /s/ Angel Sanchez

Name: Angel Sanchez

Title: Authorized Signer

By: /s/ Tsutomu Yoshida

Name: Tsutomu Yoshida

Title: Assistant Vice President

APPENDIX A

ADDITIONAL DEFINITIONS

In addition to the Definitions set forth in Section 1, the following words and phrases, unless the context otherwise requires, shall have the following meanings:

Mortgage Loan File: With respect to each Mortgage Loan, the following original documents constituting an original Mortgage Loan File:

- (a) the original Mortgage Note bearing all intervening endorsements (or allonges), endorsed “Pay to the order of _____, without recourse” and signed in the name of the last endorsee (the “Last Endorsee”) by an authorized officer (in the event that the Mortgage Loan was acquired by the Last Endorsee in a merger, the signature must be in the following form: “[the Last Endorsee], successor by merger to [name of predecessor]”; in the event that the Mortgage Loan was acquired or originated while doing business under another name, the signature must be in the following form: “[the Last Endorsee], formerly known as [previous name]”);
- (b) the original of any guarantee executed in connection with the Mortgage Note (if any);
- (c) the original Mortgage with evidence of recording thereon or a copy certified by Sellers, its agent or the title company on behalf of Sellers that have been sent for recording;
- (d) the originals of all assumption, modification, consolidation or extension agreements, with evidence of recording thereon or copies certified by Sellers, its agent or the title company on behalf of Sellers to have been sent for recording, if any;
- (e) Except with respect to Mortgage Loans registered on MERS, the original assignment of Mortgage in blank for each Mortgage Loan, in form and substance acceptable for recording and signed in the name of the last endorsee thereof (in the event that the Mortgage Loan was acquired by the last endorsee in a merger, the signature must be in the following form: “[the last endorsee], successor by merger to [name of predecessor]”; in the event that the Mortgage Loan was acquired or originated while doing business under another name, the signature must be in the following form: “[the last endorsee], formerly known as [previous name]”);
- (f) the originals of all intervening assignments of mortgage with evidence of recording thereon or copies certified by Sellers to have been sent for recording (intervening assignments shall not be required for any Mortgage that has been originated in the name of MERS and registered under the MERS System), if any;
- (g) the original of any security agreement, chattel mortgage or equivalent document executed in connection with the Mortgage (if any);

Appendix A-1

(h) the original or copy of mortgagee policy of title insurance, to the extent delivered; and

(i) the original power of attorney, if any, or a copy thereof certified by Sellers to have been sent for recording, for any document described above.

Appendix A-2

REPURCHASE AGREEMENT

By and Among:

AMERICAN HOME MORTGAGE CORP.,
As a Seller,

AMERICAN HOME MORTGAGE SERVICING, INC.,
As a Seller and as the Servicer

AMERICAN HOME MORTGAGE ACCEPTANCE, INC.,
As a Seller,

AMERICAN HOME MORTGAGE INVESTMENT CORP.,
As a Seller,

LA FAYETTE ASSET SECURITIZATION LLC,
As an Issuer,

AMSTERDAM FUNDING CORPORATION,
As an Issuer,

BARTON CAPITAL LLC,
As an Issuer,

PARK AVENUE RECEIVABLES COMPANY, LLC
As an Issuer,

STARBIRD FUNDING CORPORATION,
As an Issuer,

CALYON NEW YORK BRANCH,
As a Bank, a Managing Agent and as the Administrative Agent,

LLOYDS TSB BANK PLC,
As a Bank,

ABN AMRO BANK N.V.,
As a Bank and as a Managing Agent,

SOCIETE GENERALE,
As a Bank and as a Managing Agent,

JPMORGAN CHASE BANK, N.A.
As a Bank and as a Managing Agent,

and

BNP PARIBAS,
As a Bank and as a Managing Agent

Dated as of November 21, 2006

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REPURCHASE AGREEMENT

Dated as of November 21, 2006

REPURCHASE AGREEMENT, among AMERICAN HOME MORTGAGE CORP., a New York corporation (hereinafter, together with its successors and assigns, "AHMC"), AMERICAN HOME MORTGAGE SERVICING, INC., a Maryland corporation, as the Servicer (hereinafter, together with its successors and assigns, the "Servicer" or "AHMS"), AMERICAN HOME MORTGAGE ACCEPTANCE, INC., a Maryland corporation (hereinafter, together with its successors and assigns, "AHMA"), AMERICAN HOME MORTGAGE INVESTMENT CORP., a Maryland corporation (hereinafter, together with its successors and assigns, "AHMIC" and together with AHMC, AHMS and AHMA, collectively, the "Sellers"), LA FAYETTE ASSET SECURITIZATION LLC, a Delaware limited liability company (hereinafter, together with its successors and assigns, "La Fayette"), AMSTERDAM FUNDING CORPORATION, a Delaware corporation (hereinafter, together with its successors and assigns, "Amsterdam"), BARTON CAPITAL LLC, a Delaware limited liability company (hereinafter, together with its successors and assigns, "Barton"), PARK AVENUE RECEIVABLES COMPANY, LLC a Delaware limited liability company (hereinafter, together with its successors and assigns, "Park Avenue"), STARBIRD FUNDING CORPORATION, a Delaware corporation (hereinafter, together with its successors and assigns, "Starbird"), CALYON NEW YORK BRANCH ("Calyon"), as a Bank, as a Managing Agent and the Administrative Agent, LLOYDS TSB BANK PLC ("Lloyds"), as a Bank, ABN AMRO BANK N.V. ("ABN AMRO"), as a Bank and as a Managing Agent, SOCIETE GENERALE ("SG"), as a Bank and as a Managing Agent, JPMORGAN CHASE BANK, N.A. ("JPMorgan"), as a Bank and as a Managing Agent, and BNP PARIBAS, (hereinafter, together with its successors and assigns, "BNP").

RECITALS

1. Capitalized terms used in these Recitals and not defined in the preamble above have the meanings set forth in Article I.
2. The Sellers are engaged in the business of originating, acquiring, investing in, marketing and selling, for their own account, mortgage loans that are made either to finance the purchase of one- to four-family owner-occupied homes or to refinance loans secured by such properties.
3. AHM SPV I, LLC, AHMC and AHMS entered into that certain Master Repurchase Agreement dated as of August 8, 2003, as amended by the Addendum to Master Repurchase Agreement, dated as of August 8, 2003, which addendum was restated by the Amended and Restated Addendum to Master Repurchase Agreement, dated as of November 22, 2005 (collectively, the "Existing Repurchase Agreement").
4. AHM SPV I, LLC, the Servicer, La Fayette, Amsterdam, Barton, Park Avenue, Calyon New York, Lloyds, ABN AMRO, SG and JPMorgan entered that certain Loan Agreement dated as of August 8, 2003 as amended by the Amended and Restated Loan Agreement, dated as of November 22, 2005 (the "Existing Loan Agreement").

5. AHMS, La Fayette, Amsterdam, Barton, Park Avenue, Starbird, Calyon New York, Lloyds, ABN AMRO, SG and JPMorgan entered into that First Omnibus Amendment, dated as of March 1, 2006, in order to add Starbird and BNP as parties to the Existing Loan Agreement.

6. For the convenience of the parties and to reduce administrative costs, the parties hereto have agreed to terminate the Existing Loan Agreement and enter into this Repurchase Agreement and to eliminate the Existing Repurchase Agreement, as provided herein.

7. In furtherance of the foregoing, the Sellers have requested that the Administrative Agent, on behalf of the Purchasers, from time to time enter into transactions ("Transactions"), pursuant to which, on the applicable Purchase Date, the applicable Seller shall sell and the Purchasers shall purchase certain Eligible Mortgage Loans, with each Purchaser purchasing undivided ownership interests in such Eligible Mortgage Loans, pursuant to such Transactions, against payment by the Purchasers of an amount equal to the Purchase Price for such Eligible Mortgage Loans with a simultaneous agreement by the Sellers, jointly and severally, to repurchase Purchased Mortgage Loans on the applicable Repurchase Date by payment to the Administrative Agent for the account of the Purchasers of an amount equal to the related Repurchase Price.

8. Upon the request of the Sellers, the Issuers may, in their sole discretion (except that Barton shall), and the Banks (other than the Banks in the SG Group) shall, in each case subject to the terms and conditions contained in this Agreement, purchase the Mortgage Loans and certain other Mortgage Assets.

9. The Purchasers have appointed the Administrative Agent as their agent to perform certain administrative duties for the Purchasers including, among other things, the administration of the funding of the Transactions hereunder and the making of certain determinations hereunder and in connection herewith.

10. Each Seller is engaged in a business that is complementary to the business of the other Sellers and each Seller will directly benefit from the Transactions entered into hereunder with each other Seller and the Purchase Price paid in connection with each Transaction will inure to the benefit of each Seller.

AGREEMENTS

In consideration of the recitals and the representations, warranties, conditions, covenants and agreements made in this Agreement, the sufficiency of which are acknowledged by all parties hereto, the Sellers, the Purchasers, the Administrative Agent, the Managing Agents, the Banks and the Servicer covenant and agree as follows:

GENERAL TERMS

1.1. Certain Definitions.

As used in this Agreement, the following terms have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

“ABN AMRO” has the meaning specified in the preamble of this Agreement.

“ABN AMRO Group” means Amsterdam and ABN AMRO.

“ABR Allocation” means all or any portion of Invested Amount if Price Differential thereon is calculated by reference to the Eurodollar Rate or the Alternate Base Rate.

“Accepted Servicing Standards” means the same manner in which the Servicer services and administers similar mortgage loans for its own portfolio, giving due consideration to customary and usual standards of practice of mortgage lenders and loan servicers administering similar mortgage loans but without regard to any relationship that the Servicer or any Affiliate of the Servicer may have with the related Obligor, or the Servicer’s right to receive compensation for its services hereunder.

“Act of Insolvency” means, with respect to any Seller, the Servicer or the Performance Guarantor, any of the events described in Section 8.1(f), (g) or (h).

“Adjusted Consolidated Funded Debt” means, on any date of determination, the *sum* of (a) the Consolidated Funded Debt of AHMIC and any other Person which would be reflected on the consolidated balance sheet of AHMIC prepared in accordance with GAAP if such balance sheet were prepared as of such date of determination, *less* (b) 50% of any Subordinated Debt, *less* (c) the mortgage debt associated with the building and the land located at 538 Broadhollow Road, Melville, New York.

“Administrative Agent” means Calyon, in its capacity as administrative agent for the Purchasers, or any successor administrative agent.

“Administrative Agent’s Account” means, the special account (account number 01-50576-0001-00-001, ABA No. 026008073) of Calyon maintained at the office of Calyon New York Branch at 1301 Avenue of the Americas, New York, New York.

“Advanced Funds” means funds advanced to an escrow agent for purposes of funding a Mortgage Loan to be pledged hereunder.

“Adverse Claim” means a lien, security interest, or other charge or encumbrance, or any other type of preferential arrangement.

“Affected Party” means each Purchaser, the Administrative Agent, each Managing Agent, any bank party to a Liquidity Agreement, any party providing credit enhancement or liquidity to any issuer, and any permitted assignee or participant of any such bank, and any holding company of an Affected Party.

“Affiliate” of any Person means (a) any other Person that, directly or indirectly, controls, is controlled by, or is under common control with, such Person, or (b) any other Person who is a director, officer or employee (i) of such Person, or (ii) of any Person described in the preceding clause (a). For purposes of this definition, the term “control” (and the terms “controlled by” and “under common control with”), as used with respect to any Person, shall mean the possession or ownership, directly or indirectly, of the power either (x) to direct or cause the direction of the management and policies of such Person, whether by contract or otherwise, or (y) vote 10% or more of the securities having ordinary power in the election of directors of such Person.

“Aggregate Collateral Value” means an amount equal to the sum of the products of the book values (as determined in accordance with GAAP) of the consolidated assets of AHMIC and its Subsidiaries, such assets being categorized in the classes set forth on the calculation schedule that is part of Exhibit E attached to the Credit Agreement, times the percentage multiplier for each such class set forth on such calculation schedule.

“Agreement” or the “Repurchase Agreement” means this Agreement, as amended, restated, modified or supplemented from time to time.

“AHMIC” has the meaning set forth in the preamble of this Agreement and its successors and assigns.

“Alt-A Loan” means a Mortgage Loan (other than a Conforming Loan or a Jumbo Loan) that (1) does not conform to the conventional underwriting standards of Fannie Mae, Freddie Mac or Ginnie Mae but that is underwritten in a manner designed to be purchased by an Approved Take-Out Investor (other than Fannie Mae, Freddie Mac or Ginnie Mae), within guidelines generally acceptable to industry norms for “Alt-A” loans, (2) has a demonstrated secondary market and is readily securitizable, and (3) matches all applicable requirements for purchase under the requirements of a Take Out Commitment or Hedge specifically issued for the purchase of such Mortgage Loan.

“Alternate Base Rate” means, with respect to any Group Bank, on any date, a fluctuating rate of interest per annum equal to the higher of:

- (a) the rate of interest most recently announced by such Group Bank as its base rate, changing when and as said base rate changes; or
- (b) the Federal Funds Rate (as defined below) most recently determined by the Administrative Agent plus 1.0% per annum.

For purposes of this definition, “Federal Funds Rate” means, for any period, a fluctuating interest rate per annum equal (for each day during such period) to (i) the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day, for the immediately preceding Business Day) by the Federal Reserve Bank of New York; or (ii) if such rate is not so published for any day that is a Business Day, the average of the quotations for such day on such transactions received by the Administrative Agent from

three federal funds brokers of recognized standing selected by it. The Alternate Base Rate is not necessarily intended to be the lowest rate of interest determined by any Group Bank in connection with extensions of credit.

“Amended and Restated Managing Agents Fee Letter” means that certain letter among the Managing Agents, the Sellers and the Servicer, dated as of the date hereof, regarding fees payable to the Managing Agents.

“Amsterdam” has the meaning specified in the preamble of this Agreement.

“Annual Extension Date” shall mean (i) November 20, 2007, and (ii) thereafter, if consented to by the Purchasers, the Managing Agents and the Administrative Agent pursuant to Section 2.1(a), the date that is specified by the Purchasers, the Managing Agents and the Administrative Agent in the applicable consent, which date shall not be more than 364 days following the then effective Annual Extension Date.

“Applicable Purchase Rate” means (i) with respect to a Conforming Loan, ninety-eight percent (98%) or, if a Conforming FICO Score Trigger Event or Conforming Loan-to-Value Ratio Trigger Event has occurred and is continuing, as reported to the Custodian by the Administrative Agent, then zero, (ii) with respect to a Jumbo Loan (other than a Super Jumbo Loan), ninety-eight percent (98%) or, if a Non-Conforming FICO Score Trigger Event or Non-Conforming Loan-to-Value Ratio Trigger Event has occurred and is continuing, as reported to the Custodian by the Administrative Agent, then zero, (iii) with respect to a Super Jumbo Loan, ninety-five percent (95%) or, if a Non-Conforming FICO Score Trigger Event or Non-Conforming Loan-to-Value Ratio Trigger Event has occurred and is continuing, as reported to the Custodian by the Administrative Agent, then zero, (iv) with respect to an Alt-A Loan, ninety seven percent (97%) or, if a Non-Conforming FICO Score Trigger Event or Non-Conforming Loan-to-Value Ratio Trigger Event has occurred and is continuing, as reported to the Custodian by the Administrative Agent, then zero, (v) with respect to Second-Lien Loans, ninety-five percent (95%) or, if a Non-Conforming FICO Score Trigger Event or Non-Conforming Loan-to-Value Ratio Trigger Event has occurred and is continuing, as reported to the Custodian by the Administrative Agent, then zero and (vi) with respect to Uncovered Mortgage Loans, ninety-five percent (95%) or, if a Non-Conforming FICO Score Trigger Event or Non-Conforming Loan-to-Value Ratio Trigger Event has occurred and is continuing, as reported to the Custodian by the Administrative Agent, then zero.

“Approved Hedge Counterparty” means:

(a) Fannie Mae, Freddie Mac or Ginnie Mae, or

(b) any Person with short-term ratings of at least P-1 from Moody’ s and either at least A-1 from S&P or at least F1 from Fitch, or long-term unsecured debt ratings (or in the case of a bank without such ratings that is the principal subsidiary of a bank holding company, the rating of the bank holding company) of at least Aa2 by Moody’ s, and either at least AA from S&P or at least AA from Fitch, or

(c) any Person with short-term ratings of at least P-1 from Moody’ s, and either at least A-1 from S&P or at least F1 from Fitch, or long-term unsecured debt ratings (or in the case of a bank without such ratings that is the principal subsidiary of a bank holding

company, the rating of the bank holding company) of at least A2 from Moody' s, and either at least A from S&P or at least A from Fitch, limited to a concentration limit of 50% of the concentration percentage for such Person as shown on Schedule II, or such other concentration percentage approved by the Majority Banks, or

(d) all other Persons as may be approved by the Majority Banks, which approvals may be subject to certain concentration limits;

provided that (i) except for an Approved Hedge Counterparty defined above in section (d), if an Approved Hedge Counterparty has a short-term rating or a long-term unsecured debt rating at the time such Person becomes an "Approved Hedge Counterparty" and such Person' s short-term ratings or long-term unsecured debt ratings are subsequently downgraded or withdrawn, such Person shall cease to be an "Approved Hedge Counterparty"; provided, further, that with respect to any Hedges issued by such Person prior to the date of such downgrade or withdrawal, such Person shall cease to be an "Approved Hedge Counterparty" sixty (60) days following such downgrade or withdrawal; and (ii) if an Approved Hedge Counterparty does not have a short-term rating or a long-term unsecured debt rating, such Person shall cease to be an "Approved Hedge Counterparty" upon prior written notice from the Administrative Agent, which shall provide such notice if the Administrative Agent has (or if the Majority Banks notify the Administrative Agent that they have) good faith concerns about the future performance of such Person; provided, further, that with respect to any Hedges issued by such Person prior to such notice, such Person shall cease to be an "Approved Hedge Counterparty" sixty (60) days following such notice.

"Approved Take-Out Investor" means:

(a) Fannie Mae, Freddie Mac or Ginnie Mae, or

(b) any Person with short-term ratings of at least P-1 from Moody' s, and either at least A-1 from S&P or at least F1 from Fitch, or long-term unsecured debt ratings (or in the case of a bank without such ratings that is the principal subsidiary of a bank holding company, the rating of the bank holding company) of at least Aa2 by Moody' s, and either at least AA from S&P or at least AA from Fitch, or

(c) any Person with short-term ratings of at least P-1 from Moody' s, and either at least A-1 from S&P or at least F1 from Fitch, or long-term unsecured debt ratings (or in the case of a bank without such ratings that is the principal subsidiary of a bank holding company, the rating of the bank holding company) of at least A2 from Moody' s, and either at least A from S&P or at least A from Fitch, limited to a concentration limit of 50% of the concentration percentage for such Person as shown on Schedule II, or such other concentration percentage approved by the Majority Banks, or

(d) all other Persons as may be approved by the Majority Banks, which approvals may be subject to certain concentration limits;

provided that (i) except for an Approved Take-Out Investor defined above in section (d), if an Approved Take-Out Investor has a short-term rating or a long-term unsecured debt rating at the time such Person becomes an "Approved Take-Out Investor" and such

Person's short-term ratings or long-term unsecured debt ratings are subsequently downgraded or withdrawn, such Person shall cease to be an "Approved Take-Out Investor"; provided, further, that with respect to any Take-Out Commitments issued by such Person prior to the date of such downgrade or withdrawal, such Person shall cease to be an "Approved Take-Out Investor" sixty (60) days following such downgrade or withdrawal; and (ii) if an Approved Take-Out Investor does not have a short-term rating or a long-term unsecured debt rating, such Person shall cease to be an "Approved Take-Out Investor" upon prior written notice from the Administrative Agent, which shall provide such notice if the Administrative Agent has (or if the Majority Banks notify the Administrative Agent that they have) good faith concerns about the future performance of such Person; provided, further, that with respect to any Take-Out Commitments issued by such Person prior to such notice, such Person shall cease to be an "Approved Take-Out Investor" sixty (60) days following such notice.

As of the date of this Agreement, Schedule II hereto sets forth the Approved Take-Out Investors pursuant to the preceding clauses (b) and (c) (and any applicable concentration limits). Schedule II shall be updated from time to time as Approved Take-Out Investors are added or deleted or concentration limits are changed pursuant to the preceding clauses (b) and (c).

"Assignment" is defined in the Custodial Agreement.

"Assignment and Acceptance" means an assignment and acceptance agreement entered into by a Bank, an Eligible Assignee and the Administrative Agent, pursuant to which such Eligible Assignee may become a party to this Agreement, in substantially the form of Exhibit A hereto.

"Availability" means, at the time determined, the Maximum Facility Amount minus the Invested Amount.

"Available Recognized Value" means, at the time determined, the excess of the Recognized Value of all Eligible Mortgage Assets over the Invested Amount.

"Bailee and Security Agreement Letter" is defined in Section 3.4(b)(i) of the Custodial Agreement.

"Bank" means each of Calyon, Lloyds, ABN AMRO, SG, JPMorgan, BNP and each respective Eligible Assignee that shall become a party to this Agreement pursuant to an Assignment and Acceptance and in accordance with Section 13.9 hereof.

"Bank Commitment" means, (a) with respect to Calyon, Lloyds, ABN AMRO, SG, JPMorgan and BNP, the amounts set forth on Schedule I hereto, and (b) with respect to a Bank that has entered into an Assignment and Acceptance, the amount set forth therein as such Bank's Bank Commitment, in each case as such amount may be reduced by each Assignment and Acceptance entered into between such Bank and an Eligible Assignee, and as may be further reduced (or terminated) pursuant to the next sentence. Any reduction (or termination) of the Maximum Facility Amount pursuant to the terms of this Agreement shall (unless otherwise agreed by all the Banks) reduce ratably (or terminate) each Bank's Bank Commitment. At no time shall the aggregate Bank Commitments of all Banks exceed the Maximum Facility Amount.

Notwithstanding anything to the contrary herein, the Group Banks related to Barton shall have no commitment hereunder to make Purchases, but Barton shall have a commitment equal to the Bank Commitment of its related Group Banks.

“Bank Commitment Percentage” means, for any Bank as of any date, the amount obtained by dividing such Bank’s Bank Commitment on such date by the aggregate Bank Commitments of all related Group Banks on such date. As of the date of this Agreement, the Bank Commitment Percentage for each Bank is as set forth on Schedule I hereto.

“Bank Margin” means the margin set forth in the Amended and Restated Managing Agents Fee Letter.

“Bankruptcy Code” means the United States Bankruptcy Code, 11 U.S.C. §§ 101-1532, as amended.

“Barton” has the meaning specified in the preamble of this Agreement.

“Base Rate Purchase” means a Purchase that accrues Price Differential at a rate per annum determined on the basis of the Alternate Base Rate.

“BNP” has the meaning set forth in the preamble of the Agreement.

“BNP Group” means Starbird, and each Group Bank of Starbird.

“Business Day” means (a) a day on which (i) commercial banks in New York City, New York and Chicago, Illinois, are not authorized or required to be closed and (ii) commercial banks in the State in which the Custodian has its principal office are not authorized or required to be closed, and (b) if this definition of “Business Day” is utilized in connection with a Eurodollar Purchase, a day on which dealings in United States dollars are carried out in the London interbank market.

“Calyon” has the meaning set forth in the preamble of this Agreement and its successors and assigns.

“Calyon Group” means La Fayette, and each Group Bank of La Fayette.

“Closing Protection Rights” means any rights of the Sellers to or under (i) a letter issued by a title insurance company to any of the Sellers assuming liability for certain acts or failure to act on behalf of a named closing escrow agent, approved attorney or similar Person in connection with the closing of a Mortgage Loan transaction, (ii) a bond, insurance or trust fund established to protect a mortgage lender against a loss or damage resulting from certain acts or failure to act of a closing escrow agent, approved attorney, title insurance company or similar Person, or (iii) any other right or claim that any of the Sellers may have against any Person for any loss or damage resulting from such Person’s acts or failure to act in connection with the closing of a Mortgage Loan and the delivery of the related Mortgage Loan Collateral to the Custodian or to the Sellers.

“Code” means the Internal Revenue Code of 1986, as amended from time to time.

“Collection Account” means the account established pursuant to Section 2.7(b) to be used for (i) the deposit of proceeds from the sale of Mortgage Loans; and (ii) the payment of the Repurchase Obligations, it being understood that such account is controlled by the Administrative Agent pursuant to the Collection Account Control Agreement, and the Administrative Agent has the authority to direct the transfer of all funds from the Collection Account.

“Collection Account Bank” means, initially, Deutsche Bank National Trust Company and, at any time, the institution then holding the Collection Account in accordance with the terms of the Collection Account Control Agreement.

“Collection Account Control Agreement” means the Second Amended and Restated Collection Account Control Agreement, dated as of the date hereof, among the Sellers, the Servicer, the Administrative Agent and the Collection Account Bank, substantially in the form of Exhibit D-3 hereto, as amended, modified or supplemented from time to time.

“Collection Period” means each calendar month, beginning on the first day of each month and including the last day of the month.

“Collections” means, with respect to any Mortgage Asset, all cash collections (other than in respect of escrows for taxes and insurance premiums payable under the related Mortgage Loan) and other cash proceeds of such Mortgage Asset.

“Commercial Paper Notes” means short-term promissory notes issued or to be issued by the Issuers to fund or maintain their Purchases or investments in other financial assets.

“Commercial Paper Rate” for any Price Differential Calculation Period for the related Purchase means:

(A) (a) with respect to the portion of such Purchase funded by La Fayette, a rate per annum equal to the sum of

(i) the rate or, if more than one rate, the weighted average of the rates, determined by converting to an interest-bearing equivalent rate per annum the discount rate (or rates) at which Commercial Paper Notes having a term equal to such Price Differential Calculation Period and to be issued to fund or to maintain such Purchase by La Fayette (including, without limitation, Invested Amount and accrued and unpaid interest), may be sold by any placement agent or commercial paper dealer selected by the Managing Agent for La Fayette, as agreed between each such agent or dealer and such Managing Agent, plus

(ii) the commissions and charges charged by such placement agent or commercial paper dealer with respect to such Commercial Paper Notes expressed as a percentage of such face amount and converted to an interest-bearing equivalent rate per annum, provided the commissions and charges by the agent or dealer must in the good faith judgment of the Managing Agent for La Fayette be within market range; plus

(iii) the Conduit Spread; or

(b) such other rate as La Fayette and the Sellers shall agree to in writing;

(B) with respect to the portion of such Purchase funded by Amsterdam, a rate per annum equal to the Conduit Spread plus the weighted average of the rates at which commercial paper notes having a term equal to such Price Differential Calculation Period may be sold by any CP Dealer selected by Amsterdam, as agreed between each such CP Dealer and Amsterdam. If such rate is a discount rate, the CP Rate shall be the rate resulting from Amsterdam's converting such discount rate to an interest-bearing equivalent rate. The Commercial Paper Rate shall include all costs and expenses to Amsterdam of issuing the related commercial paper notes, including all dealer commissions and note issuance costs in connection therewith;

(C) with respect to the portion of such Purchase funded by Barton, a rate (or, if more than one rate, the weighted average of the rates) per annum equal to the Conduit Spread plus the applicable commercial paper issued by Barton and allocated to fund Purchases hereunder, which Commercial Paper Notes may be sold by any placement agent or commercial paper dealer selected by Barton, and which rate shall incorporate (i) applicable commercial paper dealer and placement agent fees, and commissions and (ii) other funding costs (excluding costs associated with an Issuer's liquidity fundings) of such Issuer relating to the facility, such as the costs of funding odd lots or small dollar amounts; provided that if the rate (or rates) as agreed between such agent or dealer and such Issuer is a discount rate, then the rate (or if more than one rate, the weighted average of the rates) resulting from such Issuer's converting such discount rate (or rates) to an interest-bearing rate per annum;

(D) with respect to the portion of such Purchase funded by Park Avenue, a rate per annum equal to the sum of

(i) the rate (or, if more than one rate, the weighted average of the rates) at which Commercial Paper Notes having a term equal to such Price Differential Calculation Period (or portion thereof) may be sold by any placement agent or commercial paper dealer selected by Park Avenue, as agreed between each such agent or dealer and Park Avenue, provided, however, that if the rate (or rates) as agreed between any such agent or dealer and Park Avenue is a discount rate (or rates), the "Commercial Paper Rate" for such Price Differential Calculation Period (or portion thereof) shall be the rate (or if more than one rate, the weighted average of the rates) resulting from Park Avenue's converting such discount rate (or rates) to an interest-bearing equivalent rate per annum, plus

(ii) accrued commissions in respect of placement agents and commercial paper dealers and issuing and paying agent fees incurred, in respect of such Commercial Paper Notes, minus

(iii) any payment received on such date net of expenses in respect of Consequential Losses related to the prepayment of any purchased interest of Park Avenue pursuant to the terms of any receivable purchase facilities funded substantially with such Commercial Paper Notes plus

(iv) the Conduit Spread.

(E) with respect to the portion of such Purchase funded by Starbird, a rate per annum equal to the sum of

(i) the rate or, if more than one rate, the weighted average of the rates, determined by converting to an interest-bearing equivalent rate per annum the discount rate (or rates) at which Commercial Paper Notes having a term equal to such Price Differential Calculation Period and to be issued to fund or to maintain such Purchase by Starbird (including, without limitation, Invested Amount and accrued and unpaid interest), may be sold by any placement agent or commercial paper dealer selected by the Managing Agent for Starbird, as agreed between each such agent or dealer and such Managing Agent, plus

(ii) the commissions and charges charged by such placement agent or commercial paper dealer with respect to such Commercial Paper Notes expressed as a percentage of such face amount and converted to an interest-bearing equivalent rate per annum, provided the commissions and charges by the agent or dealer must in the good faith judgment of the Managing Agent for Starbird be within market range; plus

(iii) the Conduit Spread.

“Conduit Spread” means the margin set forth in the Amended and Restated Managing Agents Fee Letter.

“Conforming FICO Score Trigger Event” means, with respect to Conforming Loans, that (A)(i) the Conforming Pool Weighted Average FICO Score has been reported, in a Custodian Daily Report, as less than 675 but more than 650, (ii) a period of ten (10) days has elapsed from the date of receipt of such report by the Administrative Agent and (iii) the Servicer has not provided to the Administrative Agent a revised Conforming Pool Weighted Average FICO Score that is at least 675 or (B)(i) the Conforming Pool Weighted Average FICO Score has been reported, in a Custodian Daily Report, as less than 650, (ii) a period of five (5) days has elapsed from the date of receipt of such report by the Administrative Agent and (iii) the Servicer has not provided to the Administrative Agent a revised Conforming Pool Weighted Average FICO Score that is at least 675.

“Conforming Loan” means (i) a Mortgage Loan that complies with all applicable requirements for purchase under a Fannie Mae, Freddie Mac or similar Governmental Authority standard form of conventional mortgage loan purchase contract, then in effect, or (ii) an FHA Loan or a VA Loan.

“Conforming Loan-to-Value Ratio Trigger Event” means, with respect to Conforming Loans, that (A)(i) the weighted average Loan-to-Value Ratio has been reported, in a Custodian Daily Report, as greater than 83% but equal to or less than 90%, (ii) a period of ten (10) days has elapsed from the date of receipt of such report by the Administrative Agent and (iii) the Servicer has not provided to the Administrative Agent a revised weighted average Loan-to-Value Ratio that is equal to or less than 83% or (B)(i) the weighted average Loan-to-Value Ratio has been reported, in a Custodian Daily Report, as greater than 90%, (ii) a period of five (5) days has elapsed from the date of receipt of such report by the Administrative Agent and (iii) the Servicer has not provided to the Administrative Agent a revised weighted average Loan-to-Value Ratio that is equal to or less than 83%.

“Conforming Pool Weighted Average FICO Score” means the ratio of (a) the sum, for all Conforming Loans, of the product for each Conforming Loan of (i) its FICO Score and (ii) its original principal balance to (b) the sum of the original principal balances of all Conforming Loans.

“Consequential Loss” means any loss (measured by the diminution in yield to the Affected Party as a result of a prepayment) and/or expense (such as any transaction costs incurred in connection with the reinvestment of a prepayment or any cost associated with the issuance of Commercial Paper Notes in anticipation of a Purchase reported but not accepted by the Sellers) that any Affected Party reasonably incurs in respect of a Purchase as a consequence of (a) any failure or refusal of Sellers (for any reasons whatsoever other than a default by the Administrative Agent, any Purchaser or any Affected Party) to take such Purchase after Sellers shall have requested it under this Agreement, (b) any prepayment or payment of such Purchase that is a Eurodollar Purchase or a Purchase bearing interest by reference to the Commercial Paper Rate (including an assignment of a Purchase bearing interest at the Commercial Paper Rate pursuant to a Liquidity Agreement) on a day other than the last day of the Price Differential Calculation Period applicable to such Purchase, (c) any prepayment of any Purchase that is not made in compliance with the provisions of Section 2.5; provided, that so long as an Event of Default shall not have occurred, the Sellers shall not be responsible for any Consequential Loss resulting from changes in the Settlement Date made by the Administrative Agent, as described in the proviso contained in the definition of “Settlement Date,” or (d) Sellers’ failure to make a prepayment after giving notice under Section 2.5 that a prepayment will be made.

“Consolidated Funded Debt” means, with respect to any Person and on any date of determination, Indebtedness in any of the following categories:

(a) Debt for borrowed money, including the Credit Agreement Obligations;

(b) Debt constituting an obligation to pay the deferred purchase price of property;

(c) Debt evidenced by a bond, debenture, note or similar instrument;

(d) Debt constituting, as of any date, any lease of property, real or personal, which would be capitalized on a balance sheet of the lessee prepared as of such date in accordance with GAAP, together with any other lease by such lessee which is in substance a financing lease, including, without limitation, any lease under which (i) such lessee has or will have an option to purchase the property subject thereto at a nominal amount or an amount less than a reasonable estimate of the fair market value of such property as of the date such lease is entered into, or (ii) the term of the lease approximates or exceeds the expected useful life of the property leased thereunder.

(e) Debt constituting a non-contingent obligation to reimburse the issuer of any letter of credit or any guarantor or surety for payments made by such issuer, guarantor or surety; and

(f) Any obligation under any guaranty with respect to Debt of any other Person of the types described in clauses (a) through (e) above.

“CP Allocation” means all or any portion of Invested Amount if Price Differential thereon is calculated by reference to the Commercial Paper Rate.

“CP Dealer” means, at any time, each Person Amsterdam then engages as a placement agent or commercial paper dealer.

“CP Purchase” means a Purchase on which Price Differential accrues by reference to the Commercial Paper Rate.

“Credit Agreement” means the Second Amended and Restated Credit Agreement, dated as of August 10, 2006, as may be amended from time to time, by and among AHMIC, American Home Mortgage Corp., American Home Mortgage Servicing, Inc., American Home Mortgage Acceptance, Inc., certain Purchasers from time to time party thereto, and Bank of America, N.A.

“Credit Agreement Obligations” mean any and all debts, obligations and liabilities of American Home Mortgage Corp., the Servicer, the Performance Guarantor and American Home Mortgage Acceptance, Inc. to Bank of America, N.A. as administrative agent under the Credit Agreement and the lenders from time to time party thereto (whether now existing or hereafter arising, voluntary or involuntary, whether or not jointly owed with others, direct or indirect, absolute or contingent, liquidated or unliquidated, and whether or not from time to time decreased or extinguished and later increased, created or incurred), arising out of or related to the Loan Documents (as defined in the Credit Agreement).

“Custodial Agreement” means the Custodial Agreement, dated as of the date hereof, among the Sellers, the Custodian and the Administrative Agent, substantially in the form of Exhibit D hereto, as amended, supplemented, restated or otherwise modified from time to time.

“Custodian” means Deutsche Bank National Trust Company, and its successors and assigns.

“Custodian Daily Report” is defined in Section 3.8(a) of the Custodial Agreement.

“Debt” means (a) all indebtedness or other obligations of a Person (and, if applicable, that Person’s subsidiaries, on a consolidated basis) that, in accordance with GAAP consistently applied, would be included in determining total liabilities as shown on the liabilities side of a balance sheet of that Person on the date of determination, plus (b) all indebtedness or other obligations of that Person (and, if applicable, that Person’s subsidiaries, on a consolidated basis) for borrowed money or for the deferred purchase price of property or services. For purposes of calculating a Person’s Debt, Subordinated Debt (as defined below) not due within one year of that date may be excluded from that Person’s indebtedness. For purposes of this definition, “Subordinated Debt” means all indebtedness of a Person for borrowed money that is effectively subordinated in right of payment to all other present and future obligations on terms acceptable to the Majority Banks.

“Debtor Laws” means all applicable liquidation, conservatorship, bankruptcy, fraudulent transfer or conveyance, moratorium, arrangement, receivership, insolvency, reorganization or similar laws from time to time in effect affecting the rights of creditors generally.

“Default” means any condition or event that, with the giving of notice or lapse of time or both and unless cured or waived, would constitute an Event of Default.

“Default Rate” means a per annum rate of interest equal from day to day to the lesser of (a) the sum of the Alternate Base Rate plus two percent and (b) the Maximum Rate.

“Deferred Income” means the amount of income that any of the Sellers have deferred, for accounting purposes, pending the sale of Mortgage Loans, in accordance with Statement of Financial Accounting Standards Number 91 (“SFAS 91”) and Statement of Financial Accounting Standards Number 122 (“SFAS 122”), each as currently published by the Financial Accounting Standards Board.

“Delinquent Mortgage Loan” means a Mortgage Asset under which the Obligor is 30 or more days in payment default or the Obligor has taken any action, or suffered any event of the type described in Sections 8.1(f), 8.1(g) or 8.1(h) or is in foreclosure.

“Delinquent Ratio” means as of the end of any Collection Period, the ratio of (i) the principal amount of all Mortgage Loans that were Delinquent Mortgage Loans at such time, to (ii) the aggregate principal amount of all Mortgage Loans at such time.

“Dollars” or “\$” means the lawful currency of the United States of America.

“Disbursement Account” means the account established by the Sellers with the Deutsche Bank National Trust Company or another Eligible Institution acceptable to the Administrative Agent, it being understood that such account is controlled by the Administrative Agent pursuant to the Disbursement Account Control Agreement, and the Administrative Agent has the authority to direct the transfer of all funds from the Disbursement Account.

“Disbursement Account Control Agreement” means the Second Amended and Restated Disbursement Account Control Agreement, dated as of even date herewith, between the Sellers, the Servicer, the Administrative Agent and Deutsche Bank National Trust Company, substantially in the form attached as Exhibit D-13 to the Custodial Agreement, as amended, modified, supplemented or replaced from time to time.

“Eligible Assignee” means (i) Calyon or any of its Affiliates, Lloyds or any of its Affiliates, ABN AMRO or any of its Affiliates, SG or any of its Affiliates, JPMorgan or any of its Affiliates or BNP or any of its Affiliates, (ii) any Person managed by Calyon or any of its Affiliates, Lloyds or any of its Affiliates, ABN AMRO or any of its Affiliates, SG or any of its Affiliates, JPMorgan or any of its Affiliates, or BNP or any of its Affiliates, or (iii) any financial or other institution that is acceptable to the Managing Agent related to the Purchaser that is making the assignment and, unless an Event of Default has occurred or is continuing, the Sellers (which consent shall not be unreasonably withheld).

“Eligible Institution” means any depository institution, organized under the laws of the United States or any state, having capital and surplus in excess of \$200,000,000, the deposits of which are insured to the full extent permitted by law by the Federal Deposit Insurance Corporation and that is subject to supervision and examination by federal or state banking authorities; provided that such institution also must have short-term debt ratings no lower than P-1 by Moody’ s and A-1 by S&P and, if rated, F1 by Fitch. If such depository institution publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

“Eligible Mortgage Assets” means Eligible Mortgage Loans and the Collection Account.

“Eligible Mortgage Loan” means a Mortgage Loan:

(a) that (i) is a closed and fully funded Mortgage Loan, (ii) has a maximum term to maturity of 40 years and the proceeds of which were used either to finance a portion of the purchase price of a Property encumbered by the related Mortgage or to refinance a loan secured by such Property, (iii) is secured by a perfected first-priority Lien on residential real Property consisting of land and a one-to-four family dwelling thereon which is completed and ready for owner occupancy, including townhouses and condominiums, and (iv) was underwritten according to the applicable Seller’ s Underwriting Guidelines and was originated or purchased by one of the Sellers;

(b) that is a Conforming Loan, a Jumbo Loan, an Alt-A Loan, a Second-Lien Loan or an Uncovered Mortgage Loan;

(c) for which the Mortgage Note is payable to or endorsed (without recourse) in blank and each of such Mortgage Loan and the related Mortgage Note is a legal, valid and binding obligation of the Obligor thereof;

(d) for which, other than in respect of Wet Loans, the Principal Mortgage Documents have been received by the Custodian and are in form and substance acceptable to the Custodian;

(e) that, upon purchase by the Purchasers thereof under this Agreement and application of any related Purchase to pay off any prior lienholder as required by the Custodial Agreement and hereunder, together with the related Mortgage Loan Collateral, is owned beneficially by the Purchasers free and clear of any Lien of any other Person other than the Administrative Agent for the benefit of the Purchasers;

(f) that, together with the related Mortgage Loan Collateral, does not contravene any Governmental Requirements applicable thereto (including, without limitation, the Real Estate Settlement Procedures Act of 1974, as amended, and all laws, rules and regulations relating to usury, truth-in-lending, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices, privacy and other applicable federal, state and local consumer protection laws) and with respect to which no party to the related Mortgage Loan Collateral is in violation of any Governmental Requirements (or procedure prescribed thereby) if such violation would impair the collectability of such Mortgage Loan or the saleability of such Mortgage Loan under the applicable Take Out Commitment or Hedge;

(g) that, (i) is not a Delinquent Mortgage Loan at the time it is transferred to the Purchasers pursuant to this Agreement; (ii) has not previously been sold to an Approved Take-Out Investor and repurchased by a Seller; (iii) if it was a Wet Loan when it was assigned to the Sellers and the time periods set forth in Section 2.3(c) have occurred, the Principal Mortgage Documents relating to such Wet Loan were delivered to the Custodian; provided, however, that upon delivery of such Principal Mortgage Documents to the Custodian, such Mortgage Loans may subsequently qualify as Eligible Mortgage Loans to support Purchases subsequent to such delivery; (iv) has a Loan-to-Value Ratio not in excess of 100%; or (v) has an original principal balance not in excess of \$3,000,000;

(h) that if the Mortgage Loan Collateral has been withdrawn for correction pursuant to Section 3.4 such Mortgage Loan Collateral has been returned to the Custodian within 20 calendar days after withdrawal as required by Section 3.4;

(i) that is denominated and payable in U.S. dollars in the United States and the Obligor of which is a natural person who is a U.S. citizen or resident alien or a corporation or an inter vivos revocable trust or other legal entity organized under the laws of the United States or any State thereof or the District of Columbia;

(j) that is not subject to any right of rescission, setoff, counterclaim or other dispute whatsoever;

(k) that was acquired by the Purchasers from any of the Sellers within 60 days after its Mortgage Origination Date;

(l) that is covered by the types and amounts of insurance required by Section 6.6(b);

(m) with respect to which all representations and warranties made by the related Seller herein are true and correct in all material respects and with respect to which all loan level covenants made herein have been complied with; and

(n) that is subjected to the following “Quality Control” measures by personnel of any of the Sellers before the Mortgage Note is funded by such Seller:

(i) for those Mortgage Loans not originated by any of the Sellers, is subject to being selected at random for a review for thoroughness and compliance (including truth-in-lending, good faith estimates and other disclosures); and

(ii) with respect to which, all Mortgage Loan Collateral is prepared by any of the Sellers and submitted to the closing agent at the time of funding the related Mortgage Loans;

“Employee Plan” means an employee pension benefit plan covered by Title IV of ERISA and established or maintained by any of the Sellers or any ERISA Affiliate.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time.

“ERISA Affiliate” means any corporation, trade or business that is, along with the Performance Guarantor, a member of a controlled group of corporations or a controlled group of trades or businesses, as described in Sections 414(b), (c), (m) and (o) of the Code, or Section 4001 of ERISA.

“Eurocurrency Liabilities” has the meaning assigned to that term in Regulation D of the Federal Reserve Board, as in effect from time to time.

“Eurodollar Purchase” means a Purchase that accrues Price Differential at a rate per annum determined on the basis of the Eurodollar Rate.

“Eurodollar Rate” means, for any Price Differential Calculation Period for any Eurodollar Purchase, for each Purchaser, an interest rate per annum (expressed as a decimal and rounded upwards, if necessary, to the nearest one hundredth of a percentage point) equal to the offered rate per annum for deposits in Dollars in a principal amount of not less than \$10,000,000 for such Price Differential Calculation Period as of 11:00 A.M., London time, two Business Days before (and for value on) the first day of such Price Differential Calculation Period, that appears on the display designated as “Page 3750” on the Telerate Service (or such other page as may replace “Page 3750” on that service for the purpose of displaying London interbank offered rates of major banks); provided, that if such rate is not available on any date when the Eurodollar Rate is to be determined, then an interest rate per annum determined by the Administrative Agent equal to the rate at which it would offer deposits in Dollars to prime banks in the London interbank market for a period equal to such Price Differential Calculation Period and in a principal amount of not less than \$10,000,000 at or about 11:00 A.M. (London time) on the second Business Day before (and for value on) the first day of such Price Differential Calculation Period.

“Eurodollar Reserve Percentage” means, with respect to any Bank and for any Price Differential Calculation Period for such Bank’s Eurodollar Purchase, the reserve percentage applicable during such Price Differential Calculation Period (or, if more than one such percentage shall be so applicable, the daily average of such percentages for those days in such Price Differential Calculation Period during which any such percentage shall be so applicable) under regulations issued from time to time by the Federal Reserve Board (or any successor) for determining the maximum reserve requirement (including, without limitation, any emergency, supplemental or other marginal reserve requirement) for such Bank with respect to liabilities or assets consisting of or including Eurocurrency Liabilities having a term equal to such Price Differential Calculation Period.

“Event of Default” is defined in Section 8.1.

“Excess Spread” means, as of the last day of each Collection Period, a percentage equal to the Portfolio Yield for such Collection Period minus the Eurodollar Rate minus the Conduit Spread and/or Bank Margin, as applicable, minus the Servicer Fee Rate.

“Fannie Mae” means the government sponsored enterprise formerly known as the Federal National Mortgage Association, or any successor thereto.

“Federal Reserve Board” means the Board of Governors of the Federal Reserve System, or any successor thereto.

“Fee Letters” means (i) the Second Amended and Restated Administrative Agent Fee Letter and (ii) the Amended and Restated Managing Agents Fee Letter.

“FHA” means the Federal Housing Administration, or any successor thereto.

“FHA Loan” means a Mortgage Loan, the ultimate payment of which is partially or completely insured by the FHA or with respect to which there is a current, binding and enforceable commitment for such insurance issued by the FHA.

“FICO Score” means, with respect to the Obligor under a particular Mortgage Loan, a credit rating established by Fair Isaac Corporation.

“Financial Officer” means with respect to the Servicer, the Sellers or the Performance Guarantor, the chief financial officer, treasurer or a vice president having the knowledge and authority necessary to prepare and deliver the financial statements and reports required pursuant to Sections 6.1(b) and Section 3.8.

“First Lien Mortgage Loan” means a loan secured by a perfected first lien mortgage on real property.

“Fitch” means Fitch, Inc., and any successor thereto.

“Freddie Mac” means the Federal Home Loan Mortgage Corporation, or any successor thereto.

“GAAP” means generally accepted accounting principles as in effect in the United States from time to time.

“GAAP Net Worth” means with respect to any Person at any date, the excess of total assets over total liabilities of such Person on such date, each to be determined in accordance with GAAP consistent with those applied in the preparation of the financial statements referred to in Section 6.1 of this Agreement.

“Ginnie Mae” means the Government National Mortgage Association, or any successor thereto.

“Governmental Authority” means any applicable nation or government, any agency, department, state or other political subdivision thereof, or any instrumentality thereof, and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government. Governmental Authority shall include, without limitation, each of Freddie Mac, Fannie Mae, FHA, HUD, VA and Ginnie Mae.

“Governmental Requirement” means any applicable law, statute, code, ordinance, order, rule, regulation, judgment, decree, injunction, franchise, permit, certificate, license, authorization or other requirement (including, without limitation, any of the foregoing that relate to energy regulations and occupational, safety and health standards or controls and any hazardous materials laws) of any Governmental Authority that has jurisdiction over the Servicer, the Custodian or any of the Sellers or any of their respective Properties.

“Group” means the Calyon Group or the ABN AMRO Group or the JPMorgan Group or the SG Group.

“Group Bank” means (1) with respect to La Fayette, Calyon, each Bank that has entered into an assignment and Acceptance with Calyon, including Lloyds, and each assignee (directly or indirectly) of any such Bank, which assignee has entered into an Assignment and Acceptance; (2) with respect to Amsterdam, ABN AMRO, each Bank that has entered into an Assignment and Acceptance with ABN AMRO and each assignee (directly or indirectly) of any such Bank, which assignee has entered into an Assignment and Acceptance; (3) with respect to Barton, SG, each Bank that has entered into an Assignment and Acceptance with SG and each assignee (directly or indirectly) of any such Bank, which assignee has entered into an Assignment and Acceptance; (4) with respect to Park Avenue, JPMorgan, each Bank that has entered into an Assignment and Acceptance with JPMorgan and each assignee (directly or indirectly) of any such Bank, which assignee has entered into an Assignment and Acceptance; and (5) with respect to Starbird, BNP, each Bank that has entered into an Assignment and Acceptance with BNP and each assignee (directly or indirectly) of any such Bank, which assignee has entered into an Assignment and Acceptance.

“Hedge” means a current, valid, binding, enforceable, written commitment, including, without limitation, a forward purchase commitment, issued by an Approved Hedge Counterparty, to purchase mortgage loans from one of the Sellers from time to time at a specified price (or a specified spread to an agreed-upon index), which commitment is not subject to any term or condition (i) that is not customary in commitments of like nature or (ii) that, in the reasonably anticipated course of events, cannot be fully complied with prior to the expiration thereof, in which a perfected security interest has been granted to the Administrative Agent.

“Hedge Report” means, a report prepared by the Servicer prepared pursuant to Section 3.6 hereof, showing, as of the close of business on the last Business Day of each week, all Take-Out Commitments or Hedges obtained by the Sellers to cover all closed loans owned by the Sellers, to the extent that such mortgage loans have been pledged hereunder or pursuant to another lending arrangement, and certain information with respect to such trades including such information as the Administrative Agent may request, in the form of Exhibit J hereto. Each such Take-Out Commitment or Hedge shall have been pledged to the Administrative Agent; *provided*, however, that any Hedges may have been pledged previously or may be pledged in the future by the Sellers on a pari passu basis.

“HELOC” means a home equity line of credit.

“HUD” means the Department of Housing and Urban Development, or any successor thereto.

“Indebtedness” means, for any Person, without duplication, and at any time, (a) all obligations required by GAAP to be classified on such Person’s balance sheet as liabilities, (b) obligations secured (or for which the holder of the obligations has an existing contingent or other right to be so secured) by any Lien existing on property owned or acquired by such Person, (c) obligations that have been (or under GAAP should be) capitalized for financial reporting purposes, and (d) all guaranties, endorsements, and other contingent obligations with respect to obligations of others.

“Indemnified Amounts” is defined in Section 10.1.

“Indemnified Party” is defined in Section 10.1.

“Initial Purchase Date” means November 21, 2006.

“Invested Amount” means, at the time determined, with respect to all Purchasers, the aggregate Purchase Price for all Purchases under this Agreement, to the extent the Purchased Mortgage Loans have not been repurchased and the Repurchase Price therefor has not been paid, and with respect to a particular Purchaser, the aggregate Purchase Price for all Purchases of such particular Purchaser under this Agreement, to the extent the Purchased Mortgage Loans have not been repurchased and the Repurchase Price therefor has not been paid.

“Issuer” means each of La Fayette, Amsterdam, Barton, Park Avenue and Starbird and their respective successors and assigns.

“Issuer Facility Amount” means, (a) with respect to La Fayette, Amsterdam, Barton, Park Avenue and Starbird, the amounts set forth on Schedule I hereto, and (b) with respect to an Issuer that has entered into an Assignment and Acceptance, the amount set forth therein as such Issuer’s Issuer Facility Amount, in each case as such amount may be reduced by each Assignment and Acceptance entered into between such Issuer and an Eligible Assignee, and as may be further reduced (or terminated) pursuant to the next sentence. Any reduction (or termination) of the Maximum Facility Amount pursuant to the terms of this Agreement shall (unless otherwise agreed by all the Issuers) reduce ratably (or terminate) each Issuer’s Issuer Facility Amount. At no time shall the aggregate Issuer Facility Amounts of all Issuers exceed the Maximum Facility Amount.

“JPMorgan” has the meaning specified in the preamble of this Agreement.

“JPMorgan Group” means Park Avenue and each Group Bank of Park Avenue.

“Jumbo Loan” means a Mortgage Loan (other than a Conforming Loan) that (1) is underwritten in a manner designed to be purchased by an Approved Take-Out Investor (other than Fannie Mae, Freddie Mac or Ginnie Mae), (2) matches all applicable requirements for purchase under the requirements of a Take Out Commitment or Hedge issued for the purchase of such Mortgage Loan, and (3) differs from a Conforming Loan solely because the principal amount of such Mortgage Loan exceeds the limit set for Conforming Loans by Fannie Mae or Freddie Mac from time to time, but shall not exceed \$999,999; provided, however, that a Jumbo Loan having an original principal balance in excess of \$999,999 but not more than \$3,000,000 shall qualify as a Super Jumbo Loan. The term Jumbo Loan includes Super Jumbo Loans.

“La Fayette” has the meaning set forth in the preamble to this Agreement.

“LIBOR” means, for any Price Differential Calculation Period, the London interbank offered rate for one-month Dollar deposits determined by the Servicer on the LIBOR Determination Date for such Price Differential Calculation Period in accordance with Section 2.21.

“LIBOR Determination Date” shall mean, with respect to each Price Differential Calculation Period, the second London Business Day immediately preceding the first day of such Price Differential Calculation Period.

“Lien” means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (whether statutory, consensual or otherwise), or other security arrangement of any kind (including, without limitation, any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of any financing statement under the uniform commercial code or comparable law of any jurisdiction in respect of any of the foregoing).

“Liquidity Agreement” means, with respect to an Issuer, a liquidity loan agreement, liquidity asset purchase agreement or similar agreement entered into by the related Group Banks and providing for the making of loans to such Issuer, or the purchase of Invested Amounts (or interests therein) from such Issuer, to support such Issuer’s payment obligations under its Commercial Paper Notes.

“Lloyds” has the meaning specified in the preamble of this Agreement.

“Loan to Value Ratio” means, with respect to any Mortgage Loan, the fraction, expressed as a percentage found by dividing the original principal balance of a Mortgage Loan by the value of the related mortgage property, such value being measured by (i) the appraised value of such property at such time, if the Mortgage Loan is a refinance of any existing lien or (ii) the lower of the sales price of the related property at the time of origination of the Mortgage Loan or the appraised value of such property at such time, if the Mortgage Loan is a purchase money loan.

“Majority Banks” means, at any time, Banks, including Banks that have become party to this Agreement pursuant to an Assignment and Acceptance, having outstanding Invested Amounts equal to more than 50% of the aggregate outstanding Invested Amounts held by Banks or, if no Invested Amount is then outstanding from any Bank, Banks having more than 50% of the Bank Commitments.

“Managing Agent” means, (a) with respect to La Fayette, Calyon or any successor managing agent designated by such party; (b) with respect to Amsterdam, ABN AMRO or any successor managing agent designated by such party; (c) with respect to Park Avenue, JPMorgan or any successor managing agent designated by such party; (d) with respect to Barton, SG or any successor managing agent designated by such party; and (e) with respect to Starbird, BNP or any successor managing agent designated by such party.

“Managing Agent’s Account” means (a) with respect to Calyon, the special account (account number 01-25680-001-00-001 ABA No. 026008073) of Calyon maintained at Calyon; (b) with respect to ABN AMRO, account number 671042302550 ABA

No. 026 0095 80 of ABN AMRO maintained at ABN AMRO; (c) with respect to JPMorgan, account number 645475302 ABA No. 021000021 of JPMorgan maintained at JPMorgan; (d) with respect to SG, account number 9030425 ABA No. 026004226 of SG maintained SG; and (e) with respect to BNP, account number 01419647 - CTAS, ABA No. 021-001-033, Ref: A/C 30814 Starbird Funding Corporation of BNP maintained at Deutsche Bank Trust Company Americas.

“Margin Call” is defined in Section 2.5(c) hereof.

“Margin Deficit” is defined in Section 2.5(c) hereof.

“Margin Maintenance” is defined in Section 2.5(c) hereof.

“Margin Maintenance Payment Date” is defined in Section 2.5(c) hereof.

“Margin Sufficiency” is defined in Section 3.3(a)(ii) hereof.

“Market Value” means at the time determined, for any Mortgage Loan (a) the market value of such Mortgage Loan determined by the Servicer based upon the then most recent posted net yield for 30-day mandatory future delivery furnished by Fannie Mae, Freddie Mac, Ginnie Mae or another entity deemed most appropriate by the Servicer and published and distributed by Telerate Mortgage Services, or, if such posted net yield is not available from Telerate Mortgage Services, such posted net yield obtained directly from Fannie Mae, Freddie Mac, Ginnie Mae or another entity deemed most appropriate by the Servicer, or (b) if an appropriate posted rate is not available, the value determined by the Servicer in good faith, using commercially reasonable efforts, which efforts shall include consulting with two or more entities that make a market in similar mortgage loans, to determine such Market Value. Notwithstanding the foregoing, within three (3) Business Days of the date upon which a Market Value determination is provided, the Administrative Agent or any Purchaser may dispute the Servicer’s determination of Market Value in writing to the Servicer and each of the Purchasers. Upon receipt of such a notice, the Servicer and the Purchasers shall make a good faith effort to resolve the discrepancy. If the discrepancy is not resolved within seven (7) days in a manner satisfactory to each of the Purchasers (an “Unresolved Dispute”), then the Administrative Agent shall obtain a different market valuation (an “Additional Determination”). At any time the Administrative Agent may, and upon an Unresolved Dispute, shall, obtain an Additional Determination. If the Administrative Agent shall have obtained an Additional Determination as of any determination date (which Additional Determination may be from the Administrative Agent or any Affiliate thereof) and the amount of the Additional Determination as of such determination date is more than 0.50% less than the amount of the aggregate Market Values determined by the Servicer on such determination date, then, the amount of the Additional Determination shall be used as the Market Value for purposes of clause (A)(2) and (A)(3) of the definition of “Recognized Value.” The Sellers shall be solely responsible for the costs incurred with respect to such Additional Determinations. The Administrative Agent shall notify the Servicer of the variance between the Servicer’s determination of the Market Value and the Additional Determinations and the source(s) used by the Administrative Agent to determine the Additional Determinations. Following such notice and prior to the next determination date, either (i) the Servicer and the Administrative Agent will determine a mutually acceptable, reasonable, alternative valuation for the Market Value of such Mortgage

Loan or (ii) the Servicer shall use an amount equal to the Additional Determination as the Market Value of such Mortgage Loan for subsequent determination dates until clause (i) is satisfied in good faith.

“Material Adverse Effect” means, with respect to any Person, any material adverse effect on (i) the validity or enforceability of this Agreement or any other Transaction Document, (ii) the business, operations, total Property or financial condition of such Person, (iii) the Mortgage Assets taken as a whole, (iv) the enforceability or priority of the Lien in favor of the Administrative Agent on any material portion of the Mortgage Assets, or (v) the ability of such Person to fulfill its obligations under this Agreement or any other Transaction Document.

“Maximum Facility Amount” means \$1,500,000,000, as such amount may be reduced pursuant to Section 2.1(c) of this Agreement.

“Maximum Rate” means the maximum non-usurious rate of interest that, under applicable law, each of the Purchasers is permitted to contract for, charge, take, reserve, or receive on the Repurchase Obligations.

“MERS” means Mortgage Electronic Registration Systems, Inc., a Delaware corporation.

“MERS Designated Mortgage Loan” means a Mortgage Loan registered to or by the related Seller on the MERS electronic mortgage registration system.

“Moody’s” means Moody’s Investors Service, Inc., and any successor thereto.

“Mortgage” means a mortgage or deed of trust or other security instrument creating a Lien on real property, on a standard form as approved by Fannie Mae, Freddie Mac or Ginnie Mae or such other form as any of the Sellers determines is satisfactory for any Approved Take-Out Investor unless otherwise directed by the Administrative Agent and communicated to the Custodian.

“Mortgage Assets” means, collectively:

(a) any and all Mortgage Loans purchased by or transferred to the Purchasers pursuant to this Agreement that the Custodian has been instructed to hold for the Administrative Agent for the benefit of the Purchasers pursuant to the Custodial Agreement;

(b) any and all instruments, documents and other property of every kind or description relating to the Mortgage Loans purchased by or transferred to the Purchasers pursuant to the Agreement, of or in the name of any Seller, now or hereafter for any reason or purpose whatsoever, in the possession or control of, or in transit to, the Custodian;

(c) any and all general intangibles and Mortgage Loan Collateral that relate in any way to the Mortgage Assets;

(d) any and all Take-Out Commitments and Hedges identified on Hedge Reports from time to time prepared by the Servicer on behalf of any of the Sellers;

(e) any and all contract rights, chattel paper, certificated securities, uncertificated securities, financial assets, securities accounts or investment property which constitute proceeds of the Mortgage Assets;

(f) this Agreement, the Servicer Performance Guaranty and the Subordination Agreement, including all moneys due or to become due thereunder, claims of the Sellers arising out of or for breach or default thereunder, and the right of the Sellers to compel performance and otherwise exercise all remedies thereunder;

(g) any Advanced Funds; and

(h) any and all proceeds of any of the foregoing, including all Collections.

“Mortgage Asset Proceeds” means all amounts received by the Sellers, the Servicer, the Administrative Agent, the Purchasers, the Custodian or any other Person, in respect of the Mortgage Loans, whether in respect of principal, interest, fees or other amounts, including, without limitation, (i) all amounts received pursuant to Take Out Commitments or Hedges, and (ii) with respect to any Mortgage Loan, all funds that are received from or on behalf of the related Obligor in payment of any amounts owed (including, without limitation, purchase prices, finance charges, escrow payments, interest and all other charges) in respect of such Mortgage Loan, or applied to such amounts owed by such Obligor (including, without limitation, insurance payments that Sellers or Servicer applies in the ordinary course of its business to amounts owed in respect of such Mortgage Loan and net proceeds of sale or other disposition of Property of the Obligor or any other party directly or indirectly liable for payment of such Mortgage Loan and available to be applied thereon).

“Mortgage File” means the mortgage documents pertaining to a particular Mortgage Loan.

“Mortgage Loan” means a loan evidenced by a Mortgage Note and secured by a Mortgage, which Mortgage Loan has been acquired by the Purchasers from any of the Sellers by purchase pursuant to this Agreement (it being understood that legal title thereof shall be retained by such Seller, or, in the case of a MERS Designated Mortgage Loan, MERS as nominee for such Seller, and its successors and assigns, in each case in trust for the Purchasers, solely for the purpose of servicing such Mortgage Loan).

“Mortgage Loan Collateral” means all Mortgage Notes and related Principal Mortgage Documents, Other Mortgage Documents, and other related collateral.

“Mortgage Note” means a promissory note, on a standard form approved by Fannie Mae, Freddie Mac or Ginnie Mae or such other form as the Sellers determine is satisfactory for any Approved Take-Out Investor unless otherwise directed by the Administrative Agent and communicated to the Custodian.

“Mortgage Origination Date” means, with respect to each Mortgage Loan, the date (transmitted to the Custodian) that is the later of (1) the date of the Mortgage Note or (2) the date such Mortgage Loan was funded and disbursed to or at the direction of the Obligor.

“Multiemployer Plan” means a multiemployer plan defined in Sections 3(37) or 4001(a)(3) of ERISA or Section 414(f) of the Code to which Sellers or any ERISA Affiliate is required to make contributions.

“Net Cash Proceeds” means, with respect to the issuance of any capital stock by AHMIC, the amount of cash received by AHMIC in connection with such transaction after deducting therefrom all fees (including, without limitation, investment banking fees), commissions, costs and other expenses to the extent attributable to such transaction.

“Non-Conforming FICO Score Trigger Event” means, with respect to Non-Conforming Loans, that (A)(i) the Non-Conforming Pool Weighted Average FICO Score has been reported, in a Custodian Daily Report, as less than 675 but equal to or more than 650, (ii) a period of ten (10) days has elapsed from the date of receipt of such report by the Administrative Agent and (iii) the Servicer has not provided to the Administrative Agent a revised Non-Conforming Pool Weighted Average FICO Score that is at least 675 or (B)(i) the Non-Conforming Pool Weighted Average FICO Score has been reported, in a Custodian Daily Report, as less than 650, (ii) a period of five (5) days has elapsed from the date of receipt of such report by the Administrative Agent and (iii) the Servicer has not provided to the Administrative Agent a revised Non-Conforming Pool Weighted Average FICO Score that is at least 675.

“Non-Conforming Loan” means a Jumbo Loan, an Alt-A Loan, a Second-Lien Loan or an Uncovered Mortgage Loan.

“Non-Conforming Loan-to-Value Ratio Trigger Event” means, with respect to Non-Conforming Loans, that (A)(i) the weighted average Loan-to-Value Ratio has been reported, in a Custodian Daily Report, as greater than 83% but equal to or less than 90%, (ii) a period of ten (10) days has elapsed from the date of receipt of such report by the Administrative Agent and (iii) the Servicer has not provided to the Administrative Agent a revised weighted average Loan-to-Value Ratio that is equal to or less than 83% or (B)(i) the weighted average Loan-to-Value Ratio has been reported, in a Custodian Daily Report, as greater than 90%, (ii) a period of five (5) days has elapsed from the date of receipt of such report by the Administrative Agent and (iii) the Servicer has not provided to the Administrative Agent a revised weighted average Loan-to-Value Ratio that is equal to or less than 83%.

“Non-Conforming Pool Weighted Average FICO Score” means the ratio of (a) the sum, for all Non-Conforming Loans, of the product for each Non-Conforming Loan of (i) its FICO Score and (ii) its original principal balance to (b) the sum of the original principal balances of all Non-Conforming Loans.

“Non-Continuing Purchasers” is defined in Section 2.7(c)(iii)(E).

“Obligor” means (i) with respect to each Mortgage Note included in the Mortgage Assets, the obligor on such Mortgage Note and (ii) with respect to any other agreement included in the Mortgage Assets, any person from whom any of the Sellers is entitled to performance.

“Other Mortgage Documents” is defined in Section 3.2(c).

“Park Avenue” has the meaning specified in the preamble of this Agreement.

“PBGC” means the Pension Benefit Guaranty Corporation or any successor thereto.

“Performance Guarantor” means AHMIC and its successors and assigns.

“Periodic Visit” is defined in Section 6.8.

“Permitted Transferee” is defined in Section 3.3(c).

“Person” means any individual, corporation (including a business trust), limited liability company, partnership, joint venture, association, joint stock company, trust, unincorporated organization, Governmental Authority, or any other form of entity.

“Portfolio Yield” means, with respect to any Collection Period, the percentage equivalent to the amount computed as of the last day of such Collection Period by multiplying (i) 12 by (ii) (a) the aggregate amount of interest accrued (whether or not paid) with respect to all Eligible Mortgage Loans included in the Mortgage Assets during such Collection Period divided by (b) the daily average outstanding principal amount of all Eligible Mortgage Loans included in the Mortgage Assets during such Collection Period.

“Price Differential” means, with respect to any Purchase outstanding hereunder as of any date, the aggregate amount obtained by daily application of the Pricing Rate for such Purchase to the Purchase Price for the Mortgage Loans subject to such Purchase during the period commencing on (and including) the Purchase Date for such Purchase and ending on (but excluding) the applicable Repurchase Date (reduced by any amount of such Price Differential previously paid by any Seller to the Administrative Agent, for the account of the Purchasers, with respect to such Purchase).

“Price Differential Calculation Period” is defined in Section 2.15.

“Pricing Rate” means, for any Price Differential Calculation Period, either (i) the Commercial Paper Rate, (ii) the Eurodollar Rate plus Bank Margin or (iii) the Alternate Base Rate, as applicable and as determined in accordance with Sections 2.9 and 2.10; provided, however, that if an Event of Default exists, the Default Rate shall apply in accordance with Section 2.12.

“Principal Mortgage Documents” is defined in Section 3.2(b).

“Program Documents” means, in the case of an Issuer, the related Liquidity Agreement relating to this Agreement and the other documents executed and delivered in connection therewith, as each may be amended, supplemented or otherwise modified from time to time.

“Property” means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

“Purchase” means any Transaction pursuant to which the Purchasers purchase Mortgage Assets from the Sellers.

“Purchase Date” means the date, identified by the Sellers in the relevant Purchase Report, as the date on which a Purchase is to be made.

“Purchase Price” for any Purchase means an amount equal to the Recognized Value of the Mortgage Assets that are the subject of such Purchase.

“Purchase Report” means a request, in the form of Exhibit C to this Agreement, for a Purchase pursuant to Article II.

“Purchased Mortgage Assets” means any Mortgage Asset which has been purchased by any Purchaser pursuant to Section 2.1(a).

“Purchased Mortgage Loan” means a Mortgage Loan included in the Purchased Mortgage Assets.

“Purchasers” means, collectively, the Issuers and the Banks.

“Rating Agency” means S&P, Moody’s and Fitch.

“Recognized Value” means

(A) with respect to each Eligible Mortgage Loan and at all times, an amount equal to the Applicable Purchase Rate for such Eligible Mortgage Loan times the least of:

(1) the lesser of the original principal amount of such Eligible Mortgage Loan or the acquisition price paid by the related Seller on the closing and funding of such Eligible Mortgage Loan;

(2) a ratable amount determined by multiplying (a) the weighted average Market Value (expressed as a percentage of aggregate par) of all Mortgage Loans owned by the Sellers, as reflected on the most recent Custodian Daily Report (it being understood that the Servicer shall provide to the Custodian such Market Values as of the close of business on the last Business Day of the previous week (or, while a Default or Event of Default is continuing, more frequently if so directed by the Administrative Agent) times (b) the original principal amount of such Eligible Mortgage Loan; and

(3) while a Default or Event of Default is continuing or upon the direction of any Managing Agent, the Market Value of such Eligible Mortgage Loan; and

(B) with respect to the Collection Account, the balance of collected funds therein that is not subject to any Lien in favor of any Person other than the Lien in favor of the Administrative Agent for the benefit of the Purchasers;

provided, however, that

(a) at any time, the portion of total Recognized Value that may be attributable to Jumbo Loans shall not exceed fifty percent (50%) of the Maximum Facility Amount;

(b) at any time, the portion of total Recognized Value that may be attributable to Super Jumbo Loans shall not exceed five percent (5%) of the Maximum Facility Amount, which percentage is a sublimit of the limitation set forth in clause (a), equal to 10% of the 50% set forth in clause (a) above;

(c) at any time, the portion of total Recognized Value that may be attributable to Alt-A Loans shall not exceed thirty-five percent (35%) of the Maximum Facility Amount;

(d) at any time, the portion of total Recognized Value that may be attributable to Non-Conforming Loans shall not exceed fifty percent (50%) of the Maximum Facility Amount;

(e) at any time, the portion of total Recognized Value that may be attributable to Mortgage Loans with a Loan-to-Value Ratio greater than 95% shall not exceed five percent (5%) of the Maximum Facility Amount;

(f) at any time, the portion of total Recognized Value that may be attributable to Eligible Mortgage Loans (a) with a FICO Score less than or equal to 640 shall not exceed twenty-five percent (25%) of the Maximum Facility Amount and (b) with a FICO Score less than or equal to 620 shall not exceed five percent (5%) of the Maximum Facility Amount;

(g) at any time, the portion of total Recognized Value that may be attributable to Mortgage Loans for which the Mortgage Notes have been withdrawn pursuant to Section 3.5 of the Custodial Agreement shall not exceed 2.5% of the Maximum Facility Amount;

(h) [Reserved];

(i) at any time, the portion of total Recognized Value that may be attributable to Mortgage Loans that have been Eligible Mortgage Loans owned by the Sellers for more than 90 days shall be zero; provided, that, this clause (i) shall not apply to 5% of the total Recognized Value that may be attributable to Mortgage Loans that have been Eligible Mortgage Loans owned by the Purchasers for more than 90 days but less than 180 days;

(j) a Mortgage Loan that ceases to be an Eligible Mortgage Loan shall have a Recognized Value of zero;

(k) at any time, (A) except the first five and last five Business Days of any month, the portion of total Recognized Value that may be attributable to Wet Loans shall not exceed thirty percent (30%) of the Maximum Facility Amount, and (B) during the first five and last five Business Days of any month, the portion of total Recognized Value that may be attributable to Wet Loans shall not exceed fifty percent (50%) of the Maximum Facility Amount (it being understood that on any day the Recognized Value of a Wet Loan with respect to which the related Principal Mortgage Documents have not been delivered to the Custodian within nine (9) Business Days after the date of origination of the Wet Loan shall be zero until such Principal Mortgage Documents are so delivered);

(l) at any time, a Mortgage Loan with respect to which the related Obligor is sixty (60) days or more in payment default, shall have a Recognized Value of zero;

(m) at any time, the portion of Recognized Value that may be attributable to Second-Lien Loans shall not exceed fifteen percent (15%) of the Maximum Facility Amount;

(n) at any time, the portion of Recognized Value that may be attributable to Uncovered Mortgage Loans shall not exceed fifteen percent (15%) of the Maximum Facility Amount; provided that any Uncovered Mortgage Loan shall have a Recognized Value of zero if it is not a Second-Lien Loan or HELOC; provided, further, that any Mortgage Loan that is not subject to significant interest rate volatility and is approved by the Managing Agents may be included in the portion of total Recognized Value that may be attributable to Uncovered Mortgage Loans.; and

(o) at any time, the portion of Recognized Value that may be attributable to any Mortgage Loan with maximum term to maturity in excess of thirty years but not greater than forty years shall not exceed ten percent (10%) of the Maximum Facility Amount.

“Reference Banks” shall mean leading banks selected by the Administrative Agent and engaged in transactions in Eurodollar deposits in the international Eurocurrency market (i) with an established place of business in London and (ii) which have been designated as such by the Administrative Agent.

“Regulation T, U, X and Z,” respectively, mean Regulation T, U, X and Z promulgated by the Federal Reserve Board as in effect from time to time, or any successor regulations thereto.

“Regulatory Change” is defined in Section 2.16.

“Report of Visit” is defined in Section 6.8.

“Repurchase Agreement” means this Repurchase Agreement.

“Repurchase Date” shall mean, with respect to any Transaction and each Purchased Mortgage Loan, the earlier of (a) the Termination Date and (b) the date on which such Purchased Mortgage Loan shall be repurchased by a Seller hereunder, which Repurchase Date, under any circumstance, shall not be later than the date that is one hundred eighty (180) calendar days after the initial Purchase Date therefor.

“Repurchase Obligations” means any and all present and future indebtedness, obligations, and liabilities of the Sellers to any of the Purchasers, the Custodian, each Managing Agent, each Affected Party, each Indemnified Party and the Administrative Agent, including all Repurchase Prices, and all renewals, rearrangements and extensions thereof, or any part thereof, arising pursuant to this Agreement or any other Transaction Document, and all Price Differential and fees accrued thereon, and attorneys’ fees and other costs incurred in the drafting, negotiation, enforcement or collection thereof, regardless of whether such indebtedness, obligations, and liabilities are direct, indirect, fixed, contingent, joint, several or joint and several.

“Repurchase Price” means the price at which the Purchased Mortgage Assets are to be transferred from the Purchasers to any of the Sellers upon termination of a Transaction, which will be determined in each case as the sum of the Purchase Price and the Price Differential as of the end of the related Price Differential Calculation Period.

“Reserve Account” is defined in Section 2.8, it being understood that such account is assigned to the Administrative Agent pursuant to the Reserve Account Control Agreement and the Administrative Agent has the authority to direct the transfer of funds from the Reserve Account.

“Reserve Account Bank” means the institution then holding the Reserve Account pursuant to Section 2.8, which institution shall be an Eligible Institution.

“Reserve Account Control Agreement” means the Second Amended and Restated Reserve Account Control Agreement, dated as of even date herewith, between the Sellers, the Servicer, the Administrative Agent and the Reserve Account Bank, substantially in the form attached hereto as Exhibit K, as may be amended, modified, supplemented or replaced.

“Required Reserve Account Amount” means (i) on any date on which the most recent Servicer Monthly Report shows LIBOR is less than 4%, 0.25% of the Maximum Facility Amount on such date, (ii) on any date on which the most recent Servicer Monthly Report shows LIBOR is less than 5% but greater than or equal to 4%, 0.34% of the Maximum Facility Amount on such date, (iii) on any date on which the most recent Servicer Monthly Report shows LIBOR is less than 6% but greater than or equal to 5%, 0.42% of the Maximum Facility Amount on such date and (iv) on any date on which the most recent Servicer Monthly Report shows LIBOR is equal to or greater than 6%, 0.50% of the Maximum Facility Amount on such date.

“Requirement of Law” as to any Person means the articles of incorporation, by-laws, certificate of formation and limited liability company agreement or other organizational or governing documents of such Person, and any law, statute, code, ordinance, order, rule, regulation, judgment, decree, injunction, franchise, permit, certificate, license, authorization or other determination, direction or requirement (including, without limitation, any of the foregoing that relate to energy regulations and occupational, safety and health standards or controls and any hazardous materials laws) of any Governmental Authority, in each case applicable to or binding upon such Person or any of its Property or to which such Person or any of its Property is subject.

“S&P” means Standard & Poor’s Rating Services, a Division of The McGraw-Hill Companies, Inc., and any successor thereto.

“Second Amended and Restated Administrative Agent Fee Letter” means that certain letter, dated as of the date hereof, among the Administrative Agent, the Sellers and the Servicer, regarding fees for the Administrative Agent.

“Second-Lien Loan” means a Mortgage Loan that is secured by particular property with respect to which at least one other higher-priority Mortgage Loan exists secured by the same property.

“Sellers” has the meaning specified in the preamble of this Agreement.

“Seller’s Credit and Collection Policy” means with respect to each Seller, the Seller’s Credit and Collection Policy, attached hereto as Exhibit L.

“Servicer” means at any time the Person then authorized pursuant to Section 11.1 to administer and collect Mortgage Loans on behalf of the Purchasers. The initial Servicer shall be American Home Mortgage Servicing, Inc.

“Servicer Default” means (a) any Event of Default, to the extent relating to the Servicer (in its capacity as Servicer only), arising under Sections 8.1(a), (b), (c), (d), (e), (f), (g), (h), (i), (j), (k), (l), (m), (n), (o), (u), (v), (w), (x), (cc) in each case, without giving effect to any provisions in such sections that make such sections applicable only so long as the Servicer is one of the Sellers, (b) if the Servicer is one of the Sellers, American Home Mortgage Investment Corp., as the Performance Guarantor, shall cease to own directly or indirectly 100% of all of the stock of the Servicer, or (c) if the Servicer is one of the Sellers, (i) the Servicer’s Tangible Net Worth shall be less than \$30,000,000 or (ii) the Servicer’s Tangible Net Worth, combined with the Tangible Net Worth of American Home Mortgage Corp. and American Mortgage Acceptance, Inc., shall be less than \$147,000,000.

“Servicer Fee” is defined in Section 2.4(b).

“Servicer Fee Rate” is defined in Section 2.4(b).

“Servicer Monthly Report” is defined in Section 3.7.

“Servicer Performance Guaranty” means the Second Amended and Restated Servicer Performance Guaranty, in the form attached hereto as Exhibit G, of even date herewith, made by the Performance Guarantor in favor of the Administrative Agent for the benefit of the Purchasers.

“Settlement Date” means the 15th day of each calendar month or, if such day is not a Business Day, the next succeeding Business Day, provided, however, that on and after the Termination Date, the Administrative Agent may, with the consent of the Managing Agents, by notice to the Sellers and the Servicer, select other days to be Settlement Dates (including days occurring more frequently than once per month).

“Shipping Request” means the shipping request presented by the Sellers or the Servicer to the Custodian substantially on the form attached as Exhibit D-5A (as amended, modified or supplemented from time to time as agreed to by the Administrative Agent, the Managing Agents, the Sellers and the Custodian).

“Shortfall Amount” means, with respect to the last day of any Price Differential Calculation Period or any Settlement Date, the excess, if any, of (a) all amounts due pursuant to (i) Section 2.7(c)(iii)(B) or Section 2.7(c)(iv)(C) on the last day of such Price Differential Calculation Period occurring prior to, on or after the Termination Date, as applicable, (ii) Section 2.7(c)(iii)(A), (C), (D), (E), or (G), on any such Settlement Date occurring prior to the Termination Date or (iii) Section 2.7(c)(iv)(A), (B), (E), (F), or (H), on any such Settlement Date occurring on or after the Termination Date, over (b) the sum of the collections then held by the Servicer for the Purchasers and the Administrative Agent pursuant to Section 2.7(c)(ii) plus collected funds then on deposit in the Collection Account.

“SG” has the meaning specified in the preamble of this Agreement.

“SG Group” means Barton and each Group Bank of Barton.

“Special Indemnified Amounts” is defined in Section 11.5.

“Special Indemnified Party” is defined in Section 11.5.

“Starbird” has the meaning specified in the preamble of this Agreement.

“Subordinated Debt” means the Debt of AHMIC and its Subsidiaries subordinated to the Credit Agreement Obligations in the manner and to the extent required by Bank of America, N.A., as administrative agent under the Credit Agreement, pursuant to written subordination agreements satisfactory in form and substance to Bank of America, N.A., as administrative agent under the Credit Agreement.

“Subordination Agreement” means the Second Amended and Restated Subordination Agreement, dated as of the date hereof, substantially in the form attached as Exhibit B hereto, executed by the Performance Guarantor and certain of their respective Affiliates, if applicable, in favor of the Sellers and the Administrative Agent for the benefit of the Purchasers.

“Subsidiary” means, with respect to any Person, any corporation or other entity of which securities having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by such Person, or one or more of its Subsidiaries, or by such Person and one or more of its Subsidiaries.

“Super Jumbo Loan” means a Jumbo Loan having an original principal balance in excess of \$999,999 but not more than \$3,000,000.

“Take-Out Commitment” means a current, valid, binding, enforceable, written commitment, issued by an Approved Take-Out Investor, to purchase mortgage loans from one of the Sellers from time to time at a specified price (or a specified spread to an agreed-upon index), which commitment is not subject to any term or condition (i) that is not customary in commitments of like nature or (ii) that, in the reasonably anticipated course of events, cannot be fully complied with prior to the expiration thereof, in which a perfected and first-priority security interest has been granted to the Administrative Agent.

“Take-Out Commitment Master Agreement” means with respect to which there is a loan-specific Take-Out Commitment, the master flow sale agreement, investor bulk sales agreement, or similar agreement setting forth the basic terms of sales to the related Approved Take-Out Investor.

“Tangible Net Worth” means, with respect to any Person, the excess of total assets of such Person over the total liabilities of such Person determined in accordance with GAAP, but excluding from the determination of total assets: (a) all assets which would be classified as intangible assets under GAAP, including, without limitation, goodwill (whether representing the excess cost over book value of assets acquired or otherwise), patents, trademarks, trade names, copyrights, franchises and deferred charges (including, without limitation, unamortized debt discount and expense, organization costs and research and product development costs), (b) loans or other extensions of credit to officers, employees, shareholders or Affiliates of such Person (other than the Servicer, the Sellers and the Performance Guarantor) and (c) investments in Subsidiaries of such Person (other than the Servicer, the Sellers and the Performance Guarantor).

“Termination Date” means the earliest to occur of (a) November 20, 2007 unless such date shall be extended pursuant to Section 2.1(b) then the date specified in such Extension Request, (b) the date on which the Maximum Facility Amount is terminated by the Sellers pursuant to Section 2.1(d), and (c) the date, on or after the occurrence of an Event of Default, determined pursuant to Section 8.2.

“Transaction Document” means any of this Agreement, the Collection Account Control Agreement, the Reserve Account Control Agreement, the Disbursement Account Control Agreement, the Custodial Agreement, the Second Amended and Restated Administrative Agent Fee Letter, the Amended and Restated Managing Agents Fee Letter, the Subordination Agreement, the Servicer Performance Guaranty, and any and all other agreements or instruments now or hereafter executed and delivered by or on behalf of the Sellers in connection with, or as security for the payment or performance of any or all of the Repurchase Obligations, as any of such documents may be renewed, amended, restated or supplemented from time to time.

“Transactions” has the meaning set forth in the recitals of this Agreement.

“Transfer Request” is defined in Section 3.3(a).

“UCC” means the Uniform Commercial Code as adopted in the applicable state, as the same may hereafter be amended.

“Uncovered Mortgage Loan” means a Mortgage Loan that is not covered by a Hedge or a loan specific Take-Out Commitment.

“Underwriting Guidelines” means, with respect to each Seller, the Seller’s Underwriting Guidelines, a copy of which has been provided to the Administrative Agent.

“VA” means the Department of Veterans Affairs, or any successor thereto.

“VA Loan” means a Mortgage Loan, the payment of which is partially or completely guaranteed by the VA under the Servicemen’s Readjustment Act of 1944, as amended, or Chapter 37 of Title 38 of the United States Code or with respect to which there is a current binding and enforceable commitment for such a guaranty issued by the VA.

“Wet Loans” is defined in Section 2.3(c).

“Wet Purchase” is defined in Section 2.3(c).

1.2. Other Definitional Provisions.

(a) Unless otherwise specified therein, all terms defined in this Agreement have the above-defined meanings when used in any Transaction Document, certificate, report or other document made or delivered pursuant hereto.

(b) The words “hereof,” “herein,” “hereunder” and similar terms when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and article, section, subsection, schedule and exhibit references herein are references to articles, sections, subsections, schedules and exhibits to this Agreement unless otherwise specified.

(c) As used herein or in any Transaction Document, certificate, report or other document made or delivered pursuant hereto, accounting terms relating to any Person and not specifically defined in this Agreement or therein shall have the respective meanings given to them under GAAP.

(d) All accounting and financial terms used – and compliance with each financial covenant – in the Transaction Documents shall be determined under GAAP; however, unless the Administrative Agent and the Managing Agents have agreed (in writing) to the contrary, the determinations concerning the financial covenant found in Section 7.1 and the Tangible Net Worth of the Servicer (so long as the Servicer is one of the Sellers), including determinations of Deferred Income under SFAS 91 and SFAS 122, shall be made under GAAP, and SFAS 91 and SFAS 122, as in effect on the date of this Agreement. All accounting principles shall be applied on a consistent basis so that the accounting principles in a current period are comparable in all material respects to those applied during the preceding comparable period.

ARTICLE II

TRANSACTIONS, REPURCHASES AND MARGIN MAINTENANCE

2.1. Maximum Facility Amount.

(a) Subject to the terms of this Agreement, and so long as (i) the total Invested Amount never exceeds the Maximum Facility Amount, (ii) the Invested Amount never exceeds the total Recognized Value of all Eligible Mortgage Assets, (iii) no Purchase ever exceeds the Availability, and (iv) Purchases are only made on Business Days before the Termination Date, an Issuer may, in its sole discretion, make a Purchase (which Purchases are to be made pro rata based on the Issuer Facility Amounts) and to the extent that an Issuer does not make such Purchase, its Group Banks shall, ratably in accordance with their Bank Commitments, make Purchases from the Sellers from time to time in such amounts as may be requested by the Sellers pursuant to Section 2.3, so long as each Purchase is the least of (x) the Availability, (y) the Available Recognized Value, and (z) \$25,000,000 or integral multiples of \$50,000 in excess thereof. Within the limits of the Maximum Facility Amount, the Sellers may sell, and, after any repurchase (whether pursuant to Section 2.5 or Section 3.3(a) of this Agreement or otherwise), may resell under this Section 2.1. Notwithstanding the foregoing, subject to the terms of this Agreement, Barton shall not decline to make any Purchase requested by the Sellers as long as the conditions set forth in the first sentence of this paragraph are satisfied; provided that, Barton may fund such Purchase with the issuance of commercial paper or may assign such Purchase to its related Group Banks; and provided further that, the Group Banks related to Barton shall have no obligation hereunder to make Purchases. Furthermore, it is understood that the Sellers shall request a new Purchase with a requested Purchase Date on the Initial Purchase Date, and upon such date the Purchases made by the Purchasers in each Bank Group shall be adjusted so that they are pro rata in accordance with the Issuer Facility Amounts.

(b) The Sellers may, from time to time by written request to the Purchasers, the Managing Agents and the Administrative Agent (each such notice being an “Extension Request”) given not later than 60 days and not sooner than 75 days prior to each Annual Extension Date, request an extension of the then applicable Annual Extension Date. If the Purchasers, the Managing Agents and the Administrative Agent consent, in their sole discretion, to such Extension Request, then (x) the Termination Date shall not occur as of the then applicable Annual Extension Date, and (y) the Annual Extension Date shall be extended as described in the definition of “Annual Extension Date.” With respect to any Group Bank, if the related Managing Agent, in its capacity as a Bank, declines to consent to an Extension Request, then the other Purchasers in such Group Bank shall be deemed to have declined to consent to such Extension Request, unless a new Managing Agent is selected and approved by both the Sellers and the Administrative Agent (which approval shall not be unreasonably withheld). If any Purchaser declines to consent to an extension requested pursuant to this Section 2.1, but the other Purchasers nevertheless desire to consent to the extension or confirmation, then the extension shall be granted, and at the option of the Managing Agent(s) of the extending Purchasers, either (a) the Maximum Facility Amount shall be reduced by the Bank Commitment of such non-extending Purchaser on what would have been the then existing Annual Extension Date but for the extension, or (b) the Managing Agent(s) of the extending Purchasers shall find a replacement for such non-extending Purchaser. If Calyon and La Fayette decline to consent to the extension, but the other Purchasers nevertheless desire to consent to the extension, then the extension shall be granted, and Calyon shall cease to be the Administrative Agent and one of the Managing Agents selected by the Sellers shall become the Administrative Agent hereunder. To the extent that any Purchaser declines to consent to the extension of the Annual Extension Date, the Repurchase Obligations of such non-extending Purchaser will be repaid pursuant to Section 2.7(c)(iii) hereof and its Bank Commitment permanently reduced to \$0 as of the date of the then existing Annual Extension Date. Any failure of any party to respond to the Sellers’ request for an extension within thirty (30) days of such request shall be deemed a denial of such request by such party. Any such extension may be accompanied by such additional fees as the parties shall mutually agree. Notwithstanding anything else to the contrary herein, the Termination Date shall occur automatically without further action on the part of the Purchasers, the Managing Agents or the Administrative Agent, on each Annual Extension Date unless an Extension Request has been granted pursuant to this paragraph.

(c) The Sellers may, upon at least thirty (30) days prior irrevocable notice to the Administrative Agent, but no more than once every three months, reduce the Maximum Facility Amount; provided, however, that each partial reduction shall be in the aggregate amount of \$50,000,000 and in integral multiples of \$5,000,000 in excess thereof; provided further, however that no such reduction shall reduce the Maximum Facility Amount below the greater of (i) the total Invested Amount or (ii) \$250,000,000. Any partial reduction in the Maximum Facility Amount will reduce the Bank Commitment of each Group Bank ratably.

(d) The Sellers may, upon at least thirty (30) days prior irrevocable notice to the Administrative Agent, terminate the Maximum Facility Amount in its entirety upon payment in full of all Repurchase Obligations.

(e) The Administrative Agent shall give each Managing Agent prompt notice of each written notice received by it from the Sellers pursuant to this Section 2.1.

2.2. [Reserved].

2.3. Notice and Manner of Obtaining Purchases.

(a) Purchases.

(i) The Sellers shall give the Administrative Agent and the Custodian notice of each request for a Purchase, pursuant to a Purchase Report, and in accordance with the provisions of Section 4.1 and Section 4.2 hereof. The Administrative Agent shall promptly forward a copy of such Purchase Report to each Managing Agent. On the Purchase Date specified in the Purchase Report and subject to all other terms and conditions of this Agreement, each Issuer may, in its discretion (except that Barton shall), make available to its Managing Agent at the office of such Managing Agent set forth in Section 13.1, in immediately available funds, its share of the Purchase.

(ii) In the event that an Issuer (other than Barton) shall elect not to fund a Purchase requested by the Sellers, each related Group Bank agrees that it shall, on the Purchase Date specified in the Purchase Report and subject to all other terms and conditions of this Agreement, make available to its Managing Agent at the office of the Managing Agent set forth in Section 13.1, in immediately available funds, an amount equal to the product of (x) such Bank's Bank Commitment Percentage, multiplied by (y) the portion of such Purchase that such Issuer or Issuers have elected not to fund.

(iii) After each Managing Agent's receipt of funds pursuant to the preceding paragraph (i) or (ii) and upon fulfillment of the applicable conditions set forth in Article IV, each Managing Agent will make such funds as requested by the Sellers in the related Purchase Report available to the Sellers in immediately available funds. So long as the Sellers are otherwise entitled to make a specific request to purchase Purchases, Purchase Reports that are received timely in accordance with Section 4.2(a), on a Business Day will be funded on the next Business Day following receipt of the Purchase Report.

(iv) Notwithstanding the foregoing, a Bank shall not be obligated to make Purchases under this Section 2.3 at any time to the extent that the amount of all Purchases made by such Bank would exceed such Bank's Bank Commitment less the outstanding and unpaid principal amount of any loans or purchases made by such Bank under a Liquidity Agreement. In addition, notwithstanding the foregoing, Barton shall not be obligated to make Purchases under this Section 2.3 at any time to the extent that the principal amount of all Purchases made by Barton would exceed Barton's Issuer Facility Amount less the outstanding and unpaid principal amount of any loans or purchases made by the related Group Banks under the related Liquidity Agreement. Each Bank's obligation shall be several, such that the failure of any Bank to make available to the Sellers any funds in connection with any Purchase shall not relieve any other Bank of its obligation, if any, hereunder to make funds available on the date of such Purchase, but no Bank shall be responsible for the failure of any other Bank to make funds available in connection with any Purchase. No Bank that is a member of one Group shall be obligated to make funds available in respect of another Group of which it is not a member.

(b) Type of Purchase.

(i) Each Purchase by an Issuer shall initially be funded by the issuance of commercial paper by such Issuer; provided that Purchases made by Barton may be initially funded by the issuance of Commercial Paper Notes or by assigning such Purchases to the related Group Bank.

(ii) Each Purchase by a Bank shall be either a Base Rate Purchase or a Eurodollar Purchase, as determined pursuant to Section 2.15(a).

(c) Wet Purchases. The Sellers may from time to time request that certain Purchases be funded prior to the delivery to the Custodian of the corresponding Principal Mortgage Documents (individually, a “Wet Purchase”; collectively, “Wet Purchases”). Purchases in respect of Wet Purchases shall be made in accordance with Section 2.3(a), subject to the terms and conditions of this Agreement, including, without limitation, the following additional terms and conditions:

(i) Pursuant to an Assignment, the Sellers shall grant to the Administrative Agent for the benefit of the Purchasers, from the Purchase Date of each Wet Purchase, all right, title and interest (subject to the repurchase right hereunder) in the Mortgage Loans identified in Schedule III to said Assignment (such Mortgage Loans being sometimes called “Wet Loans,” it being understood that the term “Wet Loans” shall include Advanced Funds);

(ii) The Assignment in connection with the Purchase Report delivered by the Sellers to the Administrative Agent and the Custodian, pursuant to which the Sellers requests a Wet Purchase, shall describe the Mortgage Note or Mortgage Notes to be delivered to the Custodian in connection therewith by the loan number assigned by one of the Sellers, original principal amount, the amount funded (minus discount points paid to such Seller) by one of the Sellers, Obligor’s name and interest rate;

(iii) Within nine (9) Business Days after the date of origination of a Wet Loan, the Sellers shall deliver to the Custodian the Principal Mortgage Documents pertaining to such Wet Loan identified on Schedule III of the related Assignment;

(iv) At any time, (A) except the first five and last five Business Days of any month, the portion of total Recognized Value that may be attributable to Wet Loans shall not exceed thirty percent (30%) of the Maximum Facility Amount and (B) during the first five and last five Business Days of any month, the portion of total Recognized Value that may be attributable to Wet Loans shall not exceed fifty percent (50%) of the Maximum Facility Amount (it being understood that on any day the Recognized Value of a Wet Loan with respect to which the related Principal Mortgage Documents have not been delivered to the Custodian within nine (9) Business Days after the date of origination of the applicable Wet Loan shall be zero until such Principal Mortgage Documents are so delivered);

(v) The Sellers shall not request any Wet Purchase, and no Wet Purchase shall be made, in respect of any Mortgage Loan that is closed with an escrow agent other than the relevant title insurance company, unless at the time of such request, the Sellers are entitled to the benefit of Closing Protection Rights with provisions required by the Administrative Agent (it being understood that the Administrative Agent has a security interest in all Closing Protection Rights).

Each request by the Sellers for a Wet Purchase shall be automatically deemed to constitute a representation and warranty by the Sellers to the effect that immediately before and after giving effect to such Purchase, the terms and conditions specified in the foregoing clauses (i) through (v) and specified in Section 4.1 are and shall be satisfied in full as of the related Purchase Date.

(d) Failure to Deliver Principal Mortgage Documents. The failure to deliver Principal Mortgage Documents by the ninth Business Day, as required by subparagraph (iii) of Section 2.3(c) and elsewhere in this Agreement, shall not be treated as a Default or an Event of Default so long as the Administrative Agent is satisfied that each such failure, when considered in the light of past and other contemporaneous failures, does not have a Material Adverse Effect; however, (i) if any such Principal Mortgage Documents related to such Wet Loans are not so delivered by such ninth Business Day, the Sellers shall make a mandatory repurchase or transfer of additional Mortgage Assets so that after giving effect thereto, the Recognized Value of Eligible Mortgage Assets (excluding such Wet Loans) shall equal or exceed the Invested Amount, and (ii) such Wet Loan shall not be an Eligible Mortgage Loan and shall have a Recognized Value of zero until such Principal Mortgage Documents shall have been delivered to the Custodian in connection with a subsequent Purchase.

The Sellers diligently shall pursue delivery to the Custodian of all Principal Mortgage Documents pertaining to any Wet Purchases.

2.4. Fees.

(a) The Sellers shall pay to the Administrative Agent and to each Managing Agent (for itself and the Purchasers for which it acts) the related fees, costs and expenses set forth in the Second Amended and Restated Administrative Agent Fee Letter and the Amended and Restated Managing Agents Fee Letter, as applicable, such fees, costs and expenses to be payable at such times and in such amounts as shall be specified thereunder.

(b) The Sellers shall pay to the Servicer a fee (the “Servicer Fee”) of 0.5% per annum (the “Servicer Fee Rate”) on the aggregate outstanding principal balance of the Eligible Mortgage Loans from the date hereof until the Invested Amount is indefeasibly paid in full, payable monthly in arrears on each Settlement Date. The Servicer Fee shall be payable only from Collections pursuant to, and subject to the priority of payments set forth in, Section 2.7(c).

2.5. Repurchases, Prepayments and Margin Maintenance.

(a) Repurchases.

(i) Simultaneously with each Purchase, the Sellers hereby promise, jointly and severally, to pay in full on the related Repurchase Date the aggregate Repurchase Price relating to the Purchased Mortgage Assets being repurchased by the Sellers.

(ii) The Sellers hereby promise, jointly and severally, to pay to the related Managing Agent, for the account of the related Purchaser as part of the Repurchase Price, Price Differential at the rate specified in the applicable Purchase Report on each Purchase entered into hereunder with such Price Differential to be calculated for the period from and including the Purchase Date of such Purchase up to but excluding the date on which the related Repurchase Price shall be paid in full. Notwithstanding the foregoing, the Sellers hereby promise, jointly and severally, to pay to the related Managing Agent, for the account of the related Purchaser, Price Differential at the Default Rate on the amount of any Repurchase Price and on any other amount payable by the Sellers hereunder that shall not be paid in full when due (whether at stated maturity, by acceleration or by mandatory prepayment or otherwise) for the period on each Settlement Date. Price Differential shall be payable on each Settlement Date in accordance with Section 2.7.

(iii) It is understood and agreed that, unless and until a Default or an Event of Default shall have occurred and be continuing, the applicable Seller shall be entitled to the proceeds of all Purchased Mortgage Loans subject to Purchases outstanding hereunder subject to Margin Maintenance; provided, that at any time while a Default or Event of Default has occurred and is continuing, upon notice from the Administrative Agent, the Sellers shall promptly deliver to the Administrative Agent, for the account of the Purchasers, all proceeds of such Purchased Mortgage Loans.

(iv) Unless otherwise indicated in an Assignment relating to a Purchase, all Purchases may be repurchased upon demand. In the case of Purchases repurchasable on demand, such demand by any of the Sellers shall be for a repurchase of all Purchased Mortgage Assets subject to the related Transaction and shall be made no later than 11:00 a.m. New York City time on the Business Day immediately preceding the day on which such repurchase will be effected, which repurchase must also be on a Business Day, all subject to Section 2.5(b).

(v) The Bank Commitments shall continue in effect until the expiration of the Termination Date or the earlier termination by the Sellers in accordance with Section 2.1(d) hereof.

(b) Early Repurchases without Corresponding Assignments. The Purchasers hereby agree that the Sellers may, at any time and from time to time with two (2) Business Days' notice to the Administrative Agent, repurchase Mortgage Assets that are the subject of a Transaction without a corresponding substitution or assignment of new Mortgage Assets by paying the applicable Repurchase Price so long as the aggregate Repurchase Price is at least \$5,000,000 or integral multiples of \$500,000 in excess thereof, without premium or penalty other than Consequential Loss, if any. The Administrative Agent shall give each Managing Agent prompt notice of any such notice. Notwithstanding the foregoing, any Repurchase Price shall include accrued Price Differential on the related Purchase Price. After giving notice that a repurchase will be made, the Sellers shall be liable to each Affected Party for any Consequential Loss resulting from such repayment (including repurchases where the Price Differential forming a part of the

Repurchase Price at the Commercial Paper Rate or Eurodollar Rate and such repurchase is to be on a day other than the last day of the related Price Differential Calculation Period) or the failure to make a repurchase (with accrued and unpaid Price Differential thereon) designated in any such notice.

(c) Margin Maintenance.

(i) Daily until the expiration of the Termination Date (or less frequently if all Purchasers, in their sole and absolute discretion, so elect), the Custodian shall determine (A) the aggregate Recognized Value of all Purchased Mortgage Assets held by the Purchasers and (B) the Repurchase Price as of such date, and the Maximum Facility Amount as of such date.

(ii) If, on any date, the aggregate Purchase Price exceeds the total Recognized Value of all Purchased Mortgage Assets held by the Purchasers that are Eligible Mortgage Assets (a "Margin Deficit"), the Administrative Agent may, in its sole and absolute discretion, or shall if directed by the Majority Banks, by notice to the Sellers (a "Margin Call"), require the Sellers to transfer to the Purchasers cash or additional Eligible Mortgage Assets that are reasonably acceptable to the Purchasers ("Additional Purchased Mortgage Assets") to eliminate such deficiency ("Margin Maintenance").

(iii) Upon receipt of notice from the Administrative Agent at or prior to 11:00 a.m. New York City time (which may be transmitted by facsimile), each of the Sellers, as applicable, in its sole discretion, shall transfer either cash or the Additional Purchased Mortgage Assets no later than the close of business on the Business Day immediately following the date on which a Margin Call is given ("Margin Maintenance Payment Date"). Any cash transferred to any Purchaser pursuant hereto shall be held by the Custodian until the Repurchase Date and shall be applied against the Repurchase Price on the next Repurchase Date.

(iv) Each Purchaser's election, in its sole and absolute discretion, not to make a Margin Call at any time there is a Margin Deficit shall not in any way limit or impair its right to make a Margin Call at any time a Margin Deficit exists.

2.6. Business Days.

If the date for any payment under this Agreement falls on a day that is not a Business Day, then for all purposes of this Agreement the same shall be deemed to have fallen on either (a) the next following Business Day, and such extension of time shall in such case be included in the computation of payments of interest and fees or (b) if the next following Business Day is in another calendar month and payment is being made with respect to a Eurodollar Purchase, then on the immediately previous Business Day.

2.7. Payment Procedures.

(a) In General. Subject to the provisions of this Section 2.7, all payments of Repurchase Prices and fees, costs and expenses under this Agreement shall be made by the Sellers (or the Custodian or the Servicer on behalf of the Sellers) to the Administrative Agent for the account of the Purchasers. All such payments shall be made before 11:00 a.m. (New York City time) on the respective

Repurchase Date or Margin Maintenance Payment Date in federal or other funds immediately available by that time of day and at the Administrative Agent's Account. Funds received after 11:00 a.m. (New York City time) shall be treated for all purposes as having been received by the Administrative Agent on the Business Day next following the date of receipt of such funds from the Sellers. Upon receipt of funds deposited into the Administrative Agent's Account, the Administrative Agent shall distribute such funds to the related Managing Agent for the account of the Purchasers represented by such Managing Agent. All payments made by the Sellers under this Agreement shall be without set off, deduction or counterclaim and the Sellers agree, jointly and severally, to pay on demand any present or future stamp or documentary taxes or any other taxes, levies, imposts, duties, charges or fees which arise from payment made hereunder or from the execution or delivery or otherwise with respect to this Agreement.

(b) The Sellers shall establish and maintain an account (the "Collection Account") with the Collection Account Bank. The Collection Account shall be a fully segregated trust account, unless the Collection Account Bank shall be an Eligible Institution, in which case the account need not be a trust account. The Collection Account shall be under the control of the Administrative Agent pursuant to the Collection Account Control Agreement, and the Sellers shall have no right to withdraw any amount from the Collection Account until the Repurchase Obligations are indefeasibly paid in full. The Servicer shall have no right to access the Collection Account except as otherwise contemplated in Section 2.7(c).

(c) Collections.

(i) The Servicer shall administer Collections in accordance with the provisions of this Section 2.7. Approved Take-Out Investors shall be instructed to pay proceeds from the sale of Mortgage Loans into the Collection Account, and such amounts may be released only in accordance with the procedures set forth in Section 3.3 hereof.

(ii) The Servicer shall hold, on behalf of the Purchasers and the Administrative Agent, from Collections received by it with respect to any Mortgage Asset, amounts necessary to make payments on the following Settlement Date (or end of the related Price Differential Calculation Period) pursuant to Section 2.7(c) or (iv), as applicable. Such amounts shall be deposited into the Collection Account no later than such Settlement Date or at the end of such Price Differential Calculation Period, or, on or after the Termination Date or upon the occurrence and during the continuation of an Event of Default, within one Business Day after receipt before 11:00 a.m. (New York City time) by the Servicer.

(iii) Prior to the Termination Date, the Servicer shall withdraw funds from the Collection Account (to the extent of collected funds therein) and shall make payments from the Collection Account at the following times and in the following order of priority:

(A) To the extent not previously paid, on each Settlement Date, the Servicer shall deposit an amount equal to the costs, fees and expenses then due and payable to the Custodian to an account designated by the Custodian.

(B) On each Settlement Date, the Servicer shall deposit an amount equal to Price Differential on each Purchase accrued during the most recently ended Price Differential Calculation Period (or earlier Price Differential Calculation Periods, to the extent unpaid) to the Administrative Agent's Account, and the Administrative Agent shall forward such funds to the applicable Managing Agent's Account for the related Purchasers.

(C) To the extent not previously paid, on each Settlement Date, the Servicer shall deposit an amount equal to the fees, costs and expenses then due and payable pursuant to the Fee Letters, to the Administrative Agent's Account, and the Administrative Agent shall forward such funds, on a pro rata basis in proportion to the outstanding fees, costs and expenses owed to each Group Bank, to (a) ABN AMRO, as a Managing Agent, to ABN AMRO's Managing Agent Account, (b) Calyon, as a Managing Agent, to Calyon's Managing Agent Account, (c) JPMorgan, as a Managing Agent, to JPMorgan's Managing Agent Account, (d) SG, as a Managing Agent, to SG's Managing Agent Account, (e) BNP, as Managing Agent, to BNP's Managing Agent Account and (f) the Administrative Agent, to the Administrative Agent's Account.

(D) On each Settlement Date on which the Required Reserve Account Amount exceeds the amount then on deposit in the Reserve Account, the Servicer shall deposit an amount equal to such excess to the Reserve Account.

(E) On each Settlement Date, if either (x) any Purchaser has not consented to an extension of the Annual Extension Date, but the other Purchasers have so consented and such non-extending Purchaser has not assigned its respective Purchases and Bank Commitments to one or more other Purchasers in accordance with Section 2.1(b) and Section 13.9, or (y) any Purchaser has terminated its Bank Commitment as permitted under Section 2.1(e), but other Purchasers have not so terminated their Bank Commitments and the terminating Purchaser has not assigned its respective Purchases and Bank Commitments to one or more other Purchasers in accordance with Section 13.9, or (z) the Sellers have provided prior written notice to the Administrative Agent that the Sellers are seeking a Replacement Bank for the Affected Party pursuant to Section 2.20, (in either the case of clause (x) or (y) or (z) above, the non-extending Purchaser, the terminating Purchaser, or the Affected Party, respectively, are referred to as the "Non-Continuing Purchasers" for purposes of this subparagraph 2.7(c)(iii)(E)), until the entire unpaid balance of all Repurchase Obligations owing to the Non-Continuing Purchasers are paid, the Servicer shall deposit into the Administrative Agent's Account, and the Administrative Agent shall forward to relevant Managing Agent's Account an amount, to the extent available from Collections, equal to that portion of the amount of Collections remaining after the payment of the items specified in Sections 2.7(c)(iii)(A) through (D), multiplied by a fraction, the numerator of which is the Bank Commitments of Banks or Barton, as applicable, that are the Non-Continuing Purchasers and the denominator of which is the total Bank Commitments of all Banks (such fraction shall be calculated by using the Bank Commitments in effect on the day prior to the reduction of the Bank Commitments to zero for the Banks that are among the Non-Continuing Purchasers).

(F) To the extent not previously paid, on each Settlement Date, the Servicer shall deposit any amounts, other than those listed in clauses (A), (B) and (C) above and other than Purchase Price related to the Purchases, that are then due and payable and of which the Servicer has received prior written notice, including without limitation additional costs under Section 2.16, any additional interest under Section 2.17, Consequential Losses under Section 2.18, indemnities under Section 10.1 and costs, expenses and taxes under Section 2.19, to the Administrative Agent's Account, and the Administrative Agent shall forward to relevant applicable Managing Agent's Account.

(G) If requested by the Sellers, the Servicer (1) shall remit the amount of any Repurchase Price not comprising Price Differential to be made hereunder to the applicable Managing Agent's Account, and (2) to the extent not required to make payments pursuant to clauses (A) through (F) on any Settlement Date or at the end of any Price Differential Calculation Period occurring within 30 days after the Sellers' request, to an account designated by the Sellers to pay for the purchase of Mortgage Assets by the Sellers.

(H) On each Settlement Date, the Servicer shall retain for its own account an amount equal to accrued Servicer Fee then due and payable.

(iv) On the Termination Date and thereafter, the Administrative Agent shall make payments from the Collection Account (to the extent of collected funds therein) at the following times and in the following order of priority:

(A) On each Settlement Date, if the Servicer is not one of the Sellers or an Affiliate of one of the Sellers, an amount equal to accrued Servicer Fee then due and payable shall be paid to the Servicer.

(B) On each Settlement Date, an amount equal to accrued Price Differential on each Purchase accrued during the most recently ended Price Differential Calculation Period (or earlier Price Differential Calculation Periods, to the extent unpaid) to the applicable Managing Agent's Account.

(C) [Reserved].

(D) To the extent not previously paid, on each Settlement Date, an amount equal to the costs, fees and expenses then due and payable to the Custodian shall be paid to an account designated by the Custodian.

(E) On each Settlement Date, an amount equal to the unpaid Repurchase Price for each Transaction, or such lesser amount as is available from Collections, shall be paid to the applicable Managing Agent's Account.

(F) To the extent not previously paid, on each Settlement Date, an amount equal to the fees, costs and expenses then due and payable pursuant to the Fee Letters, on a pro rata basis in proportion to the fees, costs and expenses then owing to each Group Bank, to (a) ABN AMRO, as a Managing Agent, to ABN AMRO's Managing Agent Account, (b) Calyon, as a Managing Agent, to Calyon's Managing Agent Account, (c) JPMorgan, as a Managing Agent, to JPMorgan's Managing Agent Account, (d) SG, as a Managing Agent, to SG's Managing Agent Account, (e) BNP as Managing Agent, to BNP's Managing Agent Account and (f) the Administrative Agent, to Calyon's Managing Agent Account.

(G) To the extent not previously paid, on each Settlement Date, any amounts of the type described in Section 2.7(c)(iii)(F) are then due and payable and any other unpaid Repurchase Obligations shall be paid to the applicable Managing Agent's Account.

(H) On the Settlement Date on which all Repurchase Obligations are paid in full, if the Servicer is one of the Sellers or an Affiliate of one of the Sellers, an amount equal to accrued Servicer Fee then due and payable shall be paid to the Servicer.

(v) Upon receipt of funds deposited into its Managing Agent's Account, each Managing Agent shall distribute such funds to the Purchasers in its Group or to itself for application to the Repurchase Obligations in accordance with the order of priority set forth in Section 2.7(c)(iii) or (iv), as applicable.

(vi) On the Termination Date and thereafter, the Issuers shall use commercially reasonable efforts to coordinate Price Differential Calculation Periods for Purchases so that Consequential Losses and other expenses charged to Sellers are mitigated.

(d) Price Differential Payments. Price Differential relating to each Purchase shall be due and payable in arrears on each Settlement Date, each Repurchase Date, on the Termination Date, and, after the Termination Date, on demand.

(e) Payments from Collection Account. To effect payments (including prepayments) hereunder, the Sellers may use the collected funds (if any) then held on deposit in the Collection Account.

2.8. The Reserve Account.

(a) Establishment. An account (the "Reserve Account") shall be established with the Reserve Account Bank. The Sellers, the Servicer, the Administrative Agent and the Reserve Account Bank have entered into the Reserve Account Control Agreement. The Reserve Account is and shall be under the control of the Administrative Agent, and the Sellers have and shall have no right to withdraw any amount from the Reserve Account until the Repurchase Obligations are indefeasibly paid in full.

(b) Taxation. The taxpayer identification number associated with the Reserve Account shall be that of the Sellers, and the Sellers will report for federal, state and local income tax purposes the income, if any, earned on funds in the Reserve Account.

(c) New Reserve Account. The Reserve Account Bank shall be an Eligible Institution. In the event the Reserve Account Bank ceases to be an Eligible Institution, the Sellers shall, within ten days after learning thereof, establish a new Reserve Account (and transfer any balance and investments then in the Reserve Account to such new Reserve Account) at another Eligible Institution, which new Reserve Account shall be subject to a replacement Reserve Account Control Agreement.

(d) Statements for Reserve Account. On a monthly basis, the Servicer shall cause the Reserve Account Bank to provide the Servicer, the Sellers and (upon request) the Administrative Agent with a written statement with respect to the preceding calendar month regarding the Reserve Account in a form customary for statements provided by the Reserve Account Bank for other accounts held by it, which statement shall include, at a minimum, the amount on deposit in the Reserve Account, and the dates and amounts of all deposits, withdrawals and investment earnings with respect to the Reserve Account.

(e) Payments from Reserve Account.

(i) On the Business Day preceding the last day of each Price Differential Calculation Period and each Settlement Date, the Servicer will determine whether any Shortfall Amount will arise with respect to such Price Differential Calculation Period or Settlement Date and will give the Administrative Agent notice of the amount thereof by noon New York City time. By 2:00 p.m. New York City time on the Business Day prior to the last day of each Price Differential Calculation Period and each Settlement Date on which the amount of the Shortfall Amount is greater than zero, the Servicer shall notify the Reserve Account Bank requesting payment thereof. To the extent funds are available in the Reserve Account, the Servicer shall cause the Reserve Account Bank to pay the amount requested to the Administrative Agent's Account, as specified by the Administrative Agent, by 11:00 a.m. New York City time on the last day of such Price Differential Calculation Period or on such Settlement Date.

(ii) On each Settlement Date prior to the Termination Date on which the funds on deposit in the Reserve Account exceed the Required Reserve Account Amount (after giving effect to any payments pursuant to Section 2.8(e)(i)), the Servicer may withdraw and pay to the Sellers such excess from the Reserve Account.

(f) Payments to Reserve Account. On the date hereof, the Sellers shall remit to the Reserve Account immediately available funds so that the amount on deposit in the Reserve Account equals the Required Reserve Account Amount. Additional payments shall be deposited to the Reserve Account from time to time pursuant to Section 2.7(c)(iii)(D).

(g) Pledge. To secure the payment and performance of the Repurchase Obligations, the Sellers hereby pledges and assigns to the Administrative Agent for the benefit of the Purchasers, and hereby grants to the Administrative Agent for the benefit of the Purchasers, a security interest in, all of the Sellers' right, title and interest in and to the Reserve Account, including, without

limitation, all funds on deposit therein, all investments arising out of such funds, all interest and any other income arising therefrom, all claims thereunder or in connection therewith, and all cash, instruments, securities, rights and other property at any time and from time to time received, receivable or otherwise distributed in respect of such account, such funds or such investments, and all money at any time in the possession or under the control of, or in transit to such account, or any bailee, nominee, agent or custodian of the Reserve Account Bank, and all proceeds and products of any of the foregoing. Except as provided in the preceding sentence, the Sellers may not assign, transfer or otherwise convey its rights under this Agreement to receive any amounts from the Reserve Account.

(h) Termination of Reserve Account. On the date following the Termination Date on which all Repurchase Obligations have been indefeasibly paid in full, all funds then on deposit in the Reserve Account shall be paid to the Sellers and the Reserve Account shall be closed.

2.9. Price Differential Allocations.

Each Managing Agent shall, from time to time and in its sole discretion, determine whether a Purchase shall be part of the “CP Allocation” or the “ABR Allocation”; provided, however, that each Purchase made by a Bank hereunder shall be allocated to the ABR Allocation. Each Managing Agent shall provide the Sellers with reasonably prompt notice of the allocations made by it pursuant to this Section 2.9.

2.10. Price Differential Rates.

Except where specifically otherwise provided, Purchases in respect of any CP Allocation shall accrue Price Differential with respect to each Price Differential Calculation Period comprising such CP Allocation at a rate per annum equal to the Commercial Paper Rate applicable to such Price Differential Calculation Period, and Purchases in respect of any ABR Allocation shall accrue Price Differential at either the Eurodollar Rate plus the Bank Margin, or the Alternate Base Rate; provided, however, that in no event shall accrued Price Differential with respect to any Purchases or portion thereof exceed the Maximum Rate. Each change in the Alternate Base Rate and Maximum Rate, subject to the terms of this Agreement, will become effective, without notice to the Sellers or any other Person, upon the effective date of such change.

2.11. Quotation of Rates.

It is hereby acknowledged that an officer or other individual appropriately designated by an officer previously identified to a Managing Agent in a certificate of incumbency or other appropriately designated officer of the Sellers may call such Managing Agent from time to time in order to receive an indication of the rates then in effect, but such indicated rates shall neither be binding upon such Managing Agent nor the Purchasers nor affect the rate of interest which thereafter is actually in effect.

2.12. Default Rate.

So long as any Event of Default exists, all Repurchase Obligations shall accrue Price Differential at the Default Rate until paid, regardless of whether such payment is made before or after entry of a judgment. For the avoidance of doubt, once such Event of Default is cured all Repurchase Obligations shall bear interest in accordance with Section 2.10.

2.13. Price Differential Recapture.

If the Pricing Rate applicable to any Purchase exceeds the Maximum Rate, the Pricing Rate on such Purchase shall be limited to the Maximum Rate, but any subsequent reductions in such Pricing Rate shall not reduce the Pricing Rate thereon below the Maximum Rate until the total amount of accrued Price Differential thereon equals the amount of Price Differential that would have accrued thereon if such Pricing Rate had at all times been in effect. If at the applicable Repurchase Date (stated or by acceleration) the total amount of Price Differential paid or accrued is less than the amount of Price Differential that would have accrued if such designated rates had at all times been in effect, then, at such time and to the extent permitted by applicable Governmental Requirements, the Sellers shall pay an amount equal to the difference between (a) the lesser of the amount of Price Differential that would have accrued if such Pricing Rate had at all times been in effect and the amount of interest that would have accrued if the Maximum Rate had at all times been in effect, and (b) the amount of Price Differential actually paid or accrued.

2.14. Price Differential Calculations.

All computations of Price Differential and any other fees, costs and expenses hereunder shall be made on the basis of a year of 360 days for the actual number of days (including the first day but excluding the last day) elapsed; provided, however, that any calculations of Price Differential based on the rate set forth in clause (a) of the definition of Alternate Base Rate shall be made on the basis of a year of 365/366 days for the actual number of days (including the first day but excluding the last day) elapsed. All such determinations and calculations by the Administrative Agent and the Managing Agents shall be conclusive and binding absent manifest error.

2.15. Price Differential Calculation Period.

(a) “Price Differential Calculation Period” means, (i) with respect to any Purchase included in the CP Allocation that is “tranche funded,” each period (x) commencing on, and including, the date that such Purchase was initially designated by the related Managing Agent as comprising a part of the CP Allocation hereunder, or the last day of the immediately preceding Price Differential Calculation Period for such Purchase (whichever is latest); and (y) ending on, but excluding, the date that falls such number of days (not to exceed 30 days) thereafter as such Managing Agent shall select, (ii) with respect to any Purchase included in the CP Allocation that is “pool funded,” with respect to each Settlement Date, the most recently ended Collection Period, (iii) with respect to any Eurodollar Purchase, a period of one month, beginning on a Business Day selected by the related Managing Agent and ending on the day in the succeeding calendar month which corresponds numerically to the beginning day of such period; provided that if there is no

such corresponding day, such Price Differential Calculation Period shall end on the last Business Day in such succeeding month, and provided further that if such Price Differential Calculation Period would otherwise end on a day that is not a Business Day, and there is no subsequent Business Day in the same calendar month as such day, such Price Differential Calculation Period shall end on the immediately preceding Business Day, and (iv) with respect to any other Purchase, a period beginning and ending on the days selected by the related Managing Agent, such period not to exceed thirty days.

(b) Each Purchase included in the ABR Allocation shall be a Eurodollar Purchase, unless,

(i) on or prior to the first day of such Price Differential Calculation Period the Purchaser with respect to such Purchase shall have notified the Administrative Agent that the introduction of or any change in or in the interpretation of any law or regulation makes it unlawful, or any central bank or other governmental authority asserts that it is unlawful, for such Purchaser to fund such Purchase at the Eurodollar Rate (and such Purchaser shall not have subsequently notified the Administrative Agent and the Managing Agent that such circumstances no longer exist), or

(ii) the Sellers shall have requested a Base Rate Purchase or an Price Differential Calculation Period shorter than one month, or

(iii) the Administrative Agent and the Managing Agents do not receive notice, by 12:00 noon (New York City time) on the third Business Day preceding the first day of such Price Differential Calculation Period, that the related Purchase will not be funded by issuance of commercial paper, or

(iv) the principal amount of such Purchase is less than \$2,500,000, or

(v) an Event of Default shall have occurred and be continuing, or

(vi) the Eurodollar Rate determined pursuant hereto does not accurately reflect the cost of funds to the Issuer or the Banks (as conclusively determined by the Administrative Agent and the Managing Agents) during such Price Differential Calculation Period, or

(vii) adequate and reasonable means do not exist for ascertaining the Eurodollar Rate for the relevant Price Differential Calculation Period,

in which case (if any of the foregoing events occurs) such Purchase shall be a Base Rate Purchase.

(c) Notwithstanding any provision in this Agreement to the contrary, (x) any Price Differential Calculation Period that would otherwise end on a day that is not a Business Day shall be extended to the next succeeding Business Day (provided, however, if interest in respect of such Price Differential Calculation Period is computed by reference to the Eurodollar Rate, and such Price Differential Calculation Period would otherwise end on a day that is not a Business Day, and there is no subsequent Business Day in the same calendar month as such day, such Price Differential Calculation Period shall end on the immediately preceding Business

Day); (y) any Price Differential Calculation Period that commences before the Termination Date and would otherwise end after the Termination Date shall end on the Termination Date; and (z) the duration of each Price Differential Calculation Period that commences on or after the Termination Date shall be of such duration as shall be selected by the applicable Managing Agent and communicated by notice to the Sellers.

2.16. Additional Costs.

(a) If any Affected Party determines in its reasonable discretion that compliance with any law or regulation or any guideline or request, or any change in such law, regulation, guideline or request, or any change in the interpretation, administration or application thereof, from any central bank, any governmental authority or any accounting board or authority (whether or not having the force of law), which is responsible for the establishment or interpretation of national or international accounting principles, in each case whether foreign or domestic (whether or not having the force of law):

(i) affects or would affect the amount of capital required or expected to be maintained by such Affected Party and such Affected Party determines that the amount of such capital is increased by or based upon the existence of any commitment to lend or maintain a loan against Mortgage Loan Collateral hereunder or under any commitments of a Purchaser related to this Agreement or to the funding thereof or any related liquidity facility or credit enhancement facility (or any participation therein) and other commitments of the same type related to this Agreement, or

(ii) increases the cost to or imposes a cost on (A) an Affected Party funding or making or maintaining any Purchases or any liquidity loan to an Issuer or any commitment of such Affected Party with respect to any of the foregoing, or (B) the Administrative Agent for continuing its, or the Sellers' , relationship with the Purchasers;

then, upon the Sellers' receipt of a certificate (with a copy to the Administrative Agent) as to any additional amounts payable to such Affected Party pursuant to this Section 2.16(a), which contains the calculation thereof and an explanation therefor in reasonable detail (an "Additional Cost Certificate"), delivered no later than 180 days after such circumstances first arise, the Sellers, jointly and severally, shall pay to the Affected Party within 30 days of the delivery of such Additional Cost Certificate, from time to time as specified by such Affected Party, additional amounts sufficient to compensate such Affected Party in the light of such circumstances, to the extent that such Affected Party reasonably determines such increase in capital or increased costs to be allocable to the existence of any of such commitments. Such Additional Cost Certificate as to such amounts submitted to the Sellers and the Administrative Agent by such Affected Party shall be conclusive and binding for all purposes, absent manifest error.

(b) In the event that any change in any requirement of law or in the interpretation by any governmental authority or application to an Affected Party of a requirement of law or change thereto by the relevant governmental authority after the date hereof or compliance by an Affected Party with any request or directive (whether or not having the force of law) from any central bank or

other governmental authority after the date of this Agreement does or shall impose, modify or hold applicable any reserve, special deposit, compulsory loan or similar requirement against assets held by, or deposits or other liabilities in or for the account of, purchases, advances or loans by, or other credit extended by, or any other acquisition of funds by, any office of such Affected Party which are not otherwise included in the determination of the Alternate Base Rate or Eurodollar Rate (Reserve Adjusted) hereunder and the result of any of the foregoing is to increase the cost to or impose a cost on such Affected Party or to reduce any amount received or receivable by any Affected Party under this Agreement, any Note, the Liquidity Agreement with respect thereto, the Amended and Restated Managing Agents Fee Letter or under the Second Amended and Restated Administrative Agent Fee Letter, then, upon Sellers' receipt of an Additional Cost Certificate from the Affected Party delivered no later than 180 days after such circumstances first arise, the Sellers shall pay to the Administrative Agent within 30 days of the delivery of such Additional Cost Certificate, any additional amounts (without duplication of amounts referred to in Section 2.16(a)) necessary to compensate such Affected Party for such additional cost or reduced amount. Such Additional Cost Certificate as to such additional cost or reduced amount receivable submitted to the Sellers by the Affected Party shall be conclusive and binding for all purposes, absent manifest error.

(c) For the avoidance of doubt, any interpretation of Accounting Research Bulletin No. 51 by the Financial Accounting Standards Board or any other change in national or international generally accepted principles of accounting (whether foreign or domestic) that would require the consolidation of some or all of the assets and liabilities of any Purchaser, including the assets and liabilities which are the subject of this Agreement and/or other Transaction Documents, with those of any Affected Party (other than such Purchaser), shall constitute a change in the interpretation, administration or application of a law, regulation, guideline or request subject to Section 2.16(a) and (b).

2.17. Additional Price Differential on Purchases Bearing a Eurodollar Rate.

The Sellers, jointly and severally, shall pay to any Affected Party, so long as such Affected Party shall be required under regulations of the Federal Reserve Board to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency Liabilities, additional Price Differential on the part of the Repurchase Price not comprising Price Differential in connection with a Purchase made or funded (including fundings to an Issuer for the purpose of maintaining a Purchase) by such Affected Party during each Price Differential Calculation Period in respect of which interest is computed by reference to the Eurodollar Rate, for such Price Differential Calculation Period, at a rate per annum equal at all times during such Price Differential Calculation Period to the remainder obtained by subtracting (i) the Eurodollar Rate for such Price Differential Calculation Period from (ii) the rate obtained by dividing such Eurodollar Rate referred to in clause (i) above by that percentage equal to 100% minus the Eurodollar Rate Reserve Percentage of such Affected Party for such Price Differential Calculation Period, payable on each date on which Price Differential is payable on such Purchase. Such additional Price Differential shall be reasonably determined by such Affected Party and notice thereof given to the Sellers (with a copy to the Administrative Agent and the applicable Managing Agent) within 30 days after any interest payment is made with respect to which such additional Price Differential is requested. Such notice shall be in the form of a certificate as to such additional Price Differential submitted to the Sellers and the Administrative Agent and

the applicable Managing Agent by such Affected Party shall contain a calculation of such additional Price Differential and an explanation thereof in reasonable detail. If such certificate contains a calculation of such additional Price Differential and a reasonable explanation thereof, it shall be conclusive and binding for all purposes, absent manifest error.

2.18. Consequential Loss.

The Sellers, jointly and severally, shall indemnify each Affected Party against, and shall pay to the Administrative Agent for such Affected Party within ten (10) Business Days after Sellers' receipt of the request therefor, any Consequential Loss of any Affected Party. Such request by any Affected Party that Sellers pay any Consequential Loss shall be in the form of a certificate setting forth the basis for imposing such Consequential Loss and the calculation of such amount thereof, which calculation shall be conclusive and binding absent manifest error and shall be delivered to the Sellers, the Administrative Agent and the applicable Managing Agent.

2.19. Taxes.

(a) All payments made by the Sellers under this Agreement shall be without setoff, deduction or counterclaim, and the Sellers agree to pay on demand any present or future stamp or documentary taxes or any other taxes, levies, imposts, duties, charges, fees or withholdings which arise from payment made hereunder or from the execution or delivery or otherwise with respect to this Agreement but excluding franchise taxes and taxes imposed on or measured by all or part of the gross or net income (but not including any such tax in the nature of a withholding tax) of such Affected Party by the jurisdiction under the laws of which such Affected Party is organized or has its applicable lending office or any political subdivision of any thereof (all such excluded taxes, levies, imposts, deductions, charges, withholding and liabilities collectively or individually referred to herein as "Excluded Taxes" and all such nonexcluded taxes, levies, imposts, deductions, charges, withholdings, and liabilities collectively or individually referred to herein as "Taxes"). If the Sellers shall be required to deduct any Taxes from or in respect of any sum payable hereunder to any Affected Party: (i) the sum payable shall be increased by the amount (an "additional amount") necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.19) such Affected Party shall receive an amount equal to the sum it would have received had no such deductions been made, (ii) the Sellers shall make such deductions and (iii) the Sellers shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) The Sellers agree, jointly and severally, to pay to the relevant Governmental Authority in accordance with applicable law all taxes, levies, imposts, deductions, charges, assessments or fees of any kind (including but not limited to any current or future stamp or documentary taxes or any other excise or property taxes, charges, or similar levies, but excluding any Excluded Taxes) imposed upon any Affected Party as a result of the transactions contemplated by this Agreement or that arise from any payment made hereunder or from the execution, delivery, or registration of or otherwise similarly with respect to, this Agreement ("Other Taxes").

(c) Each Purchaser that is not a U.S. Person (each a “Non-U.S. Purchaser”) shall deliver to the Sellers: (i) two copies of either (A) United States Internal Revenue Service Form W-8BEN (including any successor forms thereto) or (B) United States Internal Revenue Service Form W-8ECI (including any successor forms thereto), or (ii) in the case of a Non-U.S. Purchaser claiming an exemption from U.S. federal withholding tax under Section 871(h) or 881(c) of the Code with respect to payments of “portfolio interest,” a Form W-8BEN (or any subsequent versions thereof or successors thereto) and a certificate representing that such Non-U.S. Purchaser is not a bank for purposes of Section 881(c) of the Code, in either case properly completed and duly executed by such Non-U.S. Purchaser claiming complete exemption from U.S. federal withholding tax on payments by the Sellers under this Agreement. Such forms shall be delivered by each Non-U.S. Purchaser on or before the date it becomes a Purchaser hereunder. If such Non-U.S. Purchaser changes its applicable lending office by designating a different lending office (a “New Lending Office”), such forms shall be delivered on or before the date of such change. In addition, each Non-U.S. Purchaser shall deliver such forms promptly after (or, if reasonably practicable, prior to) the obsolescence or invalidity of any form previously delivered by such Non-U.S. Purchaser. Notwithstanding any other provision of this Section 2.19(c), a Non-U.S. Purchaser shall not be required to deliver any form pursuant to this Section 2.19(c) that such Non-U.S. Purchaser is not legally able to deliver.

(d) Within 30 days after the Sellers pays any amount to any Affected Party from which it is required by law to make any deduction or withholding, and within 30 days after it is required by law to remit such deduction or withholding to any relevant taxing or other authority, the Sellers shall deliver to the Administrative Agent for delivery to such Affected Party evidence reasonably satisfactory to such Person of such deduction, withholding or payment (as the case may be).

(e) If an Affected Party receives the benefit of a tax refund, credit or other benefit which is attributable to any Taxes as to which such Affected Party has been reimbursed by the Sellers, or with respect to which the Sellers have paid an additional amount hereunder, such Affected Party shall within 30 days after the date of such receipt pay over the amount of such refund or credit (to the extent so attributable) to the Sellers, net of all reasonable out-of-pocket third party expenses of such Affected Party related to claiming such refund or credit; provided, however, that (i) such Affected Party, as the case may be, acting in good faith will be the sole judge of the amount of any such refund, credit or reduction and of the date on which such refund, credit or reduction is received, (ii) such Affected Party, as the case may be, acting in good faith shall have absolute discretion as to the order and manner in which it employs or claims tax refunds, credits, reductions and allowances available to it, (iii) the Sellers agree to repay such Affected Party, as the case may be, upon written request from such Affected Party the amount of such refund, credit or reduction received by the Sellers, in the event and to the extent, such Affected Party is required to repay such refund, credit or reduction to any relevant Governmental Authority, and (iv) such Affected Party shall not be required to make available its tax returns or any other information relating to its taxes and the computation thereof.

(f) Nothing contained in this Section 2.19 shall require an Affected Party to make available any of its tax returns (or any other information that it deems to be confidential or proprietary).

2.20. Replacement Banks.

(a) Upon the election of any Affected Party to request reimbursement by the Sellers for increased costs under Sections 2.16 or 2.17 or for compensation in respect of withholding taxes under Section 2.19, the Sellers may, upon prior written notice to the Administrative Agent and such Affected Party, seek a replacement Bank to whom such additional costs or taxes shall not apply and which shall be reasonably satisfactory to the Administrative Agent (a “Replacement Bank”); provided, however, that the Sellers may not seek a replacement for a Managing Agent, in its capacity as a Bank, unless the Issuer in the related Group and any other Bank, at such Bank’s option, in such Group, is also to be replaced as a party to this Agreement and all Repurchase Obligations owing to such Bank, the related Issuer and the related Managing Agent are to be repaid in full as they become due pursuant to Section 2.7(c)(iii). Each Affected Party agrees that, should it be identified for replacement pursuant to this Section 2.20, upon payment in full of all amounts due and owing to such Affected Party hereunder and under the other Transaction Documents, it will promptly execute and deliver all documents and instruments reasonably required by the Sellers to assign such Affected Party’s portion of the Purchases to the applicable Replacement Bank. Any such replacement shall not relieve the Sellers of their obligation to reimburse the Affected Party for any such increased costs or taxes incurred through the effective date of such replacement. Pending designation of a Replacement Bank (and the related Issuer and Managing Agent), the Sellers may, at their option, instruct the Administrative Agent, in a written notice provided to the Administrative Agent, with a copy provided to the Affected Party, that all Purchases subsequent to such notice be made only by the Group that does not include such Affected Party. As of the date of such notice, the Maximum Facility Amount shall be reduced by the amount of the Bank Commitments of the Banks in the Group that includes the Affected Party.

2.21. LIBOR Determination Date.

On each LIBOR Determination Date, the Servicer shall determine LIBOR on the basis of the rate for deposits in Dollars for a one-month period which appears on Telerate Page 3750 as of 11:00 a.m., London time, on such date. If such rate does not appear on Telerate Page 3750, the rate for that LIBOR Determination Date will be determined on the basis of the rates at which deposits in United States dollars are offered by the Reference Banks at approximately 11:00 a.m., London time, on that day to prime banks in the London interbank market for a one-month period. If on such LIBOR Determination Date two or more Reference Banks provide such offered quotations, LIBOR for such related Price Differential Calculation Period will be the arithmetic mean of such offered quotations (rounded upwards if necessary to the nearest whole multiple of 0.0001%). If on such LIBOR Determination Date fewer than two Reference Banks provide such offered quotations, LIBOR for the related Price Differential Calculation Period will be the arithmetic mean (rounded upwards if necessary to the nearest whole multiple of 0.0001%) of the one-month Dollar lending rates that three New York City banks selected by the Servicer are quoting at approximately 11:00 a.m. (New York City time) on the relevant LIBOR Determination Date to leading European banks.

2.22. Repurchase or Substitution Procedures.

(a) Upon discovery by any of the Sellers or the Purchasers of a breach of any of the representations and warranties made by any of the Sellers in Section 5.1 of this Agreement with respect to any Purchased Mortgage Asset, such party shall give prompt written notice thereof to the other party, as soon as practicable and in any event within three Business Days following such discovery. The Sellers shall, jointly and severally, upon not less than two Business Days' notice from the Purchasers or its assignee or designee, repurchase such Purchased Mortgage Asset on the next succeeding Settlement Date for a repurchase price equal to the Repurchase Price of such Purchased Mortgage Asset. Each repurchase of a Purchased Mortgage Asset shall include the Mortgage Loan Collateral with respect to such Purchased Mortgage Asset. The proceeds of any such repurchase shall be deemed to be a Collection in respect of such Purchased Mortgage Asset. If the Servicer is not one of the Sellers, the Sellers, jointly and severally, shall pay to the Servicer for deposit to the Collection Account on or prior to the next Settlement Date the Repurchase Price required to be paid pursuant to this subsection. If the Servicer is one of the Sellers, the Sellers shall, jointly and severally, deposit such Repurchase Price to the Collection Account on or prior to the next Settlement Date.

(b) Upon discovery by any of the Sellers or the Purchasers of a breach by any of the Sellers of its covenant in Section 7.15 of this Agreement with respect to any Wet Loan, such party shall give prompt written notice thereof to the other parties, as soon as practicable and in any event within three Business Days following such discovery. The Sellers shall, jointly and severally, upon not less than two Business Days' notice from the Purchasers or its assignee or designee or from the Custodian on its behalf, repurchase such Wet Loan for a repurchase price equal to the Repurchase Price of such Wet Loan. Each repurchase of a Wet Loan shall include the Mortgage Loan Collateral with respect to such Wet Loan. The proceeds of any such repurchase shall be deemed to be a Collection in respect of such Wet Loan. If the Servicer is not one of the Sellers, the Sellers shall pay, jointly and severally, to the Servicer for deposit to the Collection Account on or prior to the repurchase date the Repurchase Price required to be paid pursuant to this subsection. If the Servicer is one of the Sellers, the Sellers, jointly and severally, shall deposit such Repurchase Price to the Collection Account on or prior to the next Settlement Date.

(c) If a Mortgage Note has been withdrawn for correction pursuant to Section 3.4 of this Agreement and the applicable Seller has not delivered the corrected Mortgage Note to the Custodian within twenty calendar days after such withdrawal, the Sellers shall, jointly and severally, upon not less than two Business Days' notice from the Purchasers or its assignee or designee or from the Custodian on its behalf, repurchase the related Mortgage Loan for a repurchase price equal to the Repurchase Price of such Mortgage Loan. Each repurchase of a Mortgage Loan shall include the Mortgage Loan Collateral with respect to such Mortgage Loan. The proceeds of any such repurchase shall be deemed to be a Collection in respect of such Mortgage Loan. If the Servicer is not one of the Sellers, the Sellers, jointly and severally, shall pay to the Servicer for deposit to the Collection Account on or prior to the repurchase date the Repurchase Price required to be paid pursuant to this subsection. If the Servicer is one of the Sellers, the Sellers, jointly and severally, shall deposit such Repurchase Price to the Collection Account on or prior to the next Settlement Date.

(d) To the extent that any of the events occur that require the Sellers, jointly and severally, to repurchase pursuant to clauses (a), (b) and (c) of this Section, but only so long as a Margin Deficit does not exist, the Sellers may elect not to repurchase the effected purchased loans by delivering written notice to the Purchasers, its successors and assigns.

2.23. Intent of the Sellers and the Purchasers.

(a) The Sellers and the Purchasers intend and acknowledge that this Agreement and each Transaction hereunder is a “repurchase agreement” and a “master netting agreement” as each such term is defined in Section 101 of the Bankruptcy Code, and a “securities contract” as that term is defined in Section 741 of Title 11 the Bankruptcy Code, as amended.

(b) It is understood that any party’s right to liquidate Mortgage Loans delivered to it in connection with any Transaction entered into hereunder, or to exercise any other remedies pursuant to the terms of this Repurchase Agreement, is a contractual right to liquidate, terminate or accelerate such Transaction as described in Sections 555, 559 and 561 of the Bankruptcy Code.

(c) The Sellers and the Purchasers have structured this Agreement with the intention that each Purchase of Mortgage Assets hereunder be treated as a sale of such Mortgage Assets by the Sellers to the Purchasers for all purposes. Each of the Sellers and the Purchasers shall record each related Purchase on its books and records, and reflect each related Purchase in its financial statements, in accordance with GAAP, and each of the Sellers and the Purchasers shall report each related Purchase on its tax returns as required by applicable tax law. In the event that, contrary to the mutual intent of the Sellers and the Purchasers, any Purchase of Mortgage Assets hereunder is not characterized as a sale or absolute transfer, the Sellers shall, effective as of the date hereof, be deemed to have granted (and the Sellers hereby grant) to the Purchasers a first priority security interest in and to any and all Mortgage Assets, the related Mortgage Loan Collateral and the proceeds thereof to secure the repayment of all amounts advanced to the Sellers hereunder with accrued interest thereon, and this Agreement shall be deemed to be a security agreement.

(d) The Administrative Agent, on behalf of the Purchasers, shall have free and unrestricted use of all Mortgage Loans, and nothing in this Repurchase Agreement shall preclude the Administrative Agent, on behalf of the Purchasers, from engaging in repurchase transactions with the Mortgage Loans or otherwise pledging, replying, transferring, hypothecating, or rehypothecating the Mortgage Loans, on terms, and subject to conditions, within the Administrative Agent’s absolute discretion on behalf of the Purchasers, in all cases subject to Purchasers’ obligation to reconvey the Mortgage Loans on the Repurchase Date. The Administrative Agent shall give notice to the Sellers of any such pledge, repledge, transfer, hypothecation, or rehypothecation.

2.24. No Segregation of Assets.

Upon transfer of the Mortgage Loans to Purchasers as set forth in Section 2.3, ownership of each Mortgage Loan, including each document in the related Mortgage File, is vested in the Purchasers. Upon transfer of the Mortgage Loans to Purchasers as set forth in Section 2.3 and until termination of any Transactions as set forth in Sections 2.5 and 8.1 and prior to the recordation of the

assignments of mortgage by the Custodian as provided for in the Custodial Agreement, record title in the name of the applicable Seller, or in the case of a MERS Designated Mortgage Loan MERS as nominee for the beneficial owner to each Mortgage, shall be retained thereby in trust, for the benefit of the Purchasers, for the sole purpose of facilitating the servicing and the supervision of the servicing of the Mortgage Loans. Nothing in this Repurchase Agreement shall preclude the Purchasers from engaging in repurchase transactions with the Purchased Mortgage Assets or otherwise pledging, selling, assigning or hypothecating the Purchased Mortgage Assets without the prior consent of the applicable Seller, but no such transaction or provision hereof or provision of the Custodial Agreement shall relieve the Purchasers of their obligations to transfer Purchased Mortgage Assets (and with respect to the Mortgage Loans, the same Mortgage Loans and not substitutes therefor) to such Seller pursuant and subject to Sections 2.3, 2.5, or 8.1 hereof. Upon termination of any Transactions as set forth in Section 2.5 or 8.1, the Purchasers agree to execute promptly endorsements of the mortgage notes, assignments of the mortgages and UCC-3 assignments, release or termination related to such Transactions, to the extent that such documents are prepared by the applicable Seller for execution by the Purchasers, are delivered to the Purchasers by such Seller and are necessary and appropriate, as reasonably determined by such Seller, to reconvey, without recourse, to such Seller and perfect title of like tenor to that conveyed to the Purchasers to the related Mortgage Loans. The Purchasers shall provide cooperation in assisting and directing the Custodian to facilitate such preparation (without expense to the Purchasers).

Notwithstanding anything to the contrary set forth in this Repurchase Agreement, in no event shall Purchased Mortgage Assets remain in the custody of any of the Sellers or any affiliate of any of the Sellers, except as permitted under the Custodial Agreement.

2.25. Substitution.

In the case of any Transaction for which the Repurchase Date is other than the Business Day immediately following the Purchase Date, such Seller shall have the right, subject to the proviso to this sentence, upon notice to the Purchasers, which notice shall be given at or prior to noon (12:00 p.m.) (New York time) on the preceding Business Day, to substitute substantially the same Mortgage Assets for any Purchased Mortgage Assets; provided, however, that the Administrative Agent, in its sole and absolute discretion, may elect, by the close of business on the Business Day next following the Business Day on which notice is received not to accept such substitution. In the event such substitution is accepted by the Administrative Agent, such substitution shall be made by such Seller's transfer to the Purchasers of additional Mortgage Assets, and after substitution, the substituted additional Mortgage Loans shall be deemed to be the Purchased Mortgage Assets relating to the Transaction pursuant to which the original Purchased Mortgage Assets were purchased. In the event the Administrative Agent elects not to accept such substitution, the Purchasers shall offer such Seller the right to terminate the Transaction. If such Seller elects to terminate such Transaction (which election shall be made in writing within five (5) Business Days of the Purchasers' offer to such Seller of the right to terminate the transaction), the date of termination will be determined in accordance with Section 2.5.

In the event any of the Sellers exercises its right to substitute or terminate pursuant to subparagraph (a), the Sellers shall be jointly and severally obligated to pay to the Purchasers, by the close of the Business Day of such substitution or termination, as the case may be, an amount equal to (A) the Purchasers' actual cost (including all fees, expenses and commissions) of (i) entering into replacement Transactions; and (ii) entering into or terminating hedge transactions, (B) to the extent Purchasers determine not to enter into replacement Transactions, the loss incurred by the Purchasers directly arising or resulting from such substitution or termination and (C) in the case of the termination of any Transaction, the related Repurchase Price for such Purchased Mortgage Assets. The foregoing amounts shall be determined and calculated solely by the Purchasers on a commercially reasonable basis.

ARTICLE III

MORTGAGE ASSETS

3.1. Mortgage Assets.

The Sellers have executed and delivered to the Administrative Agent and the Custodian, as applicable:

- (a) the Collection Account Control Agreement, and
- (b) the Reserve Account Control Agreement;

all as more fully provided for in the Custodial Agreement. The Sellers further agree to execute all documents and instruments, and perform all other acts deemed necessary by the Administrative Agent or any Managing Agent to further the intent and purposes of this Agreement, to create and perfect, and maintain the interests of the Purchasers in the Mortgage Assets and assignments in favor of the Administrative Agent for the benefit of the Purchasers and to assure and confirm the Purchasers' rights, powers and remedies hereunder. Any interest or assignments granted to the Administrative Agent under any Transaction Document is for the benefit of the Purchasers, whether or not reference is made to such holders.

3.2. Delivery of Mortgage Assets to Custodian.

(a) Periodically, the Sellers may deliver Mortgage Assets to the Custodian to hold as bailee for the Administrative Agent. Each delivery shall be made in association with an Assignment to the Administrative Agent, for the benefit of the holders of the Repurchase Obligations, in all Mortgage Loans and related Mortgage Assets delivered with or described in such Assignment or any schedules thereto. The Sellers shall use the form of Assignment provided for in the Custodial Agreement.

(b) Each Assignment delivered to the Custodian shall be accompanied by a completed Schedule I, Schedule II and Schedule III using the forms of such schedules as prescribed in the Custodial Agreement and, with respect to each Mortgage Loan described in Schedule II to each Assignment, shall deliver or cause to be delivered the following items (collectively, the "Principal Mortgage Documents"):

- (i) the original of each Mortgage Note, endorsed in blank (without recourse) and all intervening endorsements thereto;

(ii) an original executed assignment in blank for each Mortgage securing such Mortgage Loan, in recordable form, executed by the Seller, in the case of each Mortgage Loan that is not a MERS Designated Mortgage Loan, or by an authorized signatory of MERS, in the case of each MERS Designated Mortgage Loan; and

(iii) a certified copy of the executed Mortgage related to such Mortgage Note;

(c) The Servicer shall hold in trust for the Administrative Agent for the benefit of the Purchasers, with respect to each Mortgage Loan included in the Mortgage Assets:

(i) the original filed Mortgage relating to such Mortgage Loan, provided, however, that, until an original Mortgage is received from the public official charged with its filing and recordation, a copy, certified by the closing agent to be a true and correct copy of the original sent to be filed and recorded, may be used by the Sellers to satisfy this requirement; however, the Sellers shall thereafter pursue, with reasonable diligence, receipt of the filed and recorded original Mortgage and, if received, shall deliver such original to the Servicer;

(ii) other than with respect to a HUD repossessed Property that is sold to a consumer, a mortgagee's policy of title insurance (or binding unexpired commitment to issue such insurance if the policy has not yet been delivered to the Servicer) insuring the Sellers' perfected, first-priority Lien created by the Mortgage securing such Mortgage Loan (subject to such title exceptions that are acceptable to prudent mortgage lenders) in a policy amount not less than the principal amount of such Mortgage Loan;

(iii) the original hazard insurance policy, appropriately endorsed to provide that all insurance proceeds will be paid to any of the Sellers or any of the assigns of such Seller, referred to in Section 6.6(b) hereof which relate to such Mortgage Loan, or other evidence of insurance acceptable to the Administrative Agent;

(iv) the form of current appraisal of the Property described in the Mortgage, prepared by a state licensed appraiser, that complies with all applicable Governmental Requirements, including all Governmental Requirements that are applicable to the Purchasers or any other Affected Party; provided, however, that no appraisal shall be required for Mortgage Loans (x) financing HUD repossessed Property that is sold to a consumer, financed with an FHA loan, fully insurable and in accordance with FHA guidelines, but for which an appraisal is not required, and (y) representing so called VA Rate Reduction or FHA streamline refinances, insurable in accordance with VA and FHA guidelines, but for which an appraisal is not required ; and

(v) all other original documents (collectively, the "Other Mortgage Documents").

Upon request of the Administrative Agent or any Managing Agent, and three (3) Business Days' prior notice by the Administrative Agent to the Custodian, the Servicer shall immediately deliver, or shall cause to be delivered, all such items, held in trust, to the Custodian as bailee for the Administrative Agent or such other party as may be designated in such notice.

(d) The Servicer shall provide the Custodian and the Administrative Agent with full access to all Other Mortgage Documents held in trust for the Administrative Agent at all times.

(e) With respect to each Assignment that is received by the Custodian, the Custodian shall review such Assignment and make a written report to the Sellers and the Administrative Agent, all as more fully provided in the Custodial Agreement.

3.3. Transfer and Shipping of Mortgage Assets.

(a) Generally. It is understood and agreed that the Purchasers own 100% of the beneficial interests in and to the Mortgage Loans purchased hereunder. In order to maximize the value for the Mortgage Loans, however, the Purchasers will permit the Servicer to determine, in certain circumstances, when to ship Mortgage Loans to potential investors and when to take other actions with respect to the Mortgage Loans. Accordingly, the Purchasers will be deemed to have consented to transfers and sales made in accordance with this Section 3.3. Subject to the limitations contained in this Section 3.3, in connection with a sale or other transfer contemplated by clause (a) or (b), and so long as no Default or Event of Default is continuing, the Sellers or the Servicer (on behalf of the Sellers) may request releases of the Administrative Agent's interest in all or any part of the Mortgage Assets (including releases from the Collection Account and release of funds owned by the Sellers and held in the Collection Account) at any time, and from time to time; provided that no such request shall be granted unless, in addition to the satisfaction of the other conditions contained in this Section 3.3,

(i) (immediately after giving effect to any requested release) the total Recognized Value of all Eligible Mortgage Assets shall equal or exceed the Invested Amount, or

(ii) (A) the Sellers pay a Repurchase Price in an amount, or (B) the Sellers deliver to the Custodian as bailee for the Administrative Agent substitute Eligible Mortgage Assets with a Recognized Value, such that after giving effect to such payment or delivery, the total Recognized Value of all Eligible Mortgage Assets will equal or exceed the Invested Amount (the satisfaction of such conditions, a "Margin Sufficiency").

So long as no Default or Event of Default is continuing, and there is a Margin Sufficiency, the Purchasers will be deemed to consent if the Servicer (on behalf of the Sellers) transfers funds from the Collection Account to the Disbursement Account; provided, that the Servicer shall not request and the Custodian shall not permit funds to be released from the Disbursement Account unless the total Recognized Value of all Purchased Mortgage Assets which are Eligible Mortgage Assets (immediately after giving effect to the requested release) equals or exceeds the Invested Amount, as shown on the most recent Purchase Report. Each request for a partial release of Mortgage Assets (a "Transfer Request") shall be addressed to the Custodian and shall be substantially in the form provided in the Custodial Agreement (or such other form as may be reasonably acceptable to or required by the Administrative Agent, from time to time).

(b) Shipping Pursuant to Sale. So long as no Default or Event of Default is continuing and there is a Margin Sufficiency, the Sellers or the Servicer (on behalf of the Sellers) may (and, while a Default or Event of Default is continuing, upon direction of the Administrative Agent, the Sellers shall) from time to time submit a Shipping Request that would permit the repurchase by the Sellers of Purchased Mortgage Loans from the respective Purchasers and a simultaneous sale of such Mortgage Loans to, or the pooling of Mortgage Loans for, an Approved Take-Out Investor, pursuant to a Take-Out Commitment. Upon the receipt by the Custodian of a Shipping Request from the Sellers identifying Mortgage Assets to be delivered to an Approved Take-Out Investor, and so long as (x) (i) there is a Margin Sufficiency, and (ii) no Default or Event of Default shall be in existence or would be caused thereby or, (y) if a Default or Event of Default is in existence or would be caused thereby, or there is not a Margin Sufficiency, the Administrative Agent has approved the Shipping Request:

(i) The Custodian shall deliver to the Approved Take-Out Investor, or its loan servicing provider or custodian, under the Custodian's "Bailee and Security Agreement Letter" substantially in the form provided for in the Custodial Agreement, as appropriate, the items of Mortgage Loan Collateral being sold that are held by the Custodian as bailee for the Administrative Agent pursuant to Section 3.2 hereof, with the transfer of the Purchasers' interest in such items being conditioned upon timely payment to the Collection Account of the amount described in Section 3.3(b)(iii) or delivery of additional Eligible Mortgage Assets;

(ii) The Servicer shall, as agent for the Administrative Agent, deliver to such Approved Take-Out Investor, or such Approved Take-Out Investor's loan servicing provider or custodian, pursuant to procedures provided for in the Custodial Agreement, the items held by the Servicer pursuant to Section 3.2(c) that are related to the Mortgage Loan Collateral to be transferred on the condition that such Approved Take-Out Investor or its loan servicing provider or custodian shall hold or control such Other Mortgage Documents as bailee for the Administrative Agent (for the benefit of the Purchasers) until the Approved Take-Out Investor has paid the full purchase price for such Mortgage Loan Collateral to the Collection Account, as required by the relevant Take-Out Commitment;

(iii) Within forty-five (45) days after the delivery by the Custodian to such Approved Take-Out Investor or its loan servicing provider or custodian of the items of Mortgage Loan Collateral described in Section 3.3(b)(i) or (ii), the Sellers shall make a payment, or shall cause a payment to be made, to the Collection Account, for distribution to the Administrative Agent for the account of the Purchasers in an amount equal to at least the full Repurchase Price for such Mortgage Loan Collateral or shall substitute Eligible Mortgage Assets as permitted by this Section 3.3; and

(iv) With respect to each Shipping Request that is received by the Custodian by 11:30 a.m. (New York City time) on a Business Day, the Custodian shall use due diligence and efforts to review such Shipping Request and prepare the Mortgage Loan files identified in each Shipping Request, for shipment prior to the close of business on such day.

(c) Transfers. So long as no Default or Event of Default is continuing, and there is a Margin Sufficiency, the Purchasers hereby consent to permit the Sellers, at any time, to transfer Mortgage Loans to any Permitted Transferees (as defined below) by means of its daily electronic transmissions to the Custodian, together with delivery of a Transfer Request delivered to the Custodian, identifying each Mortgage Loan being transferred. The Custodian's sole responsibility with respect to any such transfers shall be to correctly reflect such transfers on its computer system and books and records and to indicate, on its Custodian's Daily Report on the next Business Day, that such transfers have been effected. "Permitted Transferees" means (i) the related Seller, in connection with any sale and transfer thereto effected pursuant to the terms herein and (ii) any Approved Take-Out Investor. However, requested transfers will not be made if (A) as reflected on the most recent Purchase Report, total Invested Amount will equal or exceed the total Recognized Value of Eligible Mortgage Assets immediately after giving effect to a requested transfer and any accompanying substitution of Mortgage Assets, or (B) the Custodian shall have received written notice from the Administrative Agent that a Default or Event of Default has occurred.

(d) Continuation of Purchasers' Interest in Mortgage Loans. Unless released in writing by the Administrative Agent as herein provided, the Purchasers' interest in all Purchased Mortgage Loans and Purchased Mortgage Loan Collateral transmitted pursuant to Section 3.3(b) shall continue in effect until such time as payment in full of the amount described in Section 3.3(b)(iii) shall have been received.

(e) Application of Proceeds; No Duty. Neither the Administrative Agent nor the Purchasers shall be under any duty at any time to credit Sellers for any amount due from any Approved Take-Out Investor in respect of any purchase of any Mortgage Assets contemplated under Section 3.3(b) above, until such amount has actually been received in immediately available funds and deposited to the Collection Account. Neither the Custodian, nor the Purchasers, nor the Administrative Agent shall be under any duty at any time to collect any amounts or otherwise enforce any obligations due from any Approved Take-Out Investor in respect of any such purchase.

(f) Mandatory Redemption of Mortgage Assets. Notwithstanding any provision herein to the contrary, if at any time a Margin Deficit exists, the Sellers shall, as promptly as possible and in any event within one (1) Business Day, make a payment to the Collection Account or pledge, assign and deliver additional or substitute Eligible Mortgage Assets to the Administrative Agent for the benefit of the Purchasers, so that, immediately after giving effect to such payment or pledge and assignment, total Recognized Value of Eligible Mortgage Assets shall be equal or greater than the Invested Amount.

(g) Representation in Connection with Releases, Sales and Transfers. The Sellers jointly and severally represent and warrant that each request for any release or transfer pursuant to Section 3.3(a) or Section 3.3(b) shall automatically constitute a representation and warranty to the effect that immediately before and after giving effect to such release or Transfer Request, the Recognized Value of Eligible Mortgage Assets shall equal or exceed the Invested Amount.

(h) Limitation on Releases. Notwithstanding any provision to the contrary, the Custodian shall not release any Mortgage Assets unless payment of the purchase price by the Approved Take-Out Investor shall have been made in immediately available funds to the Collection Account; provided, however, that the foregoing shall not apply if immediately before and after giving effect thereto, the total Recognized Value of Eligible Mortgage Assets shall equal or exceed the Invested Amount.

3.4. Releases of Mortgage Notes for Servicing.

The Servicer may from time to time request, in writing, that the Custodian deliver Mortgage Notes for correction or servicing actions under the Custodian's "Trust Receipt and Security Agreement Letter", in the form provided for in the Custodial Agreement, as and to the extent permitted pursuant to Section 3.5 of the Custodial Agreement.

3.5. Mortgage Asset Reporting.

Pursuant to the Custodial Agreement, on each Business Day, and in no event later than 10:30 a.m. (New York City time), the Custodian shall furnish to the Sellers and each Managing Agent by facsimile (a hard copy of which shall not subsequently be mailed, sent or delivered to any Managing Agent, unless so requested by such Managing Agent) a duly completed Custodian Daily Report in the form of Exhibit D-8 to the Custodial Agreement.

3.6. Hedge Reporting.

The Servicer shall prepare a duly completed Hedge Report in the form of Exhibit J on the close of business on the last Business Day of each week and shall provide such Hedge Report to the Sellers and the Administrative Agent no later than 10:00 a.m. (New York City time) on the following Business Day. Upon request of any Purchaser, the Administrative Agent shall furnish or cause to be furnished to such Purchaser a copy of the most recent Hedge Report received by the Administrative Agent.

3.7. Servicer Monthly Reporting.

No later than the Settlement Date in each month, the Servicer shall furnish the Sellers and the Administrative Agent and the Managing Agents (by facsimile or electronic transmission (a hard copy of which shall not subsequently be mailed, sent or delivered to the Administrative Agent and the Managing Agents, unless so requested by the Administrative Agent and the Managing Agents) a report executed by a Financial Officer of the Servicer or the Seller, in the form of Exhibit F hereto ("Servicer Monthly Report") which shall provide as of the last day of the previous month (i) a computation of the Delinquent Ratio, and delinquency of Mortgage Loans serviced by the Servicer, (ii) delinquency of Mortgage Loans owned by the Purchasers that have been purchased from the Sellers and constitute Mortgage Assets hereunder, (iii) LIBOR, and (iv) the other information provided for therein. If such Servicer Monthly Report reflects a Conforming FICO Score Trigger Event, a Conforming Loan-to-Value Ratio Trigger Event, a Non-Conforming FICO Score Trigger Event or a Non-Conforming Loan-to-Value Ratio Trigger Event, the Servicer shall so notify the Custodian.

3.8. Approved Take-Out Investor Reporting.

No later than the Settlement Date in each month, the Sellers shall furnish to the Administrative Agent (by facsimile or electronic transmission (a hard copy of which shall not subsequently be mailed, sent or delivered to the Administrative Agent, unless so requested by the Administrative Agent)) a report which shall provide as of the last day of the previous month (i) a list of Approved Take-Out Investors that committed to purchase one or more Mortgage Loans from one of the Sellers during such previous month and (ii) the percentage of the Mortgage Loans each such Approved Take-Out Investor committed to purchase either in the form of loan-specific Take-Out Commitments or Hedges. It is understood that some Mortgage Loans may have been sold and then financed pursuant to warehouse facilities. This will be reflected on the foregoing report. Upon request of any Purchaser, the Administrative Agent shall provide or cause to be provided to such Purchaser a copy of the most recent report received by it pursuant to this Section 3.8.

ARTICLE IV

CONDITIONS PRECEDENT

4.1. Initial Purchase under this Agreement.

The effectiveness of this Agreement and the making of the initial Purchase hereunder shall not occur until the satisfaction of the conditions precedent specified in this Section 4.1 hereof and delivery to the Administrative Agent of the following (each of the following documents being duly executed and delivered and in form and substance reasonably satisfactory to the Managing Agents, and each in a sufficient number of originals that each Managing Agent may have an executed original of each document):

(a) an executed counterpart of this Agreement;

(b) executed counterparts of the Custodial Agreement, the Collection Account Control Agreement, the Disbursement Account Control Agreement and the Reserve Account Control Agreement;

(c) a certificate of the Secretary or Assistant Secretary of each of the Sellers and the Performance Guarantor certifying as to (i) resolutions of the Sellers' and the Performance Guarantor's board of directors authorizing the execution, delivery, and performance by each of them of the Transaction Documents to which they are a party and identifying the officers of the Sellers and the Performance Guarantor who are authorized to sign such Transaction Documents, (ii) specimen signatures of the officers so authorized, (iii) the certificate of incorporation or formation, as applicable and (iv) bylaws or resolutions or other similar governing documents, as applicable;

(d) a favorable written opinion from counsel to the Sellers and the Performance Guarantor which counsel may be an employee of such Person on entity matters and a favorable written opinion from counsel to the Sellers and the Performance Guarantor on corporate matters, each in a form reasonably acceptable to the Administrative Agent;

(e) favorable written opinion from Hunton & Williams LLP, counsel to the Administrative Agent, to the effect that this Agreement is covered by the safe harbor for the “repurchase agreements” under the Bankruptcy Code;

(f) a favorable written opinion from Cadwalader, Wickersham & Taft LLP, counsel to the Sellers, as to security interest and enforceability matters;

(g) a certificate from the Secretary of State for the state or states in which each Seller is incorporated and has its principal place of business, as to the good standing of the Sellers and/or the Performance Guarantor, as applicable;

(h) executed counterparts of the Fee Letters;

(i) evidence of a deposit to the Reserve Account in the amount needed to increase the balance therein to equal the Required Reserve Account Amount;

(j) with respect to each Issuer, written confirmation from each Rating Agency rating the Commercial Paper Notes of such Issuer that the Issuer’s execution of and performance under this Agreement will not result in a downgrade or withdrawal of the ratings assigned to any of such Commercial Paper Notes;

(k) all amounts owing under the Existing Loan Agreement have been paid; and

(l) such other documents as any Managing Agent may reasonably request at any time at or prior to the Purchase Date of the initial Purchase hereunder.

4.2. All Purchases.

Each Purchase (including, without limitation, the initial Purchase) pursuant to this Agreement is subject to the following further conditions precedent:

(a) prior to 2:00 p.m. (New York City time) on the Business Day before the designated Purchase Date, the Sellers shall have provided to the Administrative Agent and the Custodian, a Purchase Report (together with any related Assignment) and prior to 4:00 p.m. (New York City time), the Administrative Agent shall have provided a copy of such Purchase Report to each Managing Agent (it being understood that any such Purchase Request shall constitute a representation that after giving effect to the Purchase and close of business on such Purchase Date, the Recognized Value of all Eligible Mortgage Assets shall equal or exceed the Invested Amount);

(b) all Mortgage Assets that will become Purchased Mortgage Assets on the Purchase Date, with the exception of Wet Loans pursuant to Section 2.3(c), shall have been physically delivered to the possession of the Custodian in accordance with Section 3.2;

(c) the representations and warranties of the Sellers and (so long as the Servicer and one of the Sellers is the same entity) the Servicer contained in this Agreement, any Assignment or Purchase Report, the Collection Account Control Agreement, the Reserve Account Control Agreement, the Disbursement Account Control Agreement or other Transaction Document (other than those representations and warranties that, by their express terms, are limited to the effective date of the document or agreement in which they are initially made) shall be true and correct in all material respects on and as of the date of such Purchase;

(d) no Default or Event of Default or Servicer Default shall have occurred and be continuing, or would result from such Purchase, and no change or event that constitutes a Material Adverse Effect shall have occurred and be continuing as of the date of such Purchase;

(e) the Collection Account shall be established and in existence and free from any Lien other than pursuant to the Collection Account Control Agreement;

(f) delivery of a sufficient number of originals such that the Administrative Agent may have an executed original thereof, of such other documents and opinions of counsel, including such other documents as may be necessary or desirable to perfect or maintain the priority of any Lien granted or intended to be granted hereunder or otherwise and including favorable written opinions of counsel with respect thereto, as the Administrative Agent may reasonably request;

(g) the Termination Date shall not have occurred and the Purchasers shall not have delivered to the applicable Seller a notice that the Purchasers shall not make any further Purchases hereunder;

(h) with respect to the initial Purchase, all fees, costs and expenses due on the Initial Purchase Date shall have been paid, as provided in the Fee Letters;

(i) prior to 12:00 noon (New York City time) on the Business Day prior to the date of such Purchase, the Purchasers and the Custodian shall have received a bill of sale and blanket assignment, in the form set forth in Exhibit I hereto, and duly executed and delivered by the applicable Seller, with respect to the Mortgage Assets included in such Purchase; and

(j) the Principal Mortgage Documents with respect to each Mortgage Loan included in such Purchase, other than Wet Loans, shall have been physically delivered to the possession of the Custodian;

Each Purchase Report shall be automatically deemed to constitute a representation and warranty by the Sellers on the Purchase Date set forth therein to the effect that all of the conditions of Sections 4.1 and 4.2 are satisfied as of such Purchase Date.

ARTICLE V

REPRESENTATIONS AND WARRANTIES

5.1. Representations of the Sellers and the Servicer.

The Sellers and the Servicer each represents and warrants, as to itself, to the Administrative Agent, the Managing Agents and the Purchasers as follows:

(a) Organization and Good Standing. It (i) is a corporation, duly organized and existing in good standing under the laws of the jurisdiction of its organization, (ii) is duly qualified to do business and in good standing in all jurisdictions in which its failure to be so qualified could have a Material Adverse Effect, (iii) has the requisite entity power and authority to own its properties and assets and to transact the business in which it is engaged and is or will be qualified in those states wherein it proposes to transact business in the future and (iv) is in compliance with all Requirements of Law. American Home Mortgage Corp. is incorporated in New York and in no other jurisdiction, American Home Mortgage Servicing, Inc. is incorporated in Maryland and in no other jurisdiction, American Home Mortgage Acceptance, Inc. is incorporated in Maryland and in no other jurisdiction and American Home Mortgage Investment Corp. is incorporated in Maryland and in no other jurisdiction.

(b) Authorization and Power. It has the requisite entity power and authority to execute, deliver and perform this Agreement and the other Transaction Documents to which it is a party; it is duly authorized to and has taken all requisite entity action necessary to authorize it to, execute, deliver and perform this Agreement and the other Transaction Documents to which it is a party and is and will continue to be duly authorized to perform this Agreement and such other Transaction Documents.

(c) No Conflicts or Consents. Neither the execution and delivery by it of this Agreement or the other Transaction Documents to which it is a party, nor the consummation of any of the transactions herein or therein contemplated, nor compliance with the terms and provisions hereof or with the terms and provisions thereof, will (i) contravene or conflict with any Requirement of Law to which it is subject, or any indenture, mortgage, deed of trust, or other agreement or instrument to which it is a party or by which it may be bound, or to which its Property may be subject, or (ii) result in the creation or imposition of any Lien, except to the extent of the Liens in favor of the Administrative Agent on behalf of the Purchasers, on the Property of the Sellers.

(d) Enforceable Obligations. This Agreement and the other Transaction Documents to which it is a party have been duly and validly executed by it and are its legal, valid and binding obligations, enforceable in accordance with their respective terms, except as limited by Debtor Laws.

(e) Full Disclosure. There is no fact known to it that it has not disclosed to the Administrative Agent and the Managing Agents that could reasonably be expected to have a Material Adverse Effect. Neither its financial statements nor any Purchase Report, officer's certificate or statement delivered by it to the Managing Agents in connection with this Agreement, contains any untrue or inaccurate statement of material fact or omits to state a material fact necessary to make such information not misleading.

(f) No Default. It is not in default under any loan agreement, mortgage, security agreement or other agreement or obligation to which it is a party or by which any of its Property is bound, if such default would also be a Default or an Event of Default (or, with notice or passage of time would become a Default or Event of Default) under either of subparagraphs (e) or (i) of Section 8.1 of this Agreement.

(g) Litigation.

(i) Except as set forth on Schedule III, there are no actions, suits or proceedings, including arbitrations and administrative actions, at law or in equity, either by or before any Governmental Authority, now pending or, to its knowledge, threatened by or against it or any of its Subsidiaries, and pertaining to any Governmental Requirement affecting any Seller's Property or rights or any of its Subsidiaries with damage claims in excess of \$1,000,000.

(ii) Neither it nor any of its Subsidiaries is in default with respect to any Governmental Requirements.

(iii) The Servicer is not liable on any judgment, order or decree (or any series of judgments, orders, or decrees) that could reasonably be expected to have a Material Adverse Effect and that has not been paid, stayed or dismissed within 60 days and the Sellers are not liable on any judgment, order or decree (or any series of judgments, orders or decrees).

(h) Taxes. All tax returns required to be filed by it in any jurisdiction have been filed, except where extensions of time to make those filings have been granted by the appropriate taxing authorities and the extensions have not expired, and all taxes, assessments, fees and other governmental charges upon it or upon any of its properties, income or franchises have been paid prior to the time that such taxes could give rise to a Lien thereon, unless protested in good faith by appropriate proceedings and with respect to which reserves in conformity with GAAP have been established on its books. There is no tax assessment or to Sellers' and Servicer's best knowledge, proposed tax assessment against it that could reasonably be expected to have a Material Adverse Effect.

(i) Aggregate Collateral Value. AHMIC's ratio of its Aggregate Collateral Value to its Adjusted Consolidated Funded Debt is not less than 1.00 to 1.00.

(j) Permits, Patents, Trademarks, Etc.

(i) It has all permits and licenses necessary for the operation of its business.

(ii) It owns or possesses (or is licensed or otherwise has the necessary right to use) all patents, trademarks, service marks, trade names and copyrights, technology, know-how and processes, and all rights with respect to the foregoing, which are necessary for the operation of its business, without any conflict with the rights of others. The consummation of the transactions contemplated hereby will not alter or impair any of such rights of it.

(k) Status Under Certain Federal Statutes. It is not (i) a "holding company", or a "subsidiary company" of a "holding company" or an "affiliate" of a "holding company," or of a "subsidiary company" of a "holding company," as such terms are defined in the Public Utility Holding Company Act of 1935, as amended, (ii) a "public utility," as such term is defined in the Federal Power Act, as amended, (iii) an "investment company," or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940, as amended, or (iv) a "rail carrier," or a "person controlled by or affiliated with a rail carrier," within the meaning of Title 49, U.S.C., and it is not a "carrier" to which 49 U.S.C. § 11301(b)(1) is applicable.

(l) Securities Acts. It has not issued any unregistered securities in violation of the registration requirements of the Securities Act of 1933, as amended, or of any other Requirement of Law, and is not violating any rule, regulation, or requirement under the Securities Act of 1933, as amended, or the Securities and Exchange Act of 1934, as amended.

(m) No Approvals Required. Other than consents and approvals previously obtained and actions previously taken, neither the execution and delivery of this Agreement and the other Transaction Documents to which it is a party, nor the consummation of any of the transactions contemplated hereby or thereby requires the consent or approval of, the giving of notice to, or the registration, recording or filing by it of any document with, or the taking of any other action in respect of, any Governmental Authority that has jurisdiction over it or any of its Property.

(n) Environmental Matters. There have been no past, and there are no pending or to Sellers' knowledge threatened, claims, complaints, notices, or governmental inquiries against it regarding any alleged violation of, or potential liability under, any environmental laws that could reasonably be expected to have a Material Adverse Effect. It and its properties are in substantial compliance in all respects with all environmental laws and related licenses and permits, unless the failure to comply strictly in all respects with all environmental laws and related licenses and permits could reasonably be expected to have a Material Adverse Effect. No conditions exist at, on or under any Property now or previously owned or leased by it that could give rise to liability under any environmental law that could be expected to have a Material Adverse Effect.

(o) Principal Office, Etc. The principal office, chief executive office and principal place of business of (i) American Home Mortgage Corp., American Home Mortgage Acceptance, Inc. and American Home Mortgage Investment Corp. is at 538 Broadhollow Road, Melville, New York 11747 and (ii) American Home Mortgage Servicing, Inc. is at 538 Broadhollow Road, Melville, New York 11747 (executive offices), and its principal office is at 4600 Regent Blvd., Suite 201, Irving, Texas 75063.

(p) Eligibility. The Servicer and each Seller are approved and qualified and in good standing as a lender or seller/servicer, as follows:

(i) The Servicer and each Seller is a Fannie Mae approved seller/servicer (in good standing) of Mortgage Loans, eligible to originate, purchase, hold, sell and, with respect to each Seller and the Servicer, service Mortgage Loans to be sold to Fannie Mae.

(ii) The Servicer and each Seller is a Freddie Mac approved seller/servicer (in good standing) of Mortgage Loans, eligible to originate, purchase, hold, sell and service Mortgage Loans to be sold to Freddie Mac.

(iii) The Servicer and each Seller is an approved FHA servicer, VA servicer and Ginnie Mae issuer (in good standing) of mortgage loans, eligible to originate, purchase, hold, sell and service mortgage loans to be pooled into Ginnie Mae mortgage-backed securities pools and to issue Ginnie Mae mortgage-backed securities.

(iv) Each Mortgage Loan reported as an Eligible Mortgage Loan is an Eligible Mortgage Loan.

(q) Solvency. Both prior to and after giving effect to each Purchase, (i) the fair value of the property of each Seller is greater than the total amount of liabilities, including contingent liabilities, of each Seller, (ii) the present fair salable value of the assets of each Seller is not less than the amount that will be required to pay all probable liabilities of each Seller on their debts as they become absolute and matured, (iii) each Seller does not intend to, and does not believe that it will, incur debts or liabilities beyond each Seller's abilities to pay such debts and liabilities as they mature and (iv) each Seller is not engaged in a business or a transaction, and is not about to engage in a business or a transaction, for which the Sellers' property would constitute unreasonably small capital.

(r) No Liens. The Sellers have (or, as to all Mortgage Loan Collateral delivered to the Custodian after the date of this Agreement, will have) good and indefeasible title to all Mortgage Assets, and the Mortgage Loan Collateral and all proceeds thereof are (or, as to all Mortgage Loan Collateral delivered to the Custodian after the date of this Agreement, will be) free and clear of all Liens and other adverse claims, other than (i) the right of the related Seller to repurchase such Mortgage Loan Collateral pursuant to the terms herein and/or (ii) Liens in the Mortgage Loan Collateral or proceeds in favor of the Administrative Agent for the benefit of the Purchasers.

(s) Financial Condition.

(i) The balance sheet of each of the Sellers as at June 30, 2006, a copy of which has been furnished to the Managing Agents, fairly presents the financial condition of such Sellers as at such date, in accordance with GAAP, and since June 30, 2006, there has been no material adverse change in the business, operations, property or financial condition of the Sellers.

(ii) The Servicer has delivered to the Administrative Agent copies of the Performance Guarantor's balance sheet, as of June 30, 2006, and the related consolidated statements of income, and with respect to AHMIC only, stockholder's equity and cash flows for the six months ended on such date, ("Interim Statements"); and all such financial statements fairly present the financial condition of the Servicer as of their respective dates, subject, in the case of the Interim Statements, to normal year end adjustments and the results of operations of the Servicer for the periods ended on such dates and have been prepared in accordance with GAAP.

(iii) As of the date thereof, there are no obligations, liabilities or Indebtedness (including contingent and indirect liabilities and obligations or unusual forward or long-term commitments) of the Servicer or any Seller required to be recorded under GAAP that are not reflected therein.

(iv) No change that constitutes a Material Adverse Effect has occurred in the financial condition or business of the Servicer since June 30, 2006.

(t) UCC Financing Statements. No effective financing statement or other instrument similar in effect covering any Mortgage Loan, any interest therein, or the related Mortgage Assets with respect thereto is on file in any recording office except such as may be filed in favor of the Sellers in accordance with the Mortgage Loans, or in favor of the Administrative Agent or the Purchasers in accordance with this Agreement or in connection with a Lien arising solely as the result of any action taken by the Purchasers (or any assignee thereof) or by the Administrative Agent.

(u) Origination of Eligible Mortgage Loans.

(i) Each Eligible Mortgage Loan was originated in compliance with local, state and federal law applicable thereto at the time of origination, including without limitation, required disclosures of points, charges and fees.

(ii) Each Eligible Mortgage Loan was originated using credit policies in effect at the time such origination, which were designated to provide guidelines in underwriting the creditworthiness of the Obligor and to determine the Obligor's ability to repay the debt. In accordance with such policies, each of the Sellers considered, among other things, the credit history of the Obligor and other credit indicators such as income verification and/or debt-to-income ratios of the Obligor. No Mortgage Loan was originated based solely on an estimation of the value of the mortgaged property without any consideration of the potential ability of the Obligor to repay the amount owed under the Mortgage Loan.

(iii) No Mortgage Loan violates any of the provisions of the Home Ownership and Equity Protection Act of 1994 (14 U.S.C. § 1602(aa)) or Regulation Z (12 C.F.R. 226.32).

(iv) No Obligor was required to purchase any credit life, disability, accident or health insurance product as a condition of obtaining the Mortgage Loan. No Obligor obtained a prepaid single-premium credit life, disability, accident or health policy in connection with the origination of the Mortgage Loan.

(v) Each Mortgage Loan was originated in a manner designed to be eligible for purchase by an Approved Take-Out Investor.

(v) Eligible Mortgage Assets. Each Mortgage Asset purported to be sold by any of the Sellers hereunder is an Eligible Mortgage Asset as of the date of such sale, and each such Mortgage Asset, together with the related Mortgage Loan Collateral, is owned (immediately prior to its sale hereunder) by the applicable Seller free and clear of any Adverse Claim (other than any Adverse Claim arising solely as the result of any action taken by the Purchasers). When any Purchaser acquires a Purchased Mortgage Asset by Purchase hereunder, it shall acquire good and marketable title to such Purchased Mortgage Asset and the related Mortgage Loan Collateral and Collections with respect thereto free and clear of any Adverse Claim (other than any Adverse Claim arising solely as the result of any action taken by the Purchasers), and no effective financing statement or other instrument similar in effect covering any Purchased Mortgage Asset, any interest therein, the related Mortgage Loan Collateral or Collections with respect thereto is on file

in any recording office except such as may be filed in favor of the Purchasers in accordance with this Agreement or in connection with any Adverse Claim arising solely as the result of any action taken by the Purchasers. In addition, with respect to each Mortgage Loan sold to the Purchasers that is subsequently sold to Freddie Mac, such Seller hereby makes the representations and warranties set forth in the Freddie Mac Selling Guide and such Seller's Master Agreement and Mortgage Loan Purchase Agreement with Freddie Mac. In addition, with respect to each Mortgage Loan sold to the Purchasers that is subsequently sold to Fannie Mae, such Seller hereby makes the representations and warranties (collectively, the "Fannie Mae Representations and Warranties") set forth in the Fannie Mae Selling and Servicing Guides, the Mortgage Selling and Servicing Contract between such Seller and Fannie Mae, and Master Agreement No. MC03136.1 by and among Fannie Mae and such Seller, as amended from time to time, and all subsequent master agreements entered into by and among Fannie Mae and such Seller (collectively, the "Fannie Mae Incorporated Documents") as though the Fannie Mae Representations and Warranties were fully set forth herein. The Fannie Mae Incorporated Documents are incorporated herein by reference as though fully set forth herein, and the Fannie Mae Representations and Warranties shall survive the delivery of any Mortgage Loan to Fannie Mae. Further, with respect to each Non-Conforming Loan, such Seller hereby makes the representations and warranties set forth in the related mortgage loan purchase agreement, seller/servicer guide or other similar agreement with the applicable Approved Take-Out Investor.

(w) Employee Benefit Plans. (i) No Employee Plan of the Servicer or any ERISA Affiliate has incurred an "accumulated funding deficiency" (as defined in Section 302 of ERISA or Section 412 of the Code), (ii) neither the Servicer nor any ERISA Affiliate has incurred liability under ERISA to the PBGC, (iii) neither the Servicer nor any ERISA Affiliate has partially or fully withdrawn from participation in a Multiemployer Plan, (iv) no Employee Plan of the Servicer or any ERISA Affiliate has been the subject of involuntary termination proceedings, (v) neither the Servicer nor any ERISA Affiliate has engaged in any "prohibited transaction" (as defined in Section 406 of ERISA or Section 4975 of the Code), and (vi) no "reportable event" (as defined in Section 4043 of ERISA) has occurred in connection with any Employee Plan of the Servicer or any ERISA Affiliate other than events for which the notice requirement is waived under applicable PBGC regulations.

(x) Ownership. On the date of this Agreement, AHMIC has beneficial ownership, directly or indirectly, of 100% of the issued and outstanding shares of each class of the stock of the Servicer and each Seller.

5.2. Survival of Representations.

All representations and warranties by the Sellers and the Servicer herein shall survive the making of the Purchases, and any investigation at any time made by or on behalf of the Administrative Agent or the Purchasers shall not diminish the right of the Administrative Agent, the Managing Agents or the Purchasers to rely thereon.

AFFIRMATIVE COVENANTS

The Sellers and the Servicer shall each at all times comply with the covenants applicable to it contained in this Article VI, from the date hereof until the later of the Termination Date and the date all of the Repurchase Obligations are indefeasibly paid in full.

6.1. Financial Statements and Reports.

The Servicer, for so long as the Servicer is one of the Sellers, and thereafter the Sellers, shall furnish to the Managing Agents the following, all in form and detail reasonably satisfactory to the Managing Agents:

(a) promptly after becoming available, and in any event within 120 days after the close of each fiscal year of AHMIC, such Person's audited consolidated and consolidating balance sheet as of the end of such fiscal year, and the related statements of income, stockholder's equity and cash flows of such Person for such year showing within such consolidating balance sheets and statements of income the balance sheet and statements of income for the Sellers accompanied by (i) the related report of independent certified public accountants reasonably acceptable to the Managing Agents, which report shall be to the effect that such statements have been prepared in accordance with GAAP applied on a basis consistent with prior periods except for such changes in such principles with which the independent certified public accountants shall have concurred and (ii) if issued, the auditor's letter or report to management customarily given in connection with such audit;

(b) promptly after becoming available, and in any event within 60 days after the end of each fiscal quarter, excluding the fourth fiscal quarter, of each fiscal year of AHMIC, the unaudited consolidated and consolidating balance sheet of AHMIC as of the end of such fiscal quarter and the related statements of income, stockholders' equity and cash flows of AHMIC for such fiscal quarter and the period from the first day of the then current fiscal year of the Performance Guarantor through the end of such fiscal quarter, showing within such consolidating balance sheets and statements of income the balance sheet and statements of income for the Sellers certified by a Financial Officer of AHMIC, to have been prepared in accordance with GAAP applied on a basis consistent with prior periods, subject to normal year-end adjustments;

(c) promptly upon receipt thereof, a copy of each other report submitted to each of the Servicer, the Sellers and the Performance Guarantor by independent certified public accountants in connection with any annual, interim or special audit of the books of such Person;

(d) promptly and in any event within twenty (20) days after the request of the Administrative Agent or the Managing Agents at any time and from time to time, a certificate, executed by a responsible officer of the Servicer and the Sellers, setting forth all of such Person's warehouse borrowings and a description of the collateral related thereto;

(e) promptly and in any event within 60 days after the end of each of the first three (3) quarters in each fiscal year of the Sellers, and within 120 days after the close of the Sellers' fiscal year, completed officer's certificates in the form of H-1 and H-2 hereto, executed by the president or chief financial officer of each of the Servicer and the Sellers, respectively;

(f) upon written request of the Administrative Agent (who shall so request at the request of any Managing Agent), promptly and in any event within 60 days after the end of each quarter (120 days in the case of the fourth quarter), a management report regarding the Sellers' Mortgage Loan production for the prior quarter and year-to-date, in form and detail as reasonably required by the Administrative Agent;

(g) promptly furnish copies of all reports and notices with respect to any "reportable event" defined in Title IV of ERISA that the Sellers or the Servicer files or that the Sellers or the Servicer is required to file under ERISA with the Internal Revenue Service, the PBGC or the U.S. Department of Labor or that the Sellers or the Servicer receives from the PBGC;

(h) immediately after becoming aware of the expiration, forfeiture, termination, or cancellation of, or default under, any Take-Out Commitment or Hedge relating to any Mortgage Assets, telephone notice thereof confirmed in writing within one Business Day, together with a statement as to what action the Sellers propose to take with respect thereto; provided that no such notice need be given if such Take-Out Commitment or Hedge is replaced by another Take-Out Commitment or Hedge within one Business Day;

(i) promptly after becoming available, and in any event within 60 days after the end of each fiscal quarter, excluding the fourth fiscal quarter, of each fiscal year of the Sellers, the unaudited balance sheet of the Sellers as of the end of such fiscal quarter and the related statements of income, stockholders' equity and cash flows of the Sellers for such fiscal quarter and the period from the first day of such fiscal year through the end of such fiscal quarter, certified by the chief financial officer of the Sellers, to have been prepared in accordance with GAAP applied on a basis consistent with prior periods, subject to normal year-end adjustments;

(j) promptly after the Sellers obtain knowledge thereof, notice of any "Event of Default" or "Termination Date" under this Agreement;

(k) [Reserved]

(l) promptly after the Servicer obtains knowledge thereof, notice of any Servicer Default or of any condition or event that, with the giving of notice or lapse of time or both and unless cured or waived, would constitute a Servicer Default; and

(m) such other material information concerning the business, properties or financial condition of the Sellers as the Administrative Agent or any Managing Agent may reasonably request.

6.2. Taxes and Other Liens.

The Sellers shall pay and discharge promptly all taxes, assessments and governmental charges or levies imposed upon it or upon its income or upon any of its Property as well as all claims of any kind (including claims for labor, materials, supplies and rent) that, if unpaid, might become a Lien upon any or all of its Property; provided, however, the Sellers shall not be required to pay any such tax,

assessment, charge, levy or claim if the amount, applicability or validity thereof shall currently be contested in good faith by appropriate proceedings diligently conducted by it or on its behalf and if it shall have set up reserves therefor adequate under GAAP.

6.3. Maintenance.

The Sellers shall maintain their corporate existence and shall comply with all Governmental Requirements.

6.4. Further Assurances.

The Sellers and the Servicer shall, each within three (3) Business Days (or, in the case of Mortgage Notes, such longer period as provided under Section 3.4 of this Agreement) after the request of the Administrative Agent, cure any defects in the execution and delivery of this Agreement or any other Transaction Document. The Sellers and the Servicer shall, each at its expense, promptly execute and deliver to the Administrative Agent, upon the Administrative Agent's reasonable request, all such other and further documents, agreements and instruments necessary to keep the Sellers and the Servicer, as applicable, in compliance with the covenants and agreements of the Sellers and the Servicer, respectively, in this Agreement and in the other Transaction Documents or to further evidence and more fully describe the Mortgage Assets, or to correct any omissions in this Agreement or the other Transaction Documents, or more fully to state the security for the obligations set out herein or in any of the other Transaction Documents, or to perfect, protect or preserve any Liens created (or intended to be created) pursuant to any of the other Transaction Documents, or to make any recordings, to file any notices, or obtain any consents.

6.5. Compliance with Laws.

The Servicer shall comply with all applicable laws, rules, regulations and orders in connection with servicing the Mortgage Assets.

6.6. Insurance.

(a) The Sellers and the Servicer shall each maintain with financially sound and reputable insurers, insurance with respect to its Properties and business against such liabilities, casualties, risks and contingencies and in such types and amounts as is customary in the case of Persons engaged in the same or similar businesses and similarly situated, including, without limitation, a fidelity bond or bonds in form and with coverage and with a company reasonably satisfactory to the Administrative Agent and with respect to such individuals or groups of individuals as the Administrative Agent may designate. Upon request of the Administrative Agent, the Sellers and the Servicer shall each furnish or cause to be furnished to the Administrative Agent from time to time a summary of the insurance coverage of the Sellers and the Servicer, respectively, in form and substance reasonably satisfactory to the Administrative Agent and if requested shall furnish the Administrative Agent with copies of the applicable policies.

(b) With respect to Mortgages comprising the Mortgage Assets (i) the Servicer, for as long as the Servicer is one of the Sellers, and thereafter the Sellers, shall cause the improvements on the land covered by each Mortgage to be kept continuously insured at all times by responsible insurance companies against fire and extended coverage hazards under policies, binders, letters, or certificates of insurance, with a standard mortgagee clause in favor of the original mortgagee and its successors and assigns or, in the case of a MERS Designated Mortgage Loan, the beneficial owner of such mortgage loan, and (ii) the Servicer, for so long as the Servicer is one of the Sellers, and thereafter the Sellers, shall cause each such policy to be in an amount equal to the lesser of the maximum insurable value of the improvements or the original principal amount of the Mortgage, without reduction by reason of any co-insurance, reduced rate contribution, or similar clause of the policies or binders.

6.7. Accounts and Records.

The Sellers and, so long as the Servicer and one of the Sellers are the same entity, the Servicer shall each keep books of record and account in which full, true and correct entries will be made of all material dealings or transactions in relation to its business and activities, in accordance with GAAP. The Sellers and the Servicer shall each maintain and implement administrative and operating procedures (including, without limitation, an ability to recreate all records pertaining to the performance of the Sellers' obligations under the Take-Out Commitments and Hedges and other agreements made with reference to any Mortgage Loans in the event of the destruction of the originals of such records) and keep and maintain all documents, books, records, computer tapes and other information necessary or advisable for the performance by the Sellers of their Repurchase Obligations.

6.8. Periodic Visits.

The Sellers and, so long as the Servicer and one of the Sellers are the same entity, the Servicer shall permit any officer, employee or agent of the Administrative Agent (including an independent certified public accountant selected by the Administrative Agent) to visit (each such visit, a "Periodic Visit") and inspect any of its Properties, examine its books of record and accounts, documents (including without limitation computer tapes and disks), telecopies and extracts from the foregoing, and discuss its affairs, finances and accounts with its officers, accountants, and auditors, and to review the business of originating the Mortgage Loans, the sale of the Mortgage Loans by the Sellers, and the servicing of the Mortgage Loans by the Servicer, including the Servicer's collections systems, all during reasonable business hours and as often as the Administrative Agent may desire and no more than twice a year unless an Event of Default has occurred and is continuing. The Sellers agree to pay the reasonable costs of reviews and inspections performed pursuant to this Section 6.8, including the costs and expenses charged by the certified public accountant in preparing and delivering to the Administrative Agent with respect to the certified public accountant's review on a scope and in a form reasonably acceptable to the Administrative Agent and each Managing Agent (such report, a "Report of Visit"). A Report of Visit shall be delivered no later than sixty (60) days prior to each Annual Extension Date.

6.9. Notice of Certain Events.

The Sellers and, so long as the Servicer and one of the Sellers are the same entity (other than with respect to clause (g) hereof), the Servicer shall each promptly notify the Administrative Agent in writing upon (a) the receipt of any notice from, or the taking of any other material action by, the holder of any of its promissory notes, debentures or other evidences of Indebtedness with respect to a claimed default, together with a detailed statement by a responsible officer of the Sellers or the Servicer, as the case may be, specifying the notice given or other material action taken by such holder and the nature of the claimed default and what action the Sellers or the Servicer is taking or proposes to take with respect thereto, but only if such alleged default or event of default (if it were true) would also be a Default or Event of Default under this Agreement; (b) the commencement of, or any determination in, any legal, judicial or regulatory proceedings that, if adversely determined, could also be a Default or Event of Default under this Agreement; (c) any dispute between the Sellers or the Servicer, as the case may be, and any Governmental Authority or any other Person that, if adversely determined, could have a Material Adverse Effect; (d) any change in the business or financial condition of the Servicer, including, without limitation, the Servicer's insolvency, that could reasonably be expected to have a Material Adverse Effect, or any adverse change in the business or financial condition of the Sellers, including, without limitation, the Sellers' insolvency; (e) any other event or condition known to it that could reasonably be expected to have a Material Adverse Effect; (f) the receipt of any notice from, or the taking of any other action by any Approved Take-Out Investor indicating an intent not to honor, or claiming a default under a Take-Out Commitment that could reasonably be expected to have a Material Adverse Effect if such Take-Out Commitment is not replaced with another Take-Out Commitment or Hedge, together with a detailed statement by a responsible officer of the Sellers specifying the notice given or other action taken by such Approved Take-Out Investor and the nature of the claimed default and what action the Sellers are taking or proposes to take with respect thereto; (g) the receipt of any notice from, and or the taking of any action by any Governmental Authority indicating an intent to cancel the Sellers' or the Servicer's right to be either a seller or servicer of such Governmental Authority's insured or guaranteed Mortgage Loans; and (h) the receipt of any notice of any final judgment or order for payment of money applicable to the Servicer that could reasonably be expected to have a Material Adverse Effect, or the receipt of any notice of any final judgment or order for payment of money applicable to the Sellers. Upon receipt of any notice under this Section 6.9, the Administration Agent shall provide a copy of such notice to each of the Managing Agents.

6.10. Performance of Certain Obligations.

The Sellers and, so long as the Servicer and any of the Sellers are the same entity, the Servicer shall each perform and observe each of the provisions of each Mortgage Loan, Take-Out Commitment and Hedge on its part to be performed or observed and will cause all things to be done that are necessary to have each Mortgage Loan covered by a Take-Out Commitment or Hedge comply with the requirements of such Take-Out Commitment or Hedge.

6.11. Use of Proceeds; Margin Stock.

None of the proceeds of the Purchases shall be used for the purpose of purchasing or carrying any “margin stock” as defined in Regulation U, or for the purpose of reducing or retiring any Indebtedness that was originally incurred to purchase or carry margin stock or for any other purpose that might constitute this transaction a “purpose credit” within the meaning of such Regulation U. Neither the Sellers nor any Person acting on behalf of the Sellers shall take any action in violation of Regulations U or X or shall violate Section 7 of the Securities Exchange Act of 1934, as amended, or any rule or regulation thereunder, in each case as now in effect or as the same may hereafter be in effect.

6.12. Notice of Default.

The Sellers shall furnish to the Administrative Agent immediately upon becoming aware of the existence of any Default or Event of Default, a written notice specifying the nature and period of existence thereof and the action that the Sellers are taking or proposes to take with respect thereto.

6.13. [Reserved].

6.14. Compliance with Material Agreements.

The Sellers and, so long as the Servicer and one of the Sellers are the same entity, the Servicer shall each comply in all material respects with all agreements, indentures, Mortgages or documents (including, with respect to the Sellers, the Articles of Organization) binding on it or materially affecting its Property or business in all cases where the failure to so comply could reasonably be expected to result in a Material Adverse Effect.

6.15. Operations and Properties.

The Sellers and, so long as the Servicer and one of the Sellers are the same entity, the Servicer shall each act prudently and in accordance with customary industry standards in managing and operating its Property and shall continue to underwrite, hedge and sell Mortgage Loans in the same diligent manner it has applied in the past.

6.16. Hedges.

The Sellers shall obtain and maintain in full force and effect, Hedges as of each date of determination, with an aggregate purchase price at least equal to the total of the original principal balances of the Sellers’ entire portfolio of Mortgage Loans.

6.17. Full Disclosure.

Neither any financial statements nor any Purchase Report, officer’ s certificate or statement delivered by the Sellers or the Servicer to the Managing Agents in connection with this Agreement, will contain any untrue or inaccurate statement of material fact or omit to state a material fact necessary to make such information not misleading.

6.18. Environmental Compliance.

The Sellers and, so long as the Servicer and one of the Sellers are the same entity, the Servicer shall each use and operate all of its facilities and properties in compliance with all environmental laws, keep all necessary permits, approvals, certificates, licenses and other authorizations relating to environmental matters in effect and remain in compliance therewith, and handle all hazardous materials in compliance with all applicable environmental laws.

6.19. Closing Instructions.

The Sellers agree to indemnify and hold the Purchasers, the Administrative Agent and the Managing Agents harmless from and against any loss, including reasonable attorneys' fees, expenses and costs, attributable to the failure of a title insurance company, agent or approved attorney to comply with the disbursement or instruction letter or letters of the Sellers, the Managing Agents or of the Administrative Agent relating to any Mortgage Loan. The Servicer shall direct, via the closing instruction letter, each addressee title insurance company, agent or attorney to remit into the Collection Account any funds held in escrow for a Mortgage Loan that ultimately fails to close by the second Business Day after the originally scheduled closing date for such Mortgage Loan. In the absence of such remittance, the Sellers shall either (i) substitute for the subject Mortgage Loan a substantially similar Mortgage Loan or (ii) remit into the Collection Account, from its own funds, funds sufficient to repay funds advanced for the subject Mortgage Loan. The Administrative Agent shall have the right to pre-approve (in its reasonable discretion) the closing instructions of the Seller to the title insurance company, agent or attorney in any case where the Mortgage Loan to be created at settlement is intended to be sold to the Purchasers pursuant hereto.

6.20. Special Affirmative Covenants Concerning Mortgage Assets.

(a) The Sellers shall at all times warrant and defend the right, title and interest of the Purchasers, the Custodian and the Administrative Agent in and to the Mortgage Assets against the claims and demands of all Persons whomsoever.

(b) The Sellers and the Servicer shall each service or cause to be serviced all Mortgage Loans in the best interests of and for the benefit of the Purchasers, in accordance with the terms of this Agreement, the terms of the Principal Mortgage Documents, the standard requirements of the issuers of Take-Out Commitments or Hedges covering the same and to the extent consistent with such terms, in accordance with Accepted Servicing Standards, including without limitation taking all actions necessary to enforce the obligations of the Obligors under such Eligible Mortgage Loans. The Sellers and the Servicer each shall hold all escrow funds collected in respect of Eligible Mortgage Loans in trust, without commingling the same with any other funds, and apply the same for the purposes for which such funds were collected.

(c) The Servicer shall, no less than on an annual basis, review financial statements, compliance with financial parameters, Fannie Mae/Freddie Mac approvals (if applicable), and state licenses of all Persons from whom the Sellers acquire Mortgage Loans.

NEGATIVE COVENANTS

The Sellers and the Servicer shall each at all times comply with the covenants applicable to it contained in this Article VII, from the date hereof until the later of the Termination Date and the date all of the Repurchase Obligations are indefeasibly paid in full:

7.1. Limitations on Mergers and Acquisitions.

(a) The Servicer (so long as the Servicer and one of the Sellers are the same entity) shall not (i) merge or consolidate with or into any corporation or other entity unless the Servicer or one of the Sellers is the surviving entity of any such merger or consolidation or (ii) liquidate or dissolve.

7.2. Fiscal Year.

Neither the Sellers nor, so long as the Servicer and one of the Sellers are the same entity, the Servicer shall change its fiscal year other than to conform with changes that may be made to the Performance Guarantor's fiscal year and then only after notice to the Administrative Agent and after whatever amendments are made to this Agreement as may be reasonably required by the Administrative Agent, in order that the reporting criteria for the financial covenants contained in Articles VI and VII remain substantially unchanged.

7.3. [Reserved].

7.4. Use of Proceeds.

The Sellers shall not, directly or indirectly, use any of the proceeds of the Purchases for the purpose, whether immediate, incidental or ultimate, of buying any "margin stock" or of maintaining, reducing or retiring any Indebtedness originally incurred to purchase a stock that is currently any "margin stock," or for any other purpose that might constitute this transaction a "purpose credit," in each case within the meaning of Regulation U, or otherwise take or permit to be taken any action that would involve a violation of such Regulation U or of Regulation T or Regulation Z (12 C.F.R. 224, as amended) or any other regulation promulgated by the Federal Reserve Board.

7.5. Actions with Respect to Mortgage Assets.

Neither the Sellers nor the Servicer shall:

(a) Compromise, extend, release, or adjust payments on any Mortgage Assets, accept a conveyance of mortgaged Property in full or partial satisfaction of any Mortgage debt or release any Mortgage securing or underlying any Mortgage Assets, except as permitted by the related Approved Take-Out Investor or as contemplated in the servicing guidelines distributed thereby and only if such action would not result in a Default or Event of Default;

(b) Agree to the amendment or termination of any Take-Out Commitment or Hedge in which the Administrative Agent has an interest or to substitution of a Take-Out Commitment or Hedge for a Take-Out Commitment or Hedge in which the Administrative Agent has an interest hereunder, if such amendment, termination or substitution may be expected (as determined by the Custodian or the Administrative Agent in either of their sole discretion) to have a Material Adverse Effect or to result in a Default or Event of Default;

(c) Transfer, sell, assign or deliver any Mortgage Loan Collateral pledged to the Administrative Agent to any Person other than the Administrative Agent, except pursuant to a Take-Out Commitment or Hedge or pursuant to either Section 3.3 or Section 3.4; or

(d) Grant, create, incur, permit or suffer to exist any Lien upon any Mortgage Loan Collateral except for (i) Liens granted to the Administrative Agent to secure the Repurchase Obligations, (ii) any rights created herein and (iii) Liens granted to other Persons with respect to Take-Out Commitments or Hedges, so long as the amounts owing to all such Persons and the Administrative Agent hereunder shall not exceed the principal amount of all Take-Out Commitments or Hedges.

7.6. Liens.

The Sellers will not sell, assign (by operation of law or otherwise) or otherwise dispose of, or create or suffer to exist any Lien upon or with respect to, any Mortgage Asset, or upon or with respect to any account to which any Collections of any Mortgage Asset are sent, or assign any right to receive income in respect thereof except as contemplated hereby.

7.7. Employee Benefit Plans.

Neither the Sellers nor, so long as the Servicer and one of the Sellers are the same entity, the Servicer may permit any of the events or circumstances described in Section 5.1(w) to exist or occur.

7.8. Change of Principal Office.

No Seller shall move its principal office, executive office or principal place of business from the address set forth in Section 5.1(o) without 30-days' prior written notice to the Administrative Agent. The Sellers shall not change their place of organization or add a new jurisdiction of organization without 30 days' prior written notice to the Administrative Agent.

7.9. No Commercial, A&D, Etc. Loans.

The Sellers shall not make or acquire any direct outright ownership interest, participation interest or other creditor's interest in any commercial real estate loan, acquisition and/or development loan, unimproved real estate loan, personal property loan, oil and gas loan, commercial loan, wrap-around real estate loan, unsecured loan, acquisition, development or construction loan.

7.10. [Reserved].

7.11. [Reserved].

7.12. Deposits to Collection Account.

Neither the Sellers nor the Servicer shall deposit or otherwise credit, or cause or permit to be so deposited or credited, to the Collection Account, cash or cash proceeds other than Mortgage Asset Proceeds.

7.13. Transaction Documents.

The Sellers will perform all of their obligations under each Transaction Document to which it is a party and will enforce each Transaction Document to which it is a party in accordance with its terms in all respects.

7.14. [Reserved].

7.15. Delivery of Wet Loans.

Each of the Sellers shall deliver to the Custodian, within nine (9) Business Days after the date of origination of any Wet Loan from such Seller, the Principal Mortgage Documents relating to such Wet Loan.

7.16. Minimum Tangible Net Worth.

The Sellers and the Servicer shall not:

(i) Permit at any time AHMIC' s Tangible Net Worth to be less than \$914,000,000, plus 75% of the Net Cash Proceeds of any capital stock (including preferred stock) issued by AHMIC after June 30, 2006;

(ii) Permit at any time the Tangible Net Worth of American Home Mortgage Servicing, Inc. to be less than \$30,000,000;

(iii) Permit at any time the Tangible Net Worth of American Home Mortgage Corp. to be less than \$21,000,000;

(iv) Permit at anytime the Tangible Net Worth of American Mortgage Acceptance, Inc. to be less than \$41,000,000; or

(v) Permit at any time the Tangible Net Worth of American Home Mortgage Servicing, Inc., American Home Mortgage Corp. and American Home Mortgage Acceptance, Inc. to be less than \$147,000,000.

7.17. Positive Net Income of Performance Guarantor.

AHMIC shall not permit its net income to be less than \$1.00 for any period of two consecutive fiscal quarters.

7.18. Collateral Value to Adjusted Consolidated Funded Debt Ratio.

AHMIC shall not permit at any time the ratio of its Aggregate Recognized Value to its Adjusted Consolidated Funded Debt to be less than 1.00 to 1.00.

7.19. Approved Take-Out Investor Concentration Limits.

The Sellers covenant that, at any time:

(a) the portion of the total Recognized Value that may be attributable to any single Approved Take-Out Investor listed on Schedule II pursuant to one or more Take-Out Commitments shall not exceed the concentration limit for such Approved Take-Out Investor as set forth on Schedule II (as the same may be updated from time to time), and

(b) the portion of Mortgage Loans covered by a single Approved Take-Out Investor with (i) a rating of its short-term debt of A-3 or lower (or, if a short-term rating is not available, a rating of long-term debt of BBB- or lower) by S&P, a rating of its short-term debt of P-3 or lower (or, if a short-term rating is not available, a rating of the long-term debt of Baa3 or lower) by Moody' s or a rating of its short-term debt of F3 or lower (or, if a short-term rating is not available, a rating of long-term debt of BBB- or lower) by Fitch (it being understood that if the ratings assigned by S&P, Moody' s and Fitch are split, the lowest rating will control, and it being understood that if only one Rating Agency has assigned a rating, that rating will control) shall not exceed fifteen percent (15%) of the Maximum Facility Amount.

ARTICLE VIII

EVENTS OF DEFAULT

8.1. Nature of Event.

An "Event of Default" shall exist if any one or more of the following occurs:

(a) any Seller fails (i) to make any payment when due, of any fee, expense or other amount due hereunder, or under any other Transaction Document if such failure is not cured within five calendar days of the due date or, (ii) so long as the Servicer is one of the Sellers, the Servicer fails to make any payment or deposit to be made by it under this Agreement when due if such failure is not cured within five calendar days of the due date of such payment or deposit; or

(b) any Seller or, so long as the Servicer and one of the Sellers are the same entity, the Servicer fails to keep or perform any covenant or material obligations contained in this Agreement (other than as referred to in Section 8.1(a)) and such failure continues unremedied beyond the expiration of any applicable grace or notice period that may be expressly provided for in such covenant or material obligations; or

(c) any Seller, the Servicer (so long as the Servicer and one of the Sellers are the same entity) or the Performance Guarantor defaults in the due observance or performance of any of the covenants or agreements contained in any Transaction Document other than this Agreement, and (unless such default otherwise constitutes a Default or an Event of Default pursuant to other provisions of this Section 8.1) such default continues unremedied beyond the expiration of any applicable grace or notice period that may be expressly provided for in such Transaction Document; or

(d) any warranty or representation by or on behalf of any Seller, the Servicer (so long as the Servicer and one of the Sellers are the same entity) or the Performance Guarantor contained in this Agreement or any other Transaction Document or any statement, warranty or representation in any Purchase Report, officer's certificate or other writing furnished in connection with this Agreement, proves to have been incorrect or misleading in any material respect as of the date made or deemed made; provided, that, this shall not include representations or warranties with respect to specific Mortgage Loans, including but not limited to, clause (k) of Section 5.2 hereof unless such incorrect statements are made knowingly or intentionally; or

(e) (i) any Seller fails to make when due or within any applicable grace period any payment on any Indebtedness with an unpaid principal balance of over \$1,500,000.00; or (ii) any event or condition occurs under any provision contained in any such obligation or any agreement securing or relating to such obligation (or any other breach or default under such obligation or agreement occurs) if the effect thereof is to cause or permit with the giving of notice or lapse of time or both the holder or trustee of such obligation to cause such obligation to become due prior to its stated maturity; or (iii) any such obligation becomes due (other than by regularly scheduled payments) prior to its stated maturity; or (iv) regarding each of the Sellers or the Servicer (so long as the Servicer and one of the Seller are the same entity) any of the foregoing occurs with respect to any one or more items of Indebtedness with unpaid principal balances exceeding, in the aggregate, \$1,500,000.00 with respect to each Seller and the Servicer; or

(f) any Seller, the Servicer (so long as the Servicer and one of the Sellers are the same entity) or the Performance Guarantor generally shall not pay its debts as they become due or shall admit in writing its inability to pay its debts, or shall make a general assignment for the benefit of creditors; or

(g) any Seller, the Servicer (so long as the Servicer and one of the Sellers are the same entity) or the Performance Guarantor shall (i) apply for or consent to the appointment of a receiver, trustee, custodian, intervenor or liquidator of it or of all or a substantial part of its assets, (ii) file a voluntary petition in bankruptcy, (iii) file a petition or answer seeking reorganization or an arrangement with creditors or to take advantage of any Debtor Laws, (iv) file an answer admitting the allegations of, or consent to, or default in answering, a petition filed against it in any bankruptcy, reorganization or insolvency proceeding, or (v) take action for the purpose of effecting any of the foregoing; or

(h) an involuntary petition or complaint shall be filed against any Seller, the Servicer (so long as the Servicer and one of the Sellers are the same entity) or the Performance Guarantor seeking bankruptcy or reorganization of any of the Sellers, the Servicer, or the Performance Guarantor or the appointment of a receiver, custodian, trustee, intervenor or liquidator of the Sellers, the Servicer or the Performance Guarantor, all or substantially all of the assets of either the Sellers, the Servicer, or the Performance Guarantor; or an order, order for relief, judgment or, decree shall be entered by any court of competent jurisdiction or other competent authority

approving a petition or complaint seeking reorganization of the Sellers, the Servicer (so long as the Servicer and one of the Sellers are the same entity) or the Performance Guarantor or appointing a receiver, custodian, trustee, intervenor or liquidator of the Sellers, the Servicer or the Performance Guarantor, or of all or substantially all of assets of the Sellers, the Servicer or the Performance Guarantor; or

(i) any Seller, the Servicer (so long as the Servicer and one of the Sellers are the same entity) or the Performance Guarantor shall fail within 30 days to pay, bond or otherwise discharge any final judgment or order (or judgments or orders) for payment of money in excess of \$5,000,000.00 (singly or in the aggregate);

(j) any Person shall levy on, seize or attach all or any material portion of the assets of any Seller, the Servicer (so long as the Servicer and one of the Sellers are the same entity) or the Performance Guarantor and within thirty (30) days thereafter the Sellers, the Servicer or the Performance Guarantor shall not have dissolved such levy or attachment, as the case may be, and, if applicable, regained possession of such seized assets; or

(k) if an event or condition specified in Section 5.1(w) shall occur or exist; or

(l) any of the Sellers or the Servicer (so long as the Servicer and one of the Sellers are the same entity) becomes ineligible to originate, sell or service Mortgage Loans to Fannie Mae, Freddie Mac or Ginnie Mae, or Fannie Mae, Freddie Mac or Ginnie Mae shall impose any sanctions upon or terminate or revoke any rights of the Servicer (so long as the Servicer and one of the Sellers are the same entity) or any of the Sellers; or

(m) if (x) any Governmental Authority cancels any Seller's right to be either a seller or servicer of such Governmental Authority's insured or guaranteed Mortgage Loans or mortgage-backed securities, (y) any Approved Take-Out Investor cancels for cause any servicing or underwriting agreement between any of the Sellers and such Approved Take-Out Investor that could reasonably be expected to have a Material Adverse Effect or (z) any Seller receives notice from a Governmental Authority that such Governmental Authority intends to revoke such Seller's right to be a seller or servicer of such Governmental Authority's insured or guaranteed Mortgage Loans or mortgaged-backed securities and such notice is not withdrawn within (10) ten days of the receipt thereof; or

(n) failure of any Seller to correct an imbalance in any escrow account established with such Seller as either an originator, purchaser or servicer of Mortgage Loans, which imbalance may have a Material Adverse Effect, within two (2) Business Days after demand by any beneficiary of such account or by the Administrative Agent; or

(o) failure of any of the Sellers or the Servicer to meet, at all times, the minimum net worth requirements of Fannie Mae, Freddie Mac or Ginnie Mae as an originator, seller or servicer, as applicable; or

(p) any material provision of this Agreement or any other Transaction Document shall for any reason cease to be in full force and effect, or be declared null and void or unenforceable in whole or in part; or the validity or enforceability of any such document shall be challenged or denied; or

(q) a “change in control,” with respect to the ownership of AHMIC shall have occurred after the date hereof (and as used in this subparagraph, the term “change in control” shall mean an acquisition by any Person, partnership or group, as defined under the Securities Exchange Act of 1934, as amended, of a direct or indirect beneficial ownership of 10% or more of the then-outstanding voting stock of the Performance Guarantor); or AHMIC shall cease at any time to own directly or indirectly 100% of the stock of each Seller; or

(r) the total Recognized Value of all Eligible Mortgage Assets shall be less than the Invested Amount, at any time, and the Sellers, jointly and severally, shall fail either to provide cash or additional Eligible Mortgage Assets with a sufficient Recognized Value in an amount sufficient to correct the deficiency within the time period set forth in Section 2.5; or

(s) if, as a result of any Seller’s failure to obtain and deliver to the Custodian, Principal Mortgage Documents as required by Section 2.3(c), the Administrative Agent shall determine that the continuation of such condition could be reasonably expected to have a Material Adverse Effect on the Sellers or the Purchasers; or

(t) there shall have occurred any event that could be reasonably expected to have a Material Adverse Effect on the enforceability or collectability of any significant portion of the Mortgage Loans or the Take-Out Commitments or the Hedges (provided that to the extent such event gives rise to an obligation by any of the Sellers to repurchase such Mortgage Loans pursuant to this Agreement and such Seller does so repurchase in accordance with the provisions of the this Agreement, no Event of Default shall occur under this Section 8.1(t) or there shall have occurred any other event that could be reasonably expected to have a Material Adverse Effect on the ability of any Seller, the Servicer or the Custodian to collect a significant portion of Mortgage Loans or Take-Out Commitments or Hedges or the ability of the Sellers or, so long as the Servicer and any of the Sellers are the same entity, the Servicer to perform hereunder or a Material Adverse Effect has occurred in the financial condition or business of the Sellers since inception or, so long as the Servicer and any one of the Sellers are the same entity, the Servicer since June 30, 2006; or

(u) (i) any litigation (including, without limitation, derivative actions), arbitration proceedings or governmental proceedings not disclosed in writing by any Seller to the Purchasers, the Administrative Agent and the Managing Agents prior to the date of execution and delivery of this Agreement is pending against the Sellers or any Affiliate thereof, or (ii) any development not so disclosed has occurred in any litigation (including, without limitation, derivative actions), arbitration proceedings or governmental proceedings so disclosed, which, in the case of either clause (i) and/or (ii), in the reasonable opinion of the Majority Banks, could reasonably be expected to have a Material Adverse Effect or impair the ability of any Seller, the Servicer or the Performance Guarantor to perform its obligations under this Agreement or any other Transaction Document; or

(v) the Internal Revenue Service shall file notice of a lien pursuant to Section 6323 of the Code with regard to any of the assets of any Seller or the Servicer (so long as the Servicer and one of the Sellers are the same entity) and such lien shall not have

been released within 30 days, or the PBGC shall, or shall indicate its intention to, file notice of a lien pursuant to Section 4068 of ERISA with regard to any of the assets of any Seller or the Servicer (so long as the Servicer and one of the Sellers are the same entity); or

(w) as at the end of any Collection Period, the Delinquent Ratio shall exceed 1%; or

(x) a successor Custodian shall not have been appointed and accepted such appointment within 180 days after the retiring Custodian shall have given written notice of resignation pursuant to Section 4.4 of the Custodial Agreement; or

(y) [Reserved]

(z) [Reserved]

(aa) the Sellers shall cease or otherwise fail to have a good and valid title to (or, to the extent that Article 9 of the UCC is applicable to the Sellers' acquisition thereof, a valid perfected security interest in) a significant portion of the Mortgage Assets (other than Mortgage Assets released in accordance with Section 3.3(a)) or the Collection Account Control Agreement, the Reserve Account Control Agreement, the Disbursement Account Control Agreement shall for any reason (other than pursuant to the terms hereof) fail or cease to create a valid and perfected first priority security interest in the Mortgage Loans and the other Mortgage Assets for the benefit of the Purchasers; or

(bb) as at the end of any Collection Period the amount of the Excess Spread for the three immediately preceding Collection Periods averages less than fifty (50) basis points; or

(cc) as of the Settlement Date following any withdrawal from the Reserve Account pursuant to Section 2.8(e)(i) (after giving effect to any deposit to the Reserve Account pursuant to Section 2.7(c)(iii)(D) on such Settlement Date) the amount on deposit in the Reserve Account shall be less than the Required Reserve Account Amount.

8.2. Default Remedies.

(a) Upon the occurrence and continuation of an Event of Default under Sections 8.1(f), (g), (h), (j), or (v) of this Agreement, the entire unpaid balance of the Repurchase Obligations shall automatically become due and payable, the Termination Date and all Repurchase Dates shall immediately occur and the Maximum Facility Amount shall immediately terminate, all without any notice or action of any kind whatsoever.

(b) Upon the occurrence and continuation of an Event of Default under any provision of Section 8.1 other than those set forth in Section 8.2(a), the Administrative Agent may do any one or both of the following on behalf of the Managing Agents (and shall at the direction of the Majority Banks): (i) declare the entire unpaid balance of the Repurchase Obligations immediately due and payable, whereupon it shall be due and payable; and (ii) declare the Termination Date and all Repurchase Dates to have occurred and terminate the Maximum Facility Amount; provided, however that any declaration made by the Administrative Agent in clauses (i) and (ii) above shall be in writing.

(c) Upon the occurrence of an Event of Default under any provision of Section 8.1 and the acceleration of the unpaid balance of the Repurchase Obligations pursuant to Section 8.2(a) or (b), the Administrative Agent, on behalf of the Managing Agents, may (and shall at the direction of the Majority Banks) do any one or more of the following: (i) sell, without any notice or demand of any kind, at a public or private sale and at such price or prices as the Administrative Agent may reasonably deem satisfactory any or all Mortgage Loans; (ii) elect, in lieu of selling all or a portion of such Mortgage Loans, to give Sellers credit for such Mortgage Loans in an amount equal to the Recognized Value of such Mortgage Loans against the aggregate and unpaid Repurchase Price and any other amounts owing to Purchasers for hereunder; (iii) exercise the rights of offset or banker's Lien against the interest of the Sellers in and to every account and other Property of the Sellers that are in the possession of the Purchasers, the Managing Agents, the Custodian or the Administrative Agent to the extent of the full amount of the Repurchase Obligations (the Sellers being deemed directly obligated to the Purchasers, the Managing Agents and the Administrative Agent in the full amount of the Repurchase Obligations for such purposes). Sellers shall remain liable to Purchasers for any amounts owing to Purchasers following any action taken under the preceding sentence. In addition, the Administrative Agent, on behalf of the Managing Agents, may (and shall at the direction of the Majority Banks) exercise any and all other legal or equitable rights afforded by the Transaction Documents, applicable Governmental Requirements, or otherwise, including, but not limited to, the right to bring suit or other proceedings before any Governmental Authority either for specific performance of any covenant or condition contained in any of the Transaction Documents or in aid of the exercise of any right granted to the Purchasers, the Managing Agents or the Administrative Agent in any of the Transaction Documents.

(d) Upon any declaration or designation of termination or upon automatic termination, the Purchasers shall have, in addition to the rights and remedies under this Agreement, all other rights and remedies with respect to the Purchased Mortgage Assets provided after default under the UCC and under other applicable law, which rights and remedies shall be cumulative.

(e) Upon the occurrence and continuation of a Default hereunder or under any Transaction Document, the Administrative Agent may, and shall, at the direction of the Majority Banks, in addition to any and all other legal or equitable rights afforded by the Transaction Documents, deliver an Activation Notice under the Collection Account Control Agreement and/or the Reserve Account Control Agreement.

(f) The parties hereto recognize that each of the Sellers' obligations to the Purchasers under this Agreement are special, unique and of extraordinary character. If an Event of Default occurs hereunder, each of the Sellers agrees that the Purchasers may enforce this Agreement by a proceeding for specific performance or other equitable remedy including, without limitation, a proceeding in which replevin or injunction is sought by any Purchaser. Each of the Sellers hereby waives to the fullest extent permitted by law any and all rights it may have by statute, constitution or otherwise, to (i) assert the defense of adequacy of a remedy at law that might be asserted as a bar to such proceeding, and (ii) the fixing, imposition or posting of a bond or other security by the

Purchasers as a condition to obtaining any equitable relief sought by any Purchaser, which relief each of the Sellers further agrees may be obtained ex parte without prior notice to any of the Sellers provided a hearing is substantially provided the applicable Seller within a reasonable time after any ex parte relief may be granted the Purchasers. Each of the Sellers further agrees that the rights and remedies hereunder are cumulative, and are not exclusive of any rights, powers, privileges, or remedies, now or thereafter existing, at law, or in equity or otherwise.

8.3. [Reserved]

8.4. Waivers of Notice, Etc.

Except as otherwise provided in this Agreement, the Sellers and each surety, endorser, guarantor and other party liable for payment of any sum or sums of money that may become due and payable, or the performance or any undertaking that may be owed, to the Purchasers, the Managing Agents or the Administrative Agent pursuant to this Agreement or the other Transaction Documents, including the Repurchase Obligations, jointly and severally waive demand for payment, presentment, protest, notice of protest and nonpayment or other notice of default, notice of acceleration and notice of intention to accelerate, and agree that its or their liability under this Agreement or other Transaction Documents shall not be affected by any renewal or extension of the time or place of payment or performance hereof, or any indulgences by the Purchasers or the Administrative Agent, or by any release or change in any security for the payment of the Repurchase Obligations, and hereby consent to any and all renewals, extensions, indulgences, releases or changes, regardless of the number of such renewals, extensions, indulgences, releases or changes.

ARTICLE IX

THE ADMINISTRATIVE AGENT

9.1. Authorization.

Each Purchaser has appointed the Administrative Agent as its agent to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to the Administrative Agent by the terms hereof, together with such powers as are reasonably incidental thereto. As to any matters not expressly provided for by this Agreement (including, without limitation, enforcement of this Agreement), the Administrative Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Majority Banks, and such instructions shall be binding upon all Purchasers; provided, however, that the Administrative Agent shall not be required to take any action that exposes the Administrative Agent to personal liability or that is contrary to this Agreement or applicable law.

9.2. Reliance by Agent.

Notwithstanding anything to the contrary in this Agreement or any other Transaction Document, neither the Administrative Agent nor any of its directors, officers, agents, representatives, employees, attorneys-in-fact or Affiliates shall be liable for any action taken or omitted to be taken by it or them (in their capacity as or on behalf of the Administrative Agent) under or in connection with this Agreement or the other Transaction Documents, except for its or their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, the Administrative Agent: (a) may consult with legal counsel (including counsel for the Sellers), independent certified public accountants and other experts selected by it or the Sellers and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (b) makes no warranty or representation to any Purchaser or the Managing Agents and shall not be responsible to any Purchaser or the Managing Agents for any statements, warranties or representations made in or in connection with this Agreement or the other Transaction Documents; (c) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement on the part of the Sellers or to inspect the Property (including the books and records) of the Sellers, except that the Administrative Agent shall coordinate Periodic Visits; (d) shall not be responsible to any Purchaser or the Managing Agents for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto or the enforceability or perfection or priority of any Mortgage Assets; and (e) shall incur no liability under or in respect of this Agreement or any other Transaction Document by acting upon any notice, consent, certificate or other instrument or writing (which may be by telegram, cable or telex) believed by the Administrative Agent to be genuine and signed or sent by the proper Person or party.

9.3. Agent and Affiliates.

With respect to any Purchase made by Calyon, Calyon shall have the same rights and powers under this Agreement as would any Purchaser and may exercise the same as though it were not the Administrative Agent. Calyon and its Affiliates may accept deposits from, lend money to, act as trustee under indentures of, and generally engage in any kind of business with, the Sellers, the Managing Agents, any of the Sellers' Affiliates and any Person who may do business with or own securities of the Sellers, the Managing Agents or any such Affiliate, all as if Calyon were not the Administrative Agent and without any duty to account therefor to the Purchasers. If Calyon is removed as Administrative Agent, such removal will not affect Calyon's rights and interests as a Purchaser.

9.4. Purchaser Decision.

Each Purchaser (including each Purchaser that becomes a party hereto by assignment) acknowledges that it has, independently and without reliance on the Administrative Agent, any of its Affiliates or any other Purchaser and based on such documents and information as it has deemed appropriate, made its own evaluation and decision to enter into this Agreement. Each Purchaser also acknowledges that it will, independently and without reliance on the Administrative Agent, any of its Affiliates or any other Purchaser and based on such documents and information as it shall deem appropriate at the time, continue to make its own decisions in taking or not taking action under this Agreement.

9.5. Rights of the Administrative Agent.

Each right and remedy expressly provided by this Agreement as being available to the Administrative Agent shall be exercised by the Administrative Agent only at the direction of the Majority Banks.

9.6. Indemnification of Administrative Agent.

Each Bank agrees to indemnify the Administrative Agent (to the extent not reimbursed by or on behalf of the Sellers), ratably according to the respective principal amounts held by it (or if no Purchases are then outstanding, each Bank shall indemnify the Administrative Agent ratably according to the amount of its Bank Commitment), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against the Administrative Agent in any way relating to or arising out of this Agreement or the other Transaction Documents or any action taken or omitted by the Administrative Agent under this Agreement or the other Transaction Documents, provided that no Bank shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Administrative Agent's gross negligence or willful misconduct.

9.7. UCC Filings.

The Purchasers and the Sellers expressly recognize and agree that the Administrative Agent may be listed as the assignee or secured party of record on the various UCC filings required to be made hereunder in order to perfect the back-up security interest in the Mortgage Assets granted by the Sellers for the benefit of the holders of the Repurchase Obligations and that such listing shall be for administrative convenience only in creating a record-holder or nominee to take certain actions hereunder on behalf of the holders of the Repurchase Obligations.

9.8. Notices and Payments to Managing Agents.

(a) The Administrative Agent shall give each Managing Agent prompt notice of each written notice received by it from the Sellers pursuant to Section 2.1 and Section 2.3 hereof if such notice is delivered to the Administrative Agent for the benefit of the Purchasers.

(b) Any payments received by the Administrative Agent from the Sellers for the account of the Purchasers shall be promptly distributed to the related Managing Agent's Account.

ARTICLE X

INDEMNIFICATION

10.1. Indemnities by the Sellers.

(a) General Indemnity. Without limiting any other rights that any such Person may have hereunder or under applicable law, the Sellers hereby agree to indemnify each of the Purchasers, each Managing Agent, the Administrative Agent, any Affected Party, their respective successors, transferees, participants and assigns and all affiliates, officers, directors, shareholders, controlling persons, employees and agents of any of the foregoing (each an “Indemnified Party”), forthwith on demand, from and against any and all damages, losses, claims, liabilities and related reasonable costs and expenses, including attorneys’ fees and disbursements (all of the foregoing being collectively referred to as “Indemnified Amounts”) awarded against or incurred by any of them arising out of or relating to this Agreement or the exercise or performance of any of its or their powers or duties, in respect of any Mortgage Loan or Take-Out Commitment or Hedge, or related to its or their possession of, or dealings with, the Mortgage Assets, excluding, however, any Indemnified Amounts resulting from gross negligence, willful misconduct, or unlawful collection activity directed against a Seller under a mortgage loan included in the Mortgage Assets on the part of such Indemnified Party.

(b) Contribution. If for any reason the indemnification provided above in this Section 10.1 is unavailable to an Indemnified Party or is insufficient to hold an Indemnified Party harmless, then the Sellers shall jointly and severally contribute to the amount paid or payable by such Indemnified Party as a result of such loss, claim, damage or liability in such proportion as is appropriate to reflect not only the relative benefits received by such Indemnified Party on the one hand and Sellers on the other hand but also the relative fault of such Indemnified Party as well as any other relevant equitable considerations.

ARTICLE XI

ADMINISTRATION AND COLLECTION OF MORTGAGE LOANS

11.1. Designation of Servicer.

The servicing, administration and collection of the Mortgage Assets shall be conducted by the Servicer so designated hereunder from time to time. Until the Administrative Agent gives notice to the Sellers of the designation of a new Servicer after the occurrence of a Default or an Event of Default, American Home Mortgage Servicing, Inc. is hereby designated as, and hereby agrees to perform the duties and obligations of, the Servicer pursuant to the terms hereof. The Administrative Agent may at any time following the occurrence of a Servicer Default designate as Servicer any Person (including itself) to succeed the Sellers or any successor Servicer, if such Person shall consent and agree to the terms hereof. The Servicer may, with the prior consent of the Majority Banks (which shall not be unreasonably withheld or delayed), subcontract with any other Person for the servicing, administration or collection of the Mortgage Assets. Any such subcontract shall not affect the Servicer’s liability for performance of its duties and obligations pursuant to the terms hereof.

11.2. Duties of Servicer.

(a) The Servicer shall take or cause to be taken all such actions as may be necessary or advisable to collect each Mortgage Asset from time to time, all in accordance with applicable laws, rules and regulations, with care and diligence, and in accordance with the servicing guide issued by the Governmental Authority applicable to such Mortgage Asset or, in the case of Non-Conforming Loans, the servicing criteria specified by the Approved Take-Out Investor that has issued a Take-Out Commitment with respect thereto. The Sellers and the Administrative Agent hereby appoint the Servicer, from time to time designated pursuant to Section 11.1, as agent for themselves and for the Purchasers to enforce their respective rights and interests in the Mortgage Assets and the Collections thereof. In performing its duties as Servicer, the Servicer shall exercise the same care and apply the same policies as it would exercise and apply if it owned such Mortgage Loans and shall act in the best interests of the Sellers and the Purchasers.

(b) The Servicer shall administer the Collections in accordance with the procedures described in Section 2.7 and shall service the Mortgage Assets in accordance with Section 6.20 and Section 7.5.

(c) The Servicer shall hold in trust for the Sellers and the Purchasers, in accordance with their respective interests, all books and records (including, without limitation, computer tapes or disks) that relate to the Mortgage Assets.

(d) The Servicer shall, as soon as practicable following receipt, turn over to the Sellers, any cash collections or other cash proceeds received with respect to Property not constituting Mortgage Assets.

(e) The Servicer shall, from time to time at the request of the Administrative Agent, furnish to the Administrative Agent (promptly after any such request) a calculation of the amounts set aside for the Purchasers pursuant to Section 2.7(c). Upon request of any Managing Agent, the Administrative Agent shall provide or cause to be provided to such Managing Agent a calculation of the amounts set aside for the Purchasers pursuant to Section 2.7(c).

(f) The Servicer shall perform the duties and obligations of the Servicer set forth in the Custodial Agreement, the Collection Account Control Agreement, the Reserve Account Control Agreement and the Disbursement Account Control Agreement

11.3. Certain Rights of the Administrative Agent.

At any time following the designation of a Servicer other than the Sellers pursuant to Section 11.1 or following an Event of Default:

(a) The Administrative Agent may direct the Obligor that all payments thereunder be made directly to the Administrative Agent or its designee.

(b) At the Administrative Agent's request and at the Sellers' expense, the Sellers shall notify each Obligor of the Lien on the Mortgage Assets and direct that payments be made directly to the Administrative Agent or its designee.

(c) At the Administrative Agent's reasonable request and at the Seller's expense, the Sellers and the Servicer shall (i) assemble all of the documents, instruments and other records (including, without limitation, computer tapes and disks) that evidence or relate to the Mortgage Assets and Collections and Mortgage Loan Collateral, or that are otherwise necessary or desirable to collect the Mortgage Assets, and shall make the same available to the Administrative Agent at a place selected by the Administrative Agent or its designee, and (ii) segregate all cash, checks and other instruments received by it from time to time constituting Collections in a manner reasonably acceptable to the Administrative Agent and, promptly upon receipt, remit all such cash, checks and instruments, duly endorsed or with duly executed instruments of transfer, to the Administrative Agent or its designee.

(d) The Sellers authorize the Administrative Agent to take any and all steps in the Sellers' name and on behalf of the Sellers that are necessary or desirable, in the determination of the Administrative Agent, to collect amounts due under the Mortgage Assets, including, without limitation, endorsing the Sellers' name on checks and other instruments representing Collections and enforcing the Mortgage Assets and the other related assets.

11.4. Rights and Remedies.

(a) If the Servicer fails to perform any of its obligations under this Agreement, the Administrative Agent may (but shall not be required to) itself perform, or cause performance of, such obligation; and the Administrative Agent's reasonable costs and expenses incurred in connection therewith shall be payable by the Servicer.

(b) With respect to each Mortgage Loan, the Servicer shall follow procedures (including collection procedures) that the Servicer customarily employs and exercises in servicing and administering mortgage loans for its own account and that are in accordance with accepted mortgage servicing practices of prudent lending institutions servicing mortgage loans of the same type as the Mortgage Loans in the jurisdictions in which the related Mortgaged Properties are located. The exercise by the Administrative Agent on behalf of the Purchasers of their rights under this Agreement shall not release the Servicer from any of their duties or obligations with respect to any Mortgage Loans. Neither the Administrative Agent, nor the Purchasers shall have any obligation or liability with respect to any Mortgage Loans, nor shall any of them be obligated to perform the obligations of the Sellers thereunder.

11.5. Indemnities by the Servicer.

Without limiting any other rights that the Administrative Agent, any Purchaser or Managing Agent or any of their respective Affiliates (each, a "Special Indemnified Party") may have hereunder or under applicable law, and in consideration of its appointment as Servicer, the Servicer hereby agrees to indemnify each Special Indemnified Party from and against any and all claims, losses and liabilities (including attorneys' fees) (all of the foregoing being collectively referred to as "Special Indemnified Amounts") arising out of or resulting from any of the following excluding, however, (x) Special Indemnified Amounts to the extent resulting from gross negligence or willful misconduct on the part of such Special Indemnified Party, (y) recourse for Mortgage Assets that are not collected, not paid or uncollectible on account of the insolvency, bankruptcy or financial inability to pay of the applicable Obligor or (z) any income taxes or any other tax or fee measured by income incurred by such Special Indemnified Party arising out of or as a result of this Agreement or the Purchases hereunder):

(a) any representation or warranty or statement made or deemed made by the Servicer under or in connection with this Agreement that shall have been incorrect in any respect when made;

(b) the failure by the Servicer to comply in any material respect with any applicable law, rule or regulation with respect to any Mortgage Asset or the failure of any Mortgage Loan to conform to any such applicable law, rule or regulation;

(c) the failure (i) to have filed, or any delay in filing, Mortgages or assignments of Mortgages under the applicable laws of any applicable jurisdiction or (ii) to have caused a first priority perfected interest in the Mortgage Assets to have been granted to the Administrative Agent, in each case with respect to any Mortgage Assets and the other assets and Collections in respect thereof, whether at the time of any purchase under this Agreement or at any subsequent time;

(d) any failure of the Servicer to perform its duties or obligations in accordance with the provisions of this Agreement;

(e) the commingling of Collections at any time by the Servicer with other funds;

(f) any action or omission by the Servicer reducing or impairing the rights of the Administrative Agent or the Purchasers with respect to any Mortgage Asset or the value of any Mortgage Asset;

(g) any Servicer Fees or other costs and expenses payable to any replacement Servicer, to the extent in excess of the Servicer Fees payable to the Servicer hereunder; or

(h) any claim brought by any Person other than a Special Indemnified Party arising from any activity by the Servicer or its Affiliates in servicing, administering or collecting any Mortgage Asset.

ARTICLE XII

THE MANAGING AGENTS

12.1. Authorization.

Each Purchaser hereby appoints and authorizes the related Managing Agent to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to such Managing Agent by the terms hereof, together with such powers as are reasonably incidental thereto. As to any matters not expressly provided for by this Agreement (including, without limitation, enforcement of this Agreement), each Managing Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Banks included in the related Group, having outstanding Bank Commitments equal to more than 50% of the aggregate outstanding

Bank Commitments of the Banks in such Group (or all the Banks where unanimity is required), and such instructions shall be binding upon all Purchasers in its Group; provided, however, that such Managing Agent shall not be required to take any action which exposes such Managing Agent to personal liability or which is contrary to this Agreement or applicable law.

12.2. Reliance by Agent.

Notwithstanding anything to the contrary in this Agreement or any other Transaction Document, none of the Managing Agents nor any of their respective directors, officers, agents, representatives, employees, attorneys-in-fact or Affiliates shall be liable for any action taken or omitted to be taken by it or them (in their capacity as or on behalf of such Managing Agent) under or in connection with this Agreement or the other Transaction Documents, except for its or their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, each Managing Agent: (a) may consult with legal counsel (including counsel for the Sellers), independent certified public accountants and other experts selected by it or any such party and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (b) makes no warranty or representation to any Purchaser or to the other Managing Agents and shall not be responsible to any Purchaser or to the other Managing Agents for any statements, warranties or representations made in or in connection with this Agreement or the other Transaction Documents; (c) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement on the part of the Sellers or to inspect the property (including the books and records) of the Sellers; (d) shall not be responsible to any Purchaser or to the other Managing Agents for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto or the enforceability or perfection or priority of any Mortgage Assets; and (e) shall incur no liability under or in respect of this Agreement or any other Transaction Document by acting upon any notice, consent, certificate or other instrument or writing (which may be by telegram, cable or telex) believed by such Managing Agent to be genuine and signed or sent by the proper Person or party.

12.3. Agent and Affiliates.

With respect to any Purchase made by a Managing Agent, such Managing Agent shall have the same rights and powers under this Agreement as would any Purchaser and may exercise the same as though it were not a Managing Agent. The Managing Agents and their respective Affiliates may accept deposits from, lend money to, act as trustee under indentures of, and generally engage in any kind of business with, the Sellers, any of the Sellers' respective Affiliates and any Person who may do business with the Sellers or any such Affiliates or own the Sellers' securities or those of any such Affiliate, all as if no such Managing Agent were a Managing Agent and without any duty to account therefor to the Purchasers. If any Managing Agent is removed as a Managing Agent, such removal will not affect the rights and interests of such Managing Agent as a Purchaser.

12.4. Notices.

Each Managing Agent shall give each Purchaser in its Group prompt notice of each written notice received by it from the Sellers or the Administrative Agent pursuant to the terms of this Agreement.

12.5. Purchaser Decision.

Each Purchaser (including each Purchaser that becomes a party hereto by assignment) acknowledges that it has, independently and without reliance on any Managing Agent, any Managing Agent's Affiliates or any other Purchaser and based on such documents and information as it has deemed appropriate, made its own evaluation and decision to enter into this Agreement. Each Purchaser also acknowledges that it will, independently and without reliance on any Managing Agent, any Managing Agent's Affiliates or any other Purchaser and based on such documents and information as it shall deem appropriate at the time, continue to make its own decisions in taking or not taking action under this Agreement.

12.6. Indemnification of Managing Agents.

Each Bank agrees to indemnify the related Managing Agent (to the extent not reimbursed by or on behalf of the Sellers), ratably according to the respective principal amounts held by it (or if no Purchases are then outstanding, each Bank shall indemnify the related Managing Agent ratably according to the amount of its Bank Commitment), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against such Managing Agent in any way relating to or arising out of this Agreement or the other Transaction Documents or any action taken or omitted by the related Managing Agent under this Agreement or the other Transaction Documents, provided that no Bank shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from a Managing Agent's gross negligence or willful misconduct.

ARTICLE XIII

MISCELLANEOUS

13.1. Notices.

Any notice, demand or request required or permitted to be given under or in connection with this Agreement or the other Transaction Documents (except as may otherwise be expressly required therein) shall be in writing and shall be mailed by first class or express mail, postage prepaid, or sent by telex, telegram, telecopy or other similar form of rapid transmission, confirmed by mailing (by first class or express mail, postage prepaid) written confirmation at substantially the same time as such rapid transmission, or personally delivered to an officer of the receiving party. With the exception of certain administrative and mortgage asset reports that may be directed to specific departments of the Administrative Agent, all such communications shall be mailed, sent or delivered to the parties hereto at their respective addresses as follows:

The Sellers:

AMERICAN HOME MORTGAGE CORP.
538 Broadhollow Road
Melville, New York 11747
Facsimile: (800) 209-7276
Telephone: (516) 396-7703
Attention: General Counsel

AMERICAN HOME MORTGAGE ACCEPTANCE, INC.
538 Broadhollow Road
Melville, New York 11747
Facsimile: (800) 209-7276
Telephone: (516) 396-7703
Attention: General Counsel

AMERICAN HOME MORTGAGE SERVICING, INC.
538 Broadhollow Road
Melville, New York 11747
Facsimile: (800) 209-7276
Telephone: (516) 396-7703
Attention: General Counsel

AMERICAN HOME MORTGAGE INVESTMENT CORP.
538 Broadhollow Road
Melville, New York 11747
Facsimile: (800) 209-7276
Telephone: (516) 396-7703
Attention: General Counsel

The Issuers:

LA FAYETTE ASSET SECURITIZATION LLC
c/o Calyon Building
1301 Avenue of the Americas
New York, New York 10019
Facsimile: (212) 459-3258
Attention: Liquid Assets Securitization

With a copy to the Administrative Agent (except in the case
of notice from the Administrative Agent).

AMSTERDAM FUNDING CORPORATION
540 West Madison Street, 27th Floor
Mail Code C540-2721
Chicago, IL 60661
Facsimile: (312) 992-1527
Attention: Kevin J. Hayes

PARK AVENUE RECEIVABLES COMPANY, LLC
131 South Dearborn
Mail Code IL1-0597
Chicago, IL 60603
Telephone No.: (312) 732-6163
Facsimile: (312) 732-3600

BARTON CAPITAL LLC
c/o AMACAR Group
6525 Morrison Boulevard, Suite 318
Charlotte, NC 28211
Telephone No.: (212) 278-6373
Facsimile: (212) 278-7320

STARBIRD FUNDING CORPORATION
c/o J.H. Management Corporation
One International Place, Room 3218
Boston, MA 02110-2916
Facsimile: (617) 951-7050

The Banks and Managing Agents:

CALYON NEW YORK BRANCH
Calyon Building
1301 Avenue of the Americas
New York, New York 10019
Facsimile: (212) 459-3258
Attention: Liquid Assets Securitization

LLOYDS TSB BANK PLC
1251 Avenue of the Americas, 39th Floor
New York, NY 10020
Facsimile: (212) 930-5071
Attention: Michelle White

ABN AMRO BANK N.V.
540 West Madison Street, 27th Floor
Mailcode C540-2721
Chicago, IL 60661
Facsimile: (312) 992-1527
Attention: Kevin J. Hayes

SOCIETE GENERALE
1221 Avenue of Americas
New York, NY 10020
Telephone No.: (212) 278-6373
Facsimile: (212) 278-7320

JPMORGAN CHASE BANK
131 South Dearborn
Mail Code IL1-0597
Chicago, IL 60603
Telephone No.: (312) 732-6163
Facsimile: (312) 732-3600

BNP PARIBAS
787 Seventh Avenue, 7th Floor
New York, NY 10019
Telephone: (212) 841-2289
Fax: (212) 841-2689
Attention: Tara Netherton

The Administrative Agent:

CALYON NEW YORK BRANCH
Calyon Building
1301 Avenue of the Americas
New York, New York 10019
Telephone No.: (212) 261-7819
Telex No.: 62410
(Answerback: CRED A 62410 UW)
Facsimile: (212) 459-3258
Attention: Liquid Assets Securitization

The Servicer:

AMERICAN HOME MORTGAGE SERVICING, INC.
538 Broadhollow Road
Melville, New York 11747
Facsimile: (800) 209-7276
Telephone: (516) 396-7703
Attention: General Counsel

The Performance Guarantor:

AMERICAN HOME MORTGAGE INVESTMENT CORP.
538 Broadhollow Road
Melville, New York 11747
Facsimile: (800) 209-7276
Telephone: (516) 396-7703
Attention: General Counsel

or at such other addresses or to such officer' s, individual' s or department' s attention as any party may have furnished the other parties in writing. Any communication so addressed and mailed shall be deemed to be given when so mailed, except with respect to notices and requests given pursuant to Sections 2.3 and 3.3. Purchase Reports and communications related thereto shall not be effective until actually received by the Custodian, the Administrative Agent, the Issuers or the Sellers, as the case may be; and any notice so sent by rapid transmission shall be deemed to be given when receipt of such transmission is acknowledged, and any communication so delivered in person shall be deemed to be given when receipted for by, or actually received by, an authorized officer of the Sellers, the Custodian, the Issuers, or the Administrative Agent.

13.2. Amendments, Etc.

No amendment or waiver of any provision of this Agreement or consent to any departure by the Sellers therefrom shall be effective unless in a writing signed by the Majority Banks, the applicable Managing Agent (as agent for the Issuer) and the Administrative Agent (and, in the case of any amendment, also signed by the Sellers and the Servicer), and then such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No Bank Commitment of any Bank shall be increased without the consent of the Purchasers and the Managing Agent of the applicable Group. Notwithstanding the foregoing, unless an amendment, waiver or consent shall be made in writing and signed by each of the Banks, the Managing Agents and the Administrative Agent (and in the case of any amendment or modification, the Sellers and the Servicer), and each of the Rating Agencies shall confirm that any amendment will not result in a downgrade or withdrawal of the ratings assigned to any Commercial Paper Notes, no amendment, waiver or consent shall do any of the following:

(a) amend the definitions of Eligible Mortgage Loan, Recognized Value, Applicable Purchase Rate or Majority Banks or

(b) amend, modify or waive any provision of this Agreement in any way that would:

(i) reduce the amount of Purchase Price, Price Differential or Repurchase Price that is payable on account of any Purchase or delay any scheduled date for payment thereof, or

(ii) impair any rights expressly granted to an assignee or participant under this Agreement, or

(iii) reduce the fees, costs and expenses payable by the Sellers, to the Administrative Agent, the Managing Agents or the Purchasers, or

(iv) delay the dates on which such fees, costs and expenses are payable, or

(c) amend or waive the Event of Default set forth in Sections 8.1(f), (g) or (h) relating to the bankruptcy of the Performance Guarantor or the Sellers, or

(d) amend or waive the Event of Default set forth in Section 8.1(a), (h), (i), (j), (r), (v) (w), (bb), or (cc), or

(e) amend clause (a) of the definition of Termination Date, or

(f) release the Performance Guarantor or the Servicer Performance Guaranty (other than as expressly provided for in the Transaction Documents), or

(g) release any Mortgage Assets (other than expressly provided for in the Transaction Documents), or

(h) amend this Section 13.2;

and provided, further, that no amendment, waiver or consent shall, unless in writing and signed by the Servicer in addition to the other parties required above to take such action, affect the rights or duties of the Servicer under this Agreement. No failure on the part of the Purchasers, the Managing Agents or the Administrative Agent to exercise, and no delay in exercising, any right thereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right.

13.3. Invalidity.

In the event that any one or more of the provisions contained in this Agreement or any other Transaction Document shall, for any reason, be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of such document.

13.4. Restrictions on Informal Amendments.

No course of dealing or waiver on the part of the Administrative Agent, the Custodian, the Managing Agents, any Purchaser or any Affected Party, or any of their officers, employees, consultants or agents, or any failure or delay by any such Person with respect to exercising any right, power or privilege under this Agreement or any other Transaction Document shall operate as an amendment to the express written terms of this Agreement or any other Transaction Document or shall act as a waiver of any right, power or privilege of any such Person.

13.5. Cumulative Rights.

The rights, powers, privileges and remedies of each of the Purchasers, the Custodian, each Managing Agent, and the Administrative Agent under this Agreement, and any other Transaction Document shall be cumulative, and the exercise or partial exercise of any such right, power, privilege or remedy shall not preclude the exercise of any other right or remedy.

13.6. Construction; Governing Law.

THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK (WITHOUT GIVING EFFECT TO THE CONFLICT OF LAWS PRINCIPLES THEREOF, OTHER THAN SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW WHICH SHALL APPLY HERETO).

13.7. Price Differential.

Any provisions herein, in any other Transaction Document, or any other document executed or delivered in connection herewith, or in any other agreement or commitment, whether written or oral, expressed or implied, to the contrary notwithstanding, the Purchasers shall in no event be entitled to receive or collect, nor shall or may amounts received hereunder be credited, so that the

Purchasers shall be paid, as Price Differential, a sum greater than the maximum amount permitted by applicable law to be charged to the Person primarily obligated to pay a Repurchase Price at the time in question. If any construction of this Agreement, or any other Transaction Document, or any and all other papers, agreements or commitments indicate a different right given to a Purchaser to ask for, demand or receive any larger sum as Price Differential, such is a mistake in calculation or wording that this clause shall override and control, it being the intention of the parties that this Agreement and all other Transaction Documents or other documents executed or delivered in connection herewith shall in all things comply with applicable law and proper adjustments shall automatically be made accordingly. In the event that any of the Purchasers shall ever receive, collect or apply as Price Differential, any sum in excess of the maximum nonusurious rate permitted by applicable law (the "Maximum Rate"), if any, such excess amount shall be applied to the reduction of the Invested Amounts held by such Purchaser, and if such Repurchase Price is paid in full, any remaining excess shall be paid to the Sellers. In determining whether or not the Price Differential paid or payable, under any specific contingency, exceeds the Maximum Rate, if any, the Sellers and each of the Purchasers shall, to the maximum extent permitted under applicable law: (a) characterize any nonprincipal payment as an expense or fee rather than as Price Differential, (b) exclude voluntary prepayments and the effects thereof, and (c) "spread" the total amount of Price Differential throughout the entire term of the respective Repurchase Obligations; provided that if any Repurchase Price is paid and the related Repurchase Obligations are performed in full prior to the end of the full contemplated term hereof, and if the Price Differential received for the actual period of existence thereof exceeds the Maximum Rate, if any, the respective Purchaser shall refund to the Sellers the amount of such excess, or credit the amount of such excess against the aggregate unpaid principal balance of all Purchases made by such Purchaser hereunder at the time in question.

13.8. Right of Offset.

The Sellers hereby grant to each of the Purchasers, the Managing Agents and the Administrative Agent and to any assignee or participant a right of offset, to secure the repayment of the Repurchase Obligations, upon any and all monies, securities or other Property of the Sellers, and the proceeds therefrom now or hereafter held or received by or in transit to such Person, from or for the account of the Sellers, whether for safekeeping, custody, pledge, transmission, collection or otherwise, and also upon any and all deposits (general or special, time or demand, provisional or final) and credits of the Sellers, and any and all claims of the Sellers against such Person at any time existing. Upon the occurrence of any Event of Default, such Person is hereby authorized at any time and from time to time, without notice to the Sellers, to offset, appropriate, and apply any and all items hereinabove referred to against the Repurchase Obligations. Notwithstanding anything in this Section 13.8 or elsewhere in this Agreement to the contrary, the Administrative Agent and the Purchasers and any assignee or participant shall not have any right to offset, appropriate or apply any accounts of the Sellers that consist of escrowed funds (except and to the extent of any beneficial interest of the Sellers in such escrowed funds) that have been so identified by the Sellers in writing at the time of deposit thereof.

13.9. Successors and Assigns.

(a) This Agreement and the Issuers' rights and obligations herein (including ownership of each Purchase) shall be assignable by the Issuers and their successors and assigns to any Eligible Assignee. Each assignor of a Purchase or any interest therein shall notify the Administrative Agent, the related Managing Agent and the Sellers of any such assignment.

(b) Each Bank may assign to any Eligible Assignee or to any other Bank all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Bank Commitment and any Purchases or interests therein owned by it), provided however, that:

(i) each such assignment shall be of a constant, and not a varying, percentage of all rights and obligations under this Agreement,

(ii) the amount being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance Agreement with respect to such assignment) shall in no event be less than the lesser of (x) \$20,000,000 and (y) all of the assigning Bank's Bank Commitment,

(iii) the parties to each such assignment shall execute and deliver to the Administrative Agent, for its acceptance and recording in the Register, an Assignment and Acceptance Agreement, together with a processing and recordation fee of \$3,500, and

(iv) concurrently with such assignment, such assignor Bank shall assign to such assignee Bank an equal percentage of its rights and obligations under the related Liquidity Agreement.

Upon such execution, delivery, acceptance and recording, from and after the effective date specified in such Assignment and Acceptance Agreement, (x) the assignee thereunder shall be a party to this Agreement and, to the extent that rights and obligations hereunder or under this Agreement have been assigned to it pursuant to such Assignment and Acceptance Agreement, have the rights and obligations of a Bank hereunder and thereunder and (y) the assigning Bank shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance Agreement, relinquish such rights and be released from such obligations under this Agreement (and, in the case of an Assignment and Acceptance Agreement covering all or the remaining portion of an assigning Bank's rights and obligations under this Agreement, such Bank shall cease to be a party thereto).

(c) The Administrative Agent shall maintain at its address referred to in Section 13.1 a copy of each Assignment and Acceptance Agreement delivered to and accepted by it and a register for the recordation of the names and addresses of the Banks and the Bank Commitment of, and the portion of the Invested Amount of Purchases or interests therein owned by, each Bank from time to time (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Sellers, the Servicer, the Managing Agents, the Administrative Agent and the Banks may treat each person whose name is recorded in the Register as a Bank under this Agreement for all purposes of this Agreement. The Register shall be available for inspection by the Sellers, the Servicer, the Managing Agents, the Administrative Agent or any Bank at any time and from time to time upon prior notice.

(d) Each Purchaser may sell participations, to one or more banks or other entities that are Eligible Assignees, in or to all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Bank Commitment and the Purchases or interests therein owned by it); provided, however, that:

(i) such Purchaser's obligations under this Agreement (including, without limitation, its Bank Commitment to the Sellers thereunder) shall remain unchanged,

(ii) such Purchaser shall remain solely responsible to the other parties to this Agreement for the performance of such obligations,

(iii) concurrently with such participation, the selling Purchaser shall sell to such bank or other entity a participation in an equal percentage of its rights and obligations under the related Liquidity Agreement, and

(iv) the agreement to enter into a participation, signed by Purchaser and any participant must contain the confidentiality provision set forth in Section 13.15 herein.

The Administrative Agent, the other Purchasers, the Managing Agents, the Servicer and the Sellers shall have the right to continue to deal solely and directly with such Purchasers in connection with such Purchaser's rights and obligations under this Agreement.

(e) The Sellers may not assign its rights or obligations hereunder or any interest herein without the prior written consent of the Administrative Agent, each Managing Agent and each Purchaser and any attempted assignment shall be null and void.

(f) The parties hereto acknowledge that each of the Issuers has granted to the related Managing Agent, as program agent, for the benefit of holders of its Commercial Paper Notes, its liquidity banks, and certain other related creditors, a security interest in its right, title and interest in and to the Purchases, the Transaction Documents and the Mortgage Assets. Each reference herein or in any of the other Transaction Documents to the Liens in the Mortgage Assets granted to the Issuers under the Transaction Documents shall be deemed to include a reference to such security interest of the related program agent.

13.10. Survival of Termination.

The provisions of Article X and Sections 2.12, 11.4, 11.5, 13.14, 13.15, 13.19, 13.20 and 13.21 shall survive any termination of this Agreement.

13.11. Exhibits.

The exhibits attached to this Agreement are incorporated herein and shall be considered a part of this Agreement for the purposes stated herein, except that in the event of any conflict between any of the provisions of such exhibits and the provisions of this Agreement, the provisions of this Agreement shall prevail.

13.12. Titles of Articles, Sections and Subsections.

All titles or headings to articles, sections, subsections or other divisions of this Agreement or the exhibits hereto are only for the convenience of the parties and shall not be construed to have any effect or meaning with respect to the other content of such articles, sections, subsections or other divisions, such other content being controlling as to the agreement between the parties hereto.

13.13. Counterparts.

This Agreement may be executed in two or more counterparts, and it shall not be necessary that the signatures of each of the parties hereto be contained on any one counterpart hereof; each counterpart shall be deemed an original, but all counterparts together shall constitute one and the same instrument.

13.14. No Proceedings.

The Sellers, the Servicer, the Administrative Agent and each Bank hereby agrees that it will not institute against any Issuer, or join any other Person in instituting against any Issuer, any bankruptcy, reorganization, arrangement, insolvency, or liquidation proceeding, or other proceeding under any federal or state bankruptcy or similar law so long as any Commercial Paper Notes issued by such Issuer shall be outstanding or there shall not have elapsed one year plus one day since the last day on which any such Commercial Paper Notes shall have been outstanding. The foregoing shall not limit the rights of the Sellers, the Servicer, the Administrative Agent, any Managing Agent or any Bank to file any claim in or otherwise take any action with respect to any insolvency proceeding that was instituted by any other Person.

13.15. Confidentiality.

Except as required by any Governmental Authority or subject to any Governmental Requirement, with respect to either of them or any of their Affiliates, the Sellers and the Servicer each hereby agrees that it will maintain and cause its respective employees to maintain the confidentiality of this Agreement, and the other Transaction Documents (and all drafts thereof), and each Purchaser, each Managing Agent and the Administrative Agent agrees that it will maintain and cause its respective employees to maintain the confidentiality of the Mortgage Assets and all other non-public information with respect to the Sellers and the Servicer, and their respective businesses obtained by such party in connection with the structuring, negotiating and execution of the transactions contemplated herein, in each case except (a) as may be required or appropriate in communications with its respective independent certified public accountants, legal advisors, or with independent financial rating agencies, (b) as may be required or appropriate in any report, statement or testimony submitted to any municipal, state or Federal regulatory body having or claiming to have jurisdiction over it, (c) as may be required or appropriate in response to any summons or subpoena or in connection with any litigation, (d) as may be required by or in order to comply with any law, order, regulation or ruling including, without limitation, the federal securities laws, (e) as may be required or appropriate in connection with disclosures to any and all persons, without limitation of any kind, of information relating in the tax treatment and tax structure of the transaction and all materials of any kind (including opinions and other

tax analyses) that are provided to the Purchasers or any of the Sellers relating to such tax treatment and tax structure, (f) in the case of any Bank, any Issuer, each Managing Agent or the Administrative Agent, to any Liquidity Bank or provider of credit support to an Issuer, any dealer or placement agent for such Issuer's commercial paper, and any actual or potential assignee of, or participant in, any of the rights or obligations of such Purchaser, or (g) in the case of any Issuer, any Managing Agent or the Administrative Agent, to any Person whom any dealer or placement agent for such Issuer shall have identified as an actual or potential investor in Commercial Paper Notes; provided that any proposed recipient under clause (e), (f) or (g) shall, as a condition to the receipt of any such information, agree to maintain the confidentiality thereof; provided, further that all other disclosures shall require the prior written consent of the relevant party.

13.16. Recourse Against Directors, Officers, Etc.

The Repurchase Obligations are solely the entity obligations of the Sellers. No recourse for the Repurchase Obligations shall be had hereunder against any director, officer, employee (in its capacity as such, and not as Servicer), trustee, agent or any Person owning, directly or indirectly, any legal or beneficial interest in the Sellers (in its capacity as such owner, and not as Servicer or otherwise as a party to any Transaction Document). This Section 13.16 shall not, however, (a) constitute a waiver, release or impairment of the Repurchase Obligations, or (b) affect the validity or enforceability of any other Transaction Document to which the Sellers, the Servicer, the Performance Guarantor or any of their Affiliates are a party.

13.17. Waiver of Jury Trial.

EACH OF THE PARTIES HERETO HEREBY EXPRESSLY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS AGREEMENT, ANY OTHER TRANSACTION DOCUMENT OR UNDER ANY AMENDMENT, INSTRUMENT OR DOCUMENT DELIVERED OR THAT MAY IN THE FUTURE BE DELIVERED IN CONNECTION HERewith OR ARISING FROM ANY BANKING OR OTHER RELATIONSHIP EXISTING IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER TRANSACTION DOCUMENT AND AGREES THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

13.18. Consent to Jurisdiction; Waiver of Immunities.

EACH PARTY HERETO HEREBY ACKNOWLEDGES AND AGREES THAT:

(a) IT IRREVOCABLY (i) SUBMITS TO THE JURISDICTION, FIRST, OF ANY UNITED STATES FEDERAL COURT, AND, SECOND, IF FEDERAL JURISDICTION IS NOT AVAILABLE, OF ANY NEW YORK STATE COURT, IN EITHER CASE SITTING IN NEW YORK CITY, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, (ii) AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED ONLY IN SUCH NEW YORK STATE OR FEDERAL COURT AND NOT IN ANY OTHER COURT, AND (iii) WAIVES, TO THE FULLEST EXTENT IT MAY EFFECTIVELY DO SO, THE DEFENSE OF AN INCONVENIENT FORUM TO MAINTENANCE OF SUCH ACTION OR PROCEEDING.

(b) TO THE EXTENT THAT IT HAS OR HEREAFTER MAY ACQUIRE ANY IMMUNITY FROM THE JURISDICTION OF ANY COURT OR FROM ANY LEGAL PROCESS (WHETHER THROUGH SERVICE OR NOTICE, ATTACHMENT PRIOR TO JUDGMENT, ATTACHMENT IN AID TO EXECUTION, EXECUTION OR OTHERWISE) WITH RESPECT TO ITSELF OR ITS PROPERTY, IT HEREBY IRREVOCABLY WAIVES SUCH IMMUNITY IN RESPECT OF ITS OBLIGATIONS UNDER OR IN CONNECTION WITH THIS AGREEMENT.

13.19. Costs, Expenses and Taxes.

In addition to its obligations under Articles II and X, the Sellers agree to pay on demand:

(a)(i) all reasonable costs and expenses incurred by the Administrative Agent, the Managing Agents and the Purchasers, in connection with the negotiation, preparation, execution and delivery or the administration (including periodic auditing) of this Agreement, the other Transaction Documents, and, to the extent related to this Agreement, the Program Documents (including any amendments or modifications of or supplements to the Program Documents entered into in connection herewith), and any amendments, consents or waivers executed in connection therewith, including, without limitation, (A) the fees and expenses of outside counsel to any of such Persons incurred in connection with any of the foregoing or in advising such Persons as to their respective rights and remedies under any of the Transaction Documents or (to the extent related to this Agreement) the Program Documents, and (B) all out-of-pocket expenses (including fees and expenses of independent accountants) incurred in connection with any review of the books and records of the Sellers or the Servicer either prior to the execution and delivery hereof or pursuant to Section 6.8, and (ii) all costs and expenses actually incurred by the Administrative Agent, the Managing Agents and the Purchasers, in connection with the enforcement of, or any breach of, this Agreement, the other Transaction Documents and, to the extent related to this Agreement, the Program Documents (including any amendments or modifications of or supplements to the Program Documents entered into in connection herewith), including, without limitation, the fees and expenses of outside counsel to any of such Persons incurred in connection therewith, including without limitation, with respect to each Issuer, the cost of rating the Commercial Paper Notes by the Rating Agencies and the reasonable fees and out-of-pocket expenses of counsel to each Issuer; and

(b) all stamp and other taxes and fees payable or determined to be payable in connection with the execution, delivery, filing and recording of this Agreement, the other Transaction Documents or (to the extent related to this Agreement) the Program Documents, and agrees to indemnify each Indemnified Party against any liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees.

13.20. Entire Agreement.

THIS AGREEMENT AND THE OTHER TRANSACTION DOCUMENTS EXECUTED AND DELIVERED AS OF EVEN DATE HERewith REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES HERETO AND THERETO ANY MAY

NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS AMONG THE PARTIES. TO THE EXTENT THAT ANY PROVISIONS OF THE TRANSACTION DOCUMENTS ARE INCONSISTENT WITH THE TERMS OF THIS AGREEMENT, THIS AGREEMENT SHALL CONTROL.

13.21. Excess Funds.

An Issuer shall not be obligated to pay any amount pursuant to this Agreement unless such Issuer has excess cash flow from operations or has received funds with respect to such obligation which may be used to make such payment and which funds or excess cash flow are not required to repay when due its Commercial Paper Note or other short term funding backing its Commercial Paper Notes, and after giving effect to such payment either (i) the Issuer could issue Commercial Paper Notes to refinance all of its outstanding Commercial Paper Notes (assuming such Commercial Paper Notes matured at such time) in accordance with the program documents governing such Issuer's securitization program, or (ii) all of Issuer's Commercial Paper Notes are paid in full. Any amount which an Issuer does not pay pursuant to the operation of the preceding sentence shall not constitute a claim, as defined in Section 101(5) of the United States Bankruptcy Code, against such Issuer for any such insufficiency unless and until such Issuer does have excess cash flow or excess funds.

13.22. Previous Agreements.

Upon the execution of this Agreement, the Existing Loan Agreement and the Existing Repurchase Agreement shall be deemed to be terminated

[Signatures appear on the following page.]

SELLERS

AMERICAN HOME MORTGAGE CORP.

By:

/s/ Alan B. Horn

Name: Alan B. Horn

Title: Executive Vice President
General Counsel & Secretary

AMERICAN HOME MORTGAGE SERVICING, INC.

By:

/s/ Alan B. Horn

Name: Alan B. Horn

Title: Executive Vice President
General Counsel & Secretary

AMERICAN HOME MORTGAGE ACCEPTANCE, INC.

By:

/s/ Alan B. Horn

Name: Alan B. Horn

Title: Executive Vice President
General Counsel & Secretary

AMERICAN HOME MORTGAGE INVESTMENT CORP.

By:

/s/ Alan B. Horn

Name: Alan B. Horn

Title: Executive Vice President
General Counsel & Secretary

AMERICAN HOME MORTGAGE SERVICING, INC.

SERVICER

By:

/s/ Alan B. Horn

Name: Alan B. Horn

Title: Executive Vice President
General Counsel & Secretary

(Signature Page One to the Repurchase Agreement)

ISSUERS

LA FAYETTE ASSET SECURITIZATION LLC

By: Calyon New York Branch, as Attorney-in-Fact

By: _____
/s/ Gary Miller
Title: Managing Director

By: _____
/s/ Anthony Brown
Title: Vice President

BARTON CAPITAL LLC

By: _____
/s/ Evelyn Echevarria
Title: Vice President

AMSTERDAM FUNDING CORPORATION

By: _____
Title: Vice President

PARK AVENUE RECEIVABLES COMPANY, LLC

By: _____
/s/ Julie C. Kraft
Title: Vice President

STARBIRD FUNDING CORPORATION

By: _____
/s/ R. Douglas Donaldson
Name: R. Douglas Donaldson
Title: Treasurer

(Signature Page Two to the Repurchase Agreement)

BANKS

CALYON NEW YORK BRANCH

By:

/s/ Gary Miller

Name: Gary Miller

Title: Managing Director

By:

/s/ Anthony Brown

Name: Anthony Brown

Title: Vice President

LLOYDS TSB BANK PLC

By:

/s/ Michelle White

Name: Michelle White

Title: Assistant Vice President

Structured Finance

W 154

By:

/s/ Daniela Chun

Name: Daniela Chun

Title: Assistant Vice President

Structured Finance, USA

C-031

SOCIETE GENERALE

By:

/s/ James F. Ahern

Title: Managing Director

(Signature Page Three to the Repurchase Agreement)

ABN AMRO BANK N.V.

By:

/s/ Kristina Neville

Title: Vice President

By:

/s/ Michael McIntyre

Title: Vice President

JPMORGAN CHASE BANK, N.A.

By:

/s/ Julie C. Kraft

Title: Vice President

BNP PARIBAS

By:

/s/ Sean Reddington

Name: Sean Reddington

Title: Managing Director

By:

/s/ Brian Leach

Name: Brian Leach

Title: Vice President

CALYON NEW YORK BRANCH

MANAGING AGENTS

By:

/s/ Gary Miller

Name: Gary Miller

Title: Managing Director

By:

/s/ Anthony Brown

Name: Anthony Brown

Title: Vice President

(Signature Page Four to the Repurchase Agreement)

SOCIETE GENERALE

By:

/s/ James F. Ahern

Title: Managing Director

ABN AMRO BANK N.V.

By:

/s/ Kristina Neville

Title: Vice President

By:

/s/ Michael McIntyre

Title: Vice President

JPMORGAN CHASE BANK, N.A.

By:

/s/ Julie C. Kraft

Title: Vice President

BNP PARIBAS

By:

/s/ Sean Reddington

Name: Sean Reddington

Title: Managing Director

By:

/s/ Brian Leach

Name: Brian Leach

Title: Vice President

CALYON NEW YORK BRANCH

ADMINISTRATIVE AGENT

By:

/s/ Gary Miller

Name: Gary Miller

Title: Managing Director

By:

/s/ Anthony Brown

Name: Anthony Brown

Title: Vice President

(Signature Page Five to the Repurchase Agreement)

SCHEDULE I

BANK COMMITMENTS AND PERCENTAGES

<u>Bank</u>	<u>Bank Commitment</u>	<u>Bank Commitment</u> <u>Percentage</u>	
ABN AMRO BANK N.V.	\$250,000,000	100	%
CALYON NEW YORK BRANCH	\$340,000,000	75.6	%
LLOYDS TSB BANK PLC	\$110,000,000	24.4	%
JPMORGAN CHASE BANK	\$250,000,000	100	%
SOCIETE GENERALE	\$275,000,000	100	%
BNP PARIBAS	\$275,000,000	100	%

<u>Issuer</u>	<u>Issuer Facility</u> <u>Amount</u>
AMSTERDAM FUNDING CORPORATION	\$250,000,000
BARTON CAPITAL LLC	\$275,000,000
LA FAYETTE ASSET SECURITIZATION LLC	\$450,000,000
PARK AVENUE RECEIVABLES COMPANY, LLC	\$250,000,000
STARBIRD FUNDING CORPORATION	\$275,000,000

CUSTODIAL AGREEMENT

By and Among:

AMERICAN HOME MORTGAGE CORP.,
As a Seller,

and

AMERICAN HOME MORTGAGE SERVICING, INC.,
As a Seller and as the Servicer

and

AMERICAN HOME MORTGAGE ACCEPTANCE, INC.,
As a Seller

and

AMERICAN HOME MORTGAGE INVESTMENT CORP.,
As a Seller

and

CALYON NEW YORK BRANCH,
As Administrative Agent,

and

DEUTSCHE BANK NATIONAL TRUST COMPANY,
As Custodian

Dated as of November 21, 2006

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CUSTODIAL AGREEMENT

Dated as of November 21, 2006

CUSTODIAL AGREEMENT (the “Agreement”), among AMERICAN HOME MORTGAGE CORP., a New York corporation, as a Seller (hereinafter, together with its successors and assigns, “AHMC”), AMERICAN HOME MORTGAGE SERVICING, INC., a Maryland corporation, as a Seller and as the Servicer (hereinafter, together with its successors and assigns, “AHMS”), AMERICAN HOME MORTGAGE ACCEPTANCE, INC., a Maryland corporation, as a Seller (hereinafter, together with its successors and assigns, “AHMA”), AMERICAN HOME MORTGAGE INVESTMENT CORP., a Maryland corporation, as a Seller (hereinafter, together with its successors and assigns, “AHMIC” and together with AHMC, AHMS and AHMA, collectively, the “Sellers”), CALYON NEW YORK BRANCH (“Calyon”), in its capacity as the administrative agent for the “Purchasers” under and as defined in the Repurchase Agreement referred to below (the “Administrative Agent”), and DEUTSCHE BANK NATIONAL TRUST COMPANY, in its capacity as custodian hereunder (the “Custodian”).

WHEREAS, the Sellers have entered into a Repurchase Agreement dated as of November 21, 2006 (as the same may be amended, restated, supplemented or modified from time to time, the “Repurchase Agreement”), among the Sellers, the Issuers, Calyon, as the Administrative Agent, the Banks, and American Home Mortgage Servicing, Inc. (the “Servicer”), in its capacity as servicer thereunder, pursuant to which the Purchasers may make Purchases on a revolving basis;

WHEREAS, the parties now desire to enter into this Custodial Agreement (the “Agreement”) to provide for the holding and monitoring of Mortgage Assets to be sold, subject to repurchase, pursuant to the Repurchase Agreement;

NOW, THEREFORE, the parties agree as follows:

ARTICLE I

GENERAL TERMS

1.1. Certain Definitions.

Unless otherwise defined herein or in the Repurchase Agreement, terms are used herein as defined in Exhibit D-1 hereto.

ARTICLE II

APPOINTMENT OF CUSTODIAN

2.1. Appointment.

(a) The Administrative Agent, on behalf of the Purchasers, hereby appoints Deutsche Bank National Trust Company, as “Custodian” under this Agreement and authorizes the Custodian to take such action on the Administrative Agent’s behalf and to

exercise such powers and perform such duties as are hereby expressly delegated to the Custodian by the terms of this Agreement, together with such powers as are reasonably incidental thereto.

(b) The Custodian hereby accepts such appointment and agrees to hold, maintain, and administer for the exclusive benefit of the Purchasers all Mortgage Assets at any time delivered to it by or on behalf of the Sellers as herein provided. The Custodian acknowledges and agrees that it is acting and will act with respect to the Mortgage Assets for the exclusive benefit of the Purchasers and shall not be subject with respect to the Mortgage Assets in any manner or to any extent to the direction or control of the Sellers except as expressly permitted hereunder. The Custodian (or its designee) for the benefit of the Administrative Agent and the Purchasers, agrees to act in accordance with this Agreement and in accordance with any written instructions of the Administrative Agent as provided in this Agreement. Under no circumstances shall the Custodian deliver possession of the Mortgage Assets to the Sellers except in accordance with the express terms of this Agreement or otherwise upon the written instruction of the Administrative Agent as provided in this Agreement. Upon a written request by the Servicer (who shall not request substitution of Eligible Mortgage Loans if, as reflected in the most recent Purchase Report, the Recognized Value of Purchased Mortgage Assets which are Eligible Mortgage Assets, immediately after giving effect to a requested transfer and any accompanying substitution of Mortgage Loan Collateral, is less than the total Invested Amount) and approval by the Sellers, Custodian is authorized to permit substitution of Eligible Mortgage Loans (as certified by the Servicer to be Eligible Mortgage Loans) unless the Custodian shall have received written notice from the Administrative Agent that a Default or Event of Default has occurred.

2.2. Custodial Fees.

The Servicer agrees to pay such fees and expenses of the Custodian as shall be agreed to in writing between the Custodian and Servicer. The obligation of the Servicer to pay the Custodian's fees and expenses for its services under this Agreement shall survive the termination of this Agreement and the earlier resignation or removal of the Custodian.

ARTICLE III

COLLATERAL PROCEDURES

3.1. Mortgage Assets.

The Sellers have executed and delivered to the Administrative Agent:

(a) a Collection Account Control Agreement in favor of the Administrative Agent for the benefit of the Purchasers substantially in the form of Exhibit D-3 hereto;

(b) a Reserve Account Control Agreement in favor of the Administrative Agent for the benefit of the Purchasers substantially in the form of Exhibit K to the Repurchase Agreement;

(c) a Disbursement Account Control Agreement in favor of the Administrative Agent for the benefit of the Purchasers substantially in the form of Exhibit D-13 hereto; and

(d) the Assignments provided for in Section 3.2 hereof in the form of Exhibit D-4 hereto.

3.2. Delivery of Mortgage Assets to the Custodian.

(a) Periodically, the Sellers may deliver Mortgage Loan Collateral to the Custodian to hold as bailee for the Purchasers. The Sellers may deliver from time to time such other documents as shall be specified in a notice by the Administrative Agent to the Custodian as documents that are required to be delivered to the Custodian pursuant to this Agreement in order to meet requirements of the Repurchase Agreement or agreements required by the Repurchase Agreement. Each delivery shall be made in association with an assignment (the "Assignment") to the Purchasers in all Mortgage Loans, Take-Out Commitments, Hedges and related Mortgage Assets delivered with or described in such Assignment or any schedules thereto. The Sellers shall use substantially the form illustrated in Exhibit D-4 hereto for each Assignment, or such other form as may be acceptable to, or required by, the Administrative Agent, from time to time.

(b) Each Assignment delivered to the Custodian shall be accompanied by a completed Schedule II and Schedule III, using the forms of such schedules as prescribed in Exhibit D-4 hereto, together with a current Purchase Report, and with respect to each Mortgage Loan described in Schedule II to each Assignment the following items (collectively, the "Principal Mortgage Documents"):

(i) the original of each Mortgage Note, endorsed by the Servicer in blank (without recourse) and all intervening endorsements thereto;

(ii) an original executed assignment in blank for each Mortgage securing such Mortgage Loan, in recordable form, executed by the Seller, in the case of each Mortgage Loan that is not a MERS Designated Mortgage Loan; and

(iii) a certified copy of the executed Mortgage related to such Mortgage Note, certified by the Servicer, escrow agent, title company, closing attorney or an Affiliate of the Servicer as a true and correct copy.

(c) The Servicer shall hold in trust for the Administrative Agent for the benefit of the Purchasers, with respect to each Mortgage Loan included in the Mortgage Assets (the following being referred to, collectively, as the "Other Mortgage Documents"):

(i) the original filed Mortgage relating to such Mortgage Loan; provided, however, that until an original Mortgage is received from the public official charged with its filing and recordation, a copy, certified by the closing agent to be a true and correct copy of the filed and recorded original, may be used by the Sellers to satisfy this requirement;

(ii) other than with respect to a HUD Repossessed Property that is sold to a consumer, a mortgagee's policy of title insurance (or binding unexpired commitment to issue such insurance if the policy has not yet been delivered to the Servicer) insuring that the original mortgagee and its successors and assigns have a perfected, first-priority Lien created by the Mortgage securing such Mortgage Loan (subject to title exceptions that conform to the related Take-Out Commitment) in a policy amount not less than the principal amount of such Mortgage Loan;

(iii) the original hazard insurance policy, appropriately indicating that all insurance proceeds will be paid to the original mortgagee and its successors and assigns, referred to in Section 6.6(b) of the Repurchase Agreement which relate to such Mortgage Loan, or other evidence of insurance acceptable to the Administrative Agent;

(iv) the form of current appraisal of the Property described in the Mortgage, prepared by a state licensed appraiser, that complies with all applicable Governmental Requirements, provided, however, that no appraisal shall be required for Mortgage Loans (x) financing HUD repossessed Property that is sold to a consumer, financed with an FHA loan, fully insurable and in accordance with FHA guidelines, but for which an appraisal is not required, or (y) representing so called VA Rate Reduction or FHA streamline refinances, insurable in accordance with VA and FHA guidelines, but for which an appraisal is not required; and

(v) all other original documents.

Upon three Business Days' prior written notice by the Administrative Agent to the Custodian, the Custodian will receive from the Servicer all such items, held in trust. The Custodian shall hold such items as bailee for the Administrative Agent or such other party as may be designated in such notice.

(d) The Servicer shall provide the Custodian and the Administrative Agent with full access to all Other Mortgage Documents held in trust for the Administrative Agent at all times.

(e) With respect to each Assignment, together with the related electronic transmission, that is received by the Custodian by 11:30 a.m. (eastern time) on a Business Day, the Custodian shall include the Mortgage Loans identified thereon on the Custodian Daily Report to be delivered electronically on the following Business Day, even if the Custodian has not completed its review of the related Principal Mortgage Documents. The Custodian shall prepare by 10:30 a.m. (eastern time) on such following Business Day, the Custodian Daily Report provided for in Section 3.8 hereof, and furnish it electronically to the Administrative Agent, the Managing Agents and the Sellers. The Custodian shall review the Principal Mortgage Documents for up to 500 Mortgage Loans delivered with any such Assignment no later than the opening of business of the Custodian on the Business Day following delivery of such Custodian Daily Report. The Custodian shall have one (1) additional Business Day to review each additional set of 500 Mortgage Loans in excess of the initial set of 500 Mortgage Loans; provided, that, if the Custodian does not complete its review of any such

Principal Mortgage Documents within one (1) Business Day after receiving such Principal Mortgage Documents and including the related Mortgage Loan on a Custodian Daily Report, the Custodian shall report the Recognized Value for any and all such Mortgage Loans as zero on the Custodian Daily Report for the next Business Day. The Custodian's responsibility to review such Mortgage Assets is limited to the review steps described on Schedule I hereto.

(f) The Custodian shall, acting on behalf of the Purchasers, and as agent and bailee of, and as custodian for, the Purchasers, retain possession and custody of the documents delivered to the Custodian pursuant hereto, which documents shall, subject to Sections 4.2(k) and 4.4, remain in the state of California for all purposes until the Mortgage Assets are to be released pursuant to Section 3.4 hereof.

(g) Notwithstanding the foregoing provisions of Section 3.2, the Servicer on behalf of Sellers may ship Other Mortgage Documents to Approved Take-Out Investors under bailment for review by the Approved Take-Out Investor prior to purchase of a Mortgage Note under a Take-Out Commitment.

(h) The Servicer shall deliver to the Custodian within the first five (5) Business Day of each calendar month a report (the "Monthly Payment Status Report"), on a form mutually acceptable to the Servicer and the Custodian, describing the delinquency status of each Mortgage Loan as of the last day of the preceding calendar month.

3.3. Power of Attorney.

(a) Subject to subsection (b) below, the Sellers hereby irrevocably appoint the Administrative Agent, for the benefit of the Purchasers, its attorney in fact, with full power of substitution, for and on behalf and in the name of the Sellers, to: (i) endorse and deliver to any Person any check, instrument or other paper coming into the Custodian's, the Administrative Agent's or any Purchaser's possession and representing payment made in respect of any Mortgage Note or Take-Out Commitment Document delivered hereunder or in respect of any other Mortgage Assets; (ii) prepare, complete, execute, deliver and record any Assignment to be delivered to the Custodian, the Administrative Agent or to any other Person of any Mortgage relating to any Mortgage Note delivered hereunder as Mortgage Loan Collateral; (iii) endorse and deliver any Mortgage Note as Mortgage Loan Collateral arising as proceeds thereof, and do every other thing necessary or desirable to effect transfer of all or any part of the Mortgage Loan Collateral to the Administrative Agent, for the benefit of the Purchasers, or to any other Person; (iv) take all necessary and appropriate action with respect to all Repurchase Obligations and the Mortgage Loan Collateral to be delivered to the Custodian or the Administrative Agent or held by the Sellers in trust for the Administrative Agent for the benefit of the Purchasers; (v) commence, prosecute, settle, discontinue, defend, or otherwise dispose of any claim relating to any Take-Out Commitment or any other part of the Mortgage Loan Collateral; and (vi) sign the related Seller's name wherever appropriate to effect the performance of this Agreement.

(b) This Section 3.3 shall be liberally, not restrictively, construed so as to give the greatest latitude to the Administrative Agent's powers, as the Sellers' attorney-in-fact, to collect, sell, and deliver any of the Mortgage Loan Collateral and all other documents relating thereto. The powers and authorities herein conferred on the Administrative Agent may be exercised by the

Administrative Agent through any Person who, at the time of the execution of a particular instrument, is an authorized officer or agent of the Administrative Agent. The power of attorney conferred by this Section 3.3 shall become effective upon the occurrence, and remain effective during the continuance, of a Default or an Event of Default and is granted for a valuable consideration and is coupled with an interest and irrevocable so long as the Repurchase Obligations, or any part thereof, shall remain unpaid or any Bank Commitment is outstanding. All Persons dealing with the Administrative Agent, any officer thereof, or any substitute attorney, acting pursuant hereto shall be fully protected in treating the powers and authorities conferred by this Section 3.3 as existing and continuing in full force and effect until advised by the Administrative Agent that the Repurchase Obligations have been fully and finally paid and satisfied and all Bank Commitments have been terminated.

3.4. Transfer and Shipping of Mortgage Assets.

(a) Generally. Subject to the limitations contained in this Section 3.4, in connection with a sale or other transfer contemplated by clause (a) or (b), and so long as no Default or Event of Default is continuing, the Sellers or the Servicer (on behalf of the Sellers) may request transfers of the Administrative Agent's interest in all or any part of the Mortgage Assets (including transfers from the Collection Account and release of funds owned by the Sellers and held in the Collection Account) at any time, and from time to time; provided that no such request shall be granted unless, in addition to the satisfaction of the other conditions contained in this Section 3.4,

(i)(immediately after giving effect to any requested transfer) the total Recognized Value of all Purchased Mortgage Assets that are Eligible Mortgage Assets shall equal or exceed the Invested Amount, or

(ii)(A) the Sellers pay a Repurchase Price in an amount, or (B) the Sellers deliver to the Custodian as bailee for the Administrative Agent substitute Eligible Mortgage Assets with a Recognized Value, such that after giving effect to such payment or delivery, the total Recognized Value of all Purchased Mortgage Assets that are Eligible Mortgage Assets will equal or exceed the Invested Amount (the satisfaction of such conditions, a "Margin Sufficiency"). Each request for a partial transfer of Mortgage Assets from the Collection Account shall be addressed to the Custodian and the Administrative Agent and shall be substantially in the form of Exhibit D-11 attached hereto (a "Collection Account Release Notice").

So long as no Default or Event of Default is continuing, and there is a Margin Sufficiency, the Purchasers will be deemed to consent if the Servicer (on behalf of the Sellers) transfers funds from the Collection Account to the Disbursement Account; provided, that the Servicer shall not request and the Custodian shall not permit funds to be released from the Disbursement Account unless the total Recognized Value of all Purchased Mortgage Assets which are Eligible Mortgage Assets (immediately after giving effect to the requested release) equals or exceeds the Invested Amount, as shown on the most recent Purchase Report. Each request for a partial release of Mortgage Assets (a "Transfer Request") shall be addressed to the Custodian and shall be substantially in the form provided

as Exhibit D-5 attached hereto (or such other form as may be reasonably acceptable to or required by the Administrative Agent, from time to time).

(b) Shipping Pursuant to Sale. So long as no Default or Event of Default is continuing and there is a Margin Sufficiency, the Sellers or the Servicer (on behalf of the Sellers) may (and, while a Default or Event of Default is continuing, upon direction of the Administrative Agent, the Sellers shall) from time to time submit a Shipping Request that would permit the repurchase by the Sellers of Purchased Mortgage Loans from the respective Purchasers and a simultaneous sale of such Mortgage Loans to, or the pooling of Mortgage Loans for, an Approved Take-Out Investor, pursuant to a Take-Out Commitment. Upon the receipt by the Custodian of a Shipping Request from the Sellers identifying Mortgage Assets to be delivered to an Approved Take-Out Investor, and so long as (x) (i) there is a Margin Sufficiency, and (ii) no Default or Event of Default shall be in existence or would be caused thereby or, (y) if a Default or Event of Default is in existence or would be caused thereby, or there is not a Margin Sufficiency, the Administrative Agent has approved the Shipping Request:

(i) The Custodian shall deliver to the Approved Take-Out Investors, or its loan servicing provider or custodian, under the Custodian's "Bailee and Security Agreement Letter," substantially in the form of Exhibit D-6(a), or D-6(b) hereto or such other form as may be approved by the Administrative Agent as appropriate, the items of Mortgage Loan Collateral being sold which are held by the Custodian as bailee for the Administrative Agent pursuant to Section 3.2 hereof, with the transfer of the interest of the Administrative Agent on behalf of the Purchasers in such items being conditioned upon timely payment to the Collection Account of the amount described in Section 3.4(b)(iii);

(ii) The Servicer shall, as agent for the Administrative Agent, deliver to such Approved Take-Out Investor, or such Approved Take-Out Investor's loan servicing provider or custodian, under a letter agreement or other arrangement approved by the Administrative Agent the items held by the Servicer pursuant to Section 3.2(c) that are related to the Mortgage Loan Collateral to be transferred on the condition that such Approved Take-Out Investor or its loan servicing provider or custodian shall hold or control such Other Mortgage Documents as bailee for the Administrative Agent for the benefit of the Purchasers until the Approved Take-Out Investor has paid the full purchase price for such Mortgage Loan Collateral to the Collection Account pursuant to the terms of the related Take-Out Commitment or Hedge;

(iii) Within forty-five (45) days after the delivery by the Custodian to such Approved Take-Out Investor or its loan servicing provider or custodian of the items of Mortgage Loan Collateral described in Section 3.4(b) or (ii), the Sellers shall make a payment, or shall cause a payment to be made, to the Collection Account, for distribution to the Administrative Agent for the account of the Purchasers in an amount at least equal to the Repurchase Price for such Mortgage Loan Assets or shall substitute Eligible Mortgage Assets as permitted by this Section 3.4 it being understood that the Custodian shall have no responsibility to verify the purchase price; and

(iv) With respect to each Shipping Request that is received by the Custodian by 11:30 a.m. (eastern time) on a Business Day, the Custodian shall use due diligence and best efforts to review such Shipping Request and prepare the Mortgage Loan files identified in each Shipping Request, for shipment prior to the close of business on the day the Shipping Request is received by the Custodian, and, in any event shall review such Shipping Request and prepare the Mortgage Loan files identified in such Shipping Request no later than 24 hours after such Shipping Request is received by the Custodian.

(c) Transfers. So long as no Default or Event of Default is continuing of which a Responsible Officer of the Custodian has received written notice, subject to Section 3.4(a) and (b), and there is a Margin Sufficiency, the Purchasers consent to permit the Sellers or Servicer on behalf of the Sellers to cause the Custodian to reflect the transfer of Mortgage Loans to any Permitted Transferees (as defined below) by means of its daily electronic transmissions to the Custodian, together with delivery of a Transfer Request delivered to the Custodian, on or before 11:30 a.m. (eastern time), identifying each Mortgage Loan being transferred. The Custodian's sole responsibility with respect to any such transfers shall be to correctly reflect such transfers on its computer system and books and records and to indicate, on its Custodian's Daily Report to be delivered on such Business Day, that such transfers have been effected. "Permitted Transferees" means any of the Sellers, in connection with any sale and transfer thereto effected pursuant to the terms of the Repurchase Agreement and any Approved Take-Out Investor. However, requested transfers will not be made if (A) as reflected in the most recent Purchase Report, the Invested Amount will equal or exceed Recognized Value of Purchased Mortgage Assets which are Eligible Mortgage Assets immediately after giving effect to a requested transfer and any accompanying substitution of Mortgage Assets, or (B) the Custodian shall have received written notice from the Administrative Agent that a Default or Event of Default has occurred.

(d) Continuation of Purchasers' Interest in Mortgage Loans. Unless released in writing by the Administrative Agent as herein provided, the Purchasers' interest in all Mortgage Loan Collateral transmitted pursuant to Section 3.4(b) shall continue in effect until such time as the Administrative Agent shall have received payment in full of the amount described in Section 3.4(b)(iii).

(e) Application of Proceeds; No Duty. Neither the Administrative Agent, nor the Custodian, nor any Purchaser shall be under any duty at any time to credit the Sellers for any amounts due from any Approved Take-Out Investor in respect of any purchase of any Mortgage Assets contemplated under Section 3.4(b) above, until the Administrative Agent has actually received such amount in the form of immediately available funds, for deposit to the Collection Account. Neither the Administrative Agent, nor the Custodian, nor any Purchaser shall be under any duty at any time to collect any amounts or otherwise enforce any obligations due from any Approved Take-Out Investor in respect of any such purchase.

(f) Mandatory Redemption of Mortgage Assets. Notwithstanding any provision hereof to the contrary, if at any time a Margin Deficit exists, the Sellers shall, immediately upon receipt of notice (which may be by telephone, promptly confirmed in

writing) from the Administrative Agent or the Custodian, make a deposit to the Collection Account or pledge, assign and deliver additional or substitute Purchased Mortgage Assets which are Eligible Mortgage Assets to the Administrative Agent for the benefit of the Purchasers, so that, immediately after giving effect to such payment or pledge and assignment, the total Recognized Value of Eligible Mortgage Assets shall be equal to or greater than the Invested Amount.

(g) Representation in Connection with Releases, Sales and Transfers. The Sellers and the Servicer each represents and warrants that each request for any release or transfer pursuant to Section 3.4(a), Section 3.4(b) or Section 3.4(c) shall automatically constitute a representation and warranty to the Purchasers, the Administrative Agent, and the Custodian to the effect that immediately before and after giving effect to such release or Transfer Request, the Recognized Value of Purchased Mortgage Assets which are Eligible Mortgage Assets shall equal or exceed the Invested Amount. In connection with any request for a release or a Transfer Request, the Custodian may assume, in the absence of written notice to the contrary received from the Administrative Agent, that immediately before and after giving effect to such release of Mortgage Assets or Transfer Request, no Default or Event of Default exists.

(h) Limitation on Releases. Notwithstanding any provision to the contrary, the Custodian shall not release any Mortgage Assets unless (i) payment of what purports to be the purchase price by the Approved Take-Out Investor has been made in immediately available funds to the Collection Account; or (ii) immediately before and after giving effect thereto, the total Recognized Value of Purchased Mortgage Assets which are Eligible Mortgage Assets (including any Eligible Mortgage Loans substituted for those Eligible Mortgage Loans being released) shall equal or exceed the Invested Amount, as reflected in the most recent Purchase Report.

3.5. Releases of Mortgage Notes for Servicing.

The Servicer may from time to time request, in writing in the form of Exhibit D-7 hereto, that the Custodian deliver a Mortgage Note that constitutes Mortgage Loan Collateral so that (a) such Mortgage Note may be replaced by a corrected Mortgage Note, or (b) any servicing action may take place with respect to such Mortgage Note. Upon receipt by the Custodian of such a request from the Servicer, and so long as the Custodian has not received written notice that a Default or Event of Default shall be in existence, the Custodian shall deliver to the Servicer, under the “Trust Receipt and Security Agreement Letter,” substantially in the form of Exhibit D-7, hereto, or such other form as may be approved by the Administrative Agent, the Mortgage Note to be corrected or serviced, such delivery to be conditioned upon the receipt by the Custodian within fourteen (14) calendar days of either a corrected Mortgage Note, in the case of Mortgage Notes delivered for correction, or the Mortgage Note originally delivered to the Servicer by the Custodian, in the case of a Mortgage Note delivered for a servicing action; provided, that (as certified to the Custodian by the Servicer):

(i) at no time shall Mortgage Notes having an aggregate Recognized Value in excess of 2.5% of the Maximum Facility Amount be so delivered to the Servicer pursuant to this Section 3.5 (the Recognized Value assigned to each such Mortgage Notes delivered for correction shall be determined utilizing as the principal amount of such Mortgage Note the

lesser of the uncorrected face value of such Mortgage Note and the correct face value of such Mortgage Note known to the Sellers or the Servicer; provided, however, that if the correct face value of such Mortgage Note is not known to the Custodian, the Custodian may use the uncorrected face value of such Mortgage Note in determining the Recognized Value);

(ii) with respect to Mortgage Notes delivered for correction, until such time as a corrected Mortgage Note shall have been delivered to the Custodian, the Recognized Value attributed to each Mortgage Note delivered to the Servicer to be corrected in accordance with this Section 3.5 shall be the lesser of the uncorrected face value of such Mortgage Note and the corrected face value of such Mortgage Note known to the Sellers and communicated in writing by the Sellers to the Custodian; provided, however, that if the correct face value of such Mortgage Note is not known to the Custodian, the Custodian may use the uncorrected face value of such Mortgage Note in determining the Recognized Value; and

(iii) notwithstanding the preceding clause (ii), unless, (A) in the case of Mortgage Notes delivered for correction, the corrected Mortgage Note is endorsed in blank (without recourse) and re-delivered to the Custodian within 14 calendar days of the date of delivery by the Custodian of the Mortgage Note to be corrected, or (B) in the case of Mortgage Notes delivered for servicing actions, the original Mortgage Note is re-delivered to the Custodian within 14 calendar days of the date of delivery by the Custodian of the Mortgage Note to be serviced, the Recognized Value attributed to either the Mortgage Note to be delivered and the corrected Mortgage Note, or the Mortgage Note delivered for servicing, shall be zero beginning on the 15th calendar day; provided, however, that the Recognized Value attributable to the corrected Mortgage Note or the Mortgage Note delivered for correction or servicing will be reinstated promptly upon the subsequent delivery thereof to the Custodian.

3.6. [RESERVED].

3.7. Wet Purchases.

(a) Pursuant to the Repurchase Agreement, the Sellers may from time to time request that certain Purchases be funded after delivery to the Custodian of the related Assignment, but prior to the delivery to the Custodian of the corresponding Principal Mortgage Documents (individually a “Wet Purchase”; collectively “Wet Purchases”). The Sellers and the Administrative Agent acknowledge that Purchases in respect of Wet Purchases are subject to various terms and conditions of the Repurchase Agreement, including those set forth in Section 2.3(c) to the Repurchase Agreement.

(b) Delivery of Principal Mortgage Documents. Within nine (9) Business Days after the date that each Assignment is delivered (and inclusion of the related Wet Loans within the computation of Recognized Value as reported on the Custodian Daily Report) to the Custodian, the Sellers shall deliver to the Custodian all of the Principal Mortgage Documents pertaining to such Wet

Loans, or make a mandatory payment so that after giving effect thereto, the Recognized Value of Eligible Mortgage Assets (excluding such Wet Loans) shall equal or exceed the Invested Amount.

3.8. Mortgage Asset Reporting.

(a) At the commencement of each Business Day, and in no event later than 10:30 a.m. (eastern time), the Custodian shall furnish to the Sellers, Servicer, each Managing Agent and the Administrative Agent electronically a duly completed report in the form of Exhibit D-8 hereto, (the “Custodian Daily Report”) specifying and certifying the then Recognized Value of the Purchased Mortgage Assets which are Eligible Mortgage Assets and other information, all as more fully provided for therein and as set forth on Schedule I hereto, noting, except for any Wet Loans and other Mortgage Loans with respect to which the Custodian has not completed its review of the Principal Mortgage Documents, any applicable Exceptions on Schedule I thereto.

(i) The Custodian may assume the accuracy of all information supplied by the Sellers to the Custodian in any Assignment, or related electronic transmission, received by the Custodian, including but not limited to the acquisition price paid for any Mortgage Loan, the unpaid principal balance of any Mortgage Loan as of its closing and funding date and the weighted average Market Value used in the related Recognized Value calculation and whether the Mortgage Loan is a Conforming Loan, and Alt-A Loan, a Jumbo Loan, a Super Jumbo Loan, a Second-Lien Loan or an Uncovered Mortgage Loan; and

(ii) The Custodian may assume the accuracy of the information supplied by the Sellers to the Custodian, whether written or in any other form acceptable to the Custodian, with respect to a determination as to whether amounts received in the Collection Account represent the Repurchase Price paid for a specific Mortgage Loan and, consequently, whether the Recognized Value of such Mortgage Loan should be removed from such calculation.

(b) Two Business Days prior to the date on which the Maximum Facility Amount has changed, the Servicer shall notify the Custodian and the Sellers (by facsimile) of the new Maximum Facility Amount under the Repurchase Agreement. For purposes of the Custodian Daily Report, the Custodian shall assume that the Maximum Facility Amount is \$1,500,000,000 unless it receives written notice to the contrary from the Administrative Agent.

(c) The Custodian shall monitor and report on the Custodian Daily Report the amount of Wet Loans and the portion thereof for which the related Principal Mortgage Documents have been delivered to the Custodian within the time period permitted under Section 3.7.

3.9. Further Obligations of the Custodian.

The Custodian shall promptly notify the Administrative Agent if the Custodian receives written notice (i) that any Lien (other than for the Administrative Agent for the benefit of the Purchasers) has been placed, or attempted to be placed, on any Mortgage

Assets for the Repurchase Obligations or that the Administrative Agent's interest shall have been challenged or (ii) that any Approved Take-Out Investor has rejected any Mortgage Assets that is related to a Mortgage Loan that has been delivered to the Custodian as Purchased Mortgage Assets for the Repurchase Obligations.

3.10. Segregation of Mortgage Assets.

The Custodian shall keep and maintain the Mortgage Assets on its documents, books and records separate and apart from its other Property and from any Property securing any liabilities of the Sellers to any other Person. Without limitation of the foregoing, the Custodian shall keep and maintain the Mortgage Assets on its documents, books and records separate and apart from any collateral provided by the Sellers in favor of any other lender providing financing to the Sellers. This provision does not require physical separation of the Principal Mortgage Documents or Other Mortgage Documents from collateral held for other loans, but each Mortgage Loan must be maintained in a separate file folder from the documents related to any other mortgage loan.

3.11. Delivery of Required Documents to the Administrative Agent.

Upon written request of the Administrative Agent, after the occurrence of and during the continuation of an Event of Default under the Repurchase Agreement of which a Responsible Officer of the Custodian has received written notice, the Custodian shall deliver within two (2) Business Days (or in contemplation of removing the Custodian as custodian hereunder, the Custodian shall deliver within five (5) Business Days,) to the Administrative Agent or its designee any or all documents and other Mortgage Assets which are then in the possession or control of the Custodian. The Administrative Agent shall provide the Sellers with a copy of any such notice delivered to the Custodian. All special handling and delivery costs shall be paid by the Sellers.

3.12. Hedge Reporting.

The Servicer shall prepare a duly completed Hedge Report in the form of Exhibit K to the Repurchase Agreement on the close of business on the last Business Day of each week and shall provide such Hedge Report to the Sellers and the Administrative Agent no later than 10:00 am (eastern time) on the following Business Day.

ARTICLE IV

THE CUSTODIAN

4.1. Instructions to the Custodian.

As to any matter not expressly provided for by this Agreement, the Custodian shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Administrative Agent acting on behalf of the Purchasers; provided, however, that the Custodian shall not be required to take any action which may expose the Custodian to any liability that such Custodian determines to be unreasonable in light of the circumstances or that is contrary to this Agreement or any Governmental Requirement.

4.2. Reliance by the Custodian; Responsibility of the Custodian.

(a) The Custodian shall perform its duties hereunder in accordance with the standards followed by the Custodian in dealing with similar property for its own account. Notwithstanding anything to the contrary in this Agreement or any other Transaction Document, neither the Custodian nor any of its respective directors, officers, agents, representatives, employees, attorneys-in-fact or Affiliates shall be liable for any action taken or omitted to be taken by it or them (in their capacity as or on behalf of the Custodian) under or in connection with this Agreement or the other Transaction Documents, except for its or their own gross negligence or willful misconduct, for which the Custodian shall be liable. In no event shall the Custodian, its directors, officers, agents or employees be liable, directly or indirectly, for any special, indirect, punitive or consequential damages.

(b) All Mortgage Assets at any time delivered to the Custodian hereunder shall be held by the Custodian in a fire resistant vault, drawer or other suitable depository maintained and controlled solely by the Custodian, conspicuously marked to show the interest therein of the Custodian as bailee for the Administrative Agent on behalf of the Purchasers and not commingled with any other assets or property of, or held by, the Custodian for any person other than the Sellers or any of the Sellers. The Custodian shall have responsibility only for documents which have been actually delivered to the Custodian in connection herewith and which have not been released to the Administrative Agent, the Sellers, the Servicer, a transferee or their respective agent or designee in accordance with this Agreement. In the event that a Mortgage Note has been delivered to the Custodian and, subsequently, the Custodian cannot locate such Mortgage Note, then the Custodian shall prepare and execute a lost note affidavit with appropriate indemnification and shall deliver such lost note affidavit to the party that otherwise would have been entitled to delivery of the related Mortgage Note in accordance with this Agreement at the time such Mortgage Note would have been delivered.

(c) Under no circumstances shall the Custodian be obligated to verify the authenticity of any signature on any of the documents received or examined by it in connection with this Agreement or the authority or capacity of any person to execute or issue any such document nor shall the Custodian be responsible for the value, form, substance, validity, perfection (other than by taking and continuing possession of the Mortgage Assets), priority, effectiveness or enforceability of any of such documents nor shall the Custodian be under a duty to inspect, review or examine the documents to determine whether they are appropriate for the represented purpose or that they have been actually recorded or that they are other than what they purport to be on their face.

(d) The Custodian may accept but shall not be responsible for examining, determining the meaning or effect of, or notifying or advising the Sellers or the Administrative Agent in any way concerning, any item or document in any file regarding a Mortgage Loan that is not one of the items or documents listed in Section 3.2(b). The Sellers shall be solely responsible for providing to the Custodian each and every document listed in Section 3.2(b) and for completing or correcting any omission, or incomplete or inconsistent document.

(e) With respect to the calculations in connection with Custodian Daily Reports, the Custodian shall be entitled to rely upon the information contained in any Assignment. The Custodian shall (i) except for Wet Loans for which it has not yet received the Principal Mortgage Documents, hold all Principal Mortgage Documents relating to each Mortgage Loan exclusively for the benefit of the Purchasers under the terms of this Agreement (i.e., is not held by the Custodian for the benefit of any other Person), and (ii) in the case of Wet Loans, monitor and report the amount of such Wet Loans and the portion thereof for which the related Principal Mortgage Documents have been delivered to the Custodian within the time period permitted under Section 3.7. Except as otherwise expressly provided in this Agreement, the Custodian shall have no duty to investigate or conduct any due diligence with respect to such information.

(f) With respect to the determination of whether a Mortgage Loan constitutes an Eligible Mortgage Loan, the Custodian shall be responsible for determining that: (i) such Mortgage Loan meets the requirements of clauses (a)(ii), (d) (with respect to (d), it being understood and agreed that the Custodian is not responsible to determine whether the related Mortgage Note is a legal, valid and binding obligation of the Obligor), (e), (i(iv-vi)), (j) and (m) of the definition of Eligible Mortgage Loan, (ii) that no more than 45 days have lapsed since the date on which the original Mortgage Note evidencing such Mortgage was shipped to the related Approved Take-Out Investor, and (iii) pursuant to Sections 3.9(i), 3.10 and 4.2(e), to the Custodian's best knowledge such Mortgage Loan is owned by or subject to a perfected first-priority Lien in favor of the Administrative Agent for the benefit of the Purchasers, and, to the Custodian's best knowledge, is not subject to any other Lien; but the Custodian may assume that all of the other requirements of the definition of Eligible Mortgage Loan have been satisfied.

(g) The Custodian is an agent and bailee only and is not intended to be, nor shall it be construed to be a trustee or fiduciary under this Agreement of or for either or both of the Sellers or the Administrative Agent.

(h) The Custodian shall retain possession and custody of the Principal Mortgage Documents received from the Sellers and pertaining to each Mortgage Loan file as agent and bailee of, and as custodian for, the Administrative Agent for all purposes until the Mortgage Assets are released pursuant to Section 3.4 or 3.5 hereof.

(i) Without limitation of the generality of the foregoing, the Custodian: (i) may consult with legal counsel (including counsel for the Sellers), independent public accountants and other experts selected by the Custodian or the Sellers and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (ii) except as provided in this Agreement, makes no warranty or representation to the Administrative Agent or the holders of any Repurchase Obligations and shall not be responsible to the Administrative Agent or the holders of any Repurchase Obligations for any statements, warranties or representations made in or in connection with this Agreement or the other Transaction Documents; (iii) except as provided in Sections 3.2(e), 3.4(a), (b), (c), (h), 3.8, 3.9 and this Section 4.2, shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement on the part of the Sellers or to inspect the property (including the books and records) of the Sellers; (iv) shall not be responsible to the Administrative Agent or the holders of any Repurchase Obligations for the due execution, legality, validity, enforceability of this Agreement or any other

instrument or document furnished pursuant hereto as it relates to any party other than the Custodian, or for the genuineness, effectiveness, sufficiency, value, perfection or priority of any Mortgage Assets; (v) shall incur no liability under or in respect of this Agreement by acting upon any notice, consent, certificate or other instrument or writing (which may be by telegram, telecopy, cable or telex) believed in good faith by the Custodian, to be genuine and signed or sent by the proper Person; (vi) shall be entitled to rely on the terms of this Agreement and shall be under no obligation to review the terms of the other Transaction Documents, and in the event of any conflict between this Agreement and the Transaction Documents, the terms of this Agreement shall control with respect to the rights and obligations of the Custodian; and (vii) in the event of any amendment, revision, restatement, waiver or other change to the Transaction Documents which could have the effect of increasing the level of effort or changing the scope of work of the Custodian under this Agreement and which was not consented to in writing by the Custodian, shall not be given effect so as to modify in quantity or otherwise the obligations of the Custodian under this Agreement; (as an example only of the foregoing, and to avoid doubt in interpretation of this subsection (vii), an increase in the aggregate commitments under the Purchasers of the Repurchase Agreement shall not, unless the Custodian receives two weeks' advance written notice of any such amendment, revision, restatement, waiver or other change to the Transaction Documents, require the Custodian to review Mortgage Loan Collateral that would relate to such increased commitment).

(j) The Custodian may execute any of its duties under this Agreement by or through agents, attorneys, custodians, nominees or attorneys-in-fact (which agents, attorneys, custodians, nominees or attorneys-in-fact shall be accorded the same rights and obligations applicable to the Custodian) and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Custodian shall be responsible for the actions or non-actions of any agent, attorneys, custodians, nominees or attorneys-in-fact selected by it to the extent it would have been liable had it taken such action itself; provided, however, that nothing contained herein shall affect in any manner or any extent the rights of the Sellers or the Administrative Agent against such agents or attorneys-in-fact.

(k) Merger of Custodian. Any entity into which the Custodian may be merged or converted or with which may be consolidated, or any entity resulting from any merger, conversion or consolidation to which the Custodian shall be a party, or any entity succeeding to the business of the Custodian, shall be the successor of the Custodian 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.

(l) Except as set forth in Section 4.2(a) hereof, none of the provisions of this Agreement shall require the Custodian to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers if it shall have reasonable grounds for believing that repayment of such funds or indemnity satisfaction to it against such risk or liability is not assured to it.

(m) The Custodian may conclusively rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval or other paper or document reasonably believed by it to be genuine and to have been signed or presented by the proper party or parties.

4.3. Agents and Affiliates.

The Custodian and its respective Affiliates may accept deposits from, lend money to, act as trustee under indentures of, and generally engage in any kind of business with, any of the Sellers, any of the Sellers' Affiliates and any Person who may do business with or own securities of the Sellers or any such Affiliate, all as if the Custodian were not the Custodian and without any duty to account therefor to the Administrative Agent or the holders of any Repurchase Obligations.

4.4. Successor Custodian.

The Custodian may resign at any time by giving written notice thereof to the Sellers and the Administrative Agent. The Custodian may be removed at any time with cause, and upon thirty (30) days written notice without cause, by the Administrative Agent on behalf of the Purchasers. Upon request of the Sellers, so long as no Default or Event of Default exists, the Custodian shall be removed by the Administrative Agent, provided that any such removal without cause at the request of the Seller shall be preceded by thirty (30) days written notice to the Custodian and the Sellers shall pay immediately upon demand all costs and expenses incurred by any Purchaser, the Administrative Agent or the Custodian in connection therewith. Upon any such resignation or removal, the Administrative Agent, at the direction of the Majority Banks, shall have the right to appoint a successor Custodian. Any successor Custodian appointed by the Administrative Agent, provided that no Default or Event of Default exists, shall be satisfactory to the Sellers at the time of appointment. In the case of a retirement or resignation, if no successor Custodian shall have been so appointed by the Administrative Agent (and approved by the Sellers, if applicable), and shall have accepted such appointment, within 60 days after the retiring Custodian's giving of notice of resignation, then the retiring Custodian shall deliver all Mortgage Assets in its possession to the Administrative Agent and the Custodian shall be discharged from its duties and obligations under this Agreement. After a notice of retirement or resignation has been given by the Custodian and until a successor Custodian shall have been appointed, the Administrative Agent shall pay all reasonable fees and out of pocket expenses owed to the Custodian by the Servicer pursuant to any written agreement between the Custodian and the Servicer, provided, however, that the Sellers shall reimburse the Administrative Agent for all such payments. No such resignation or removal shall be effective until the earlier of (1) the date on which a successor Custodian shall have been appointed, and accepted such appointment, in accordance with this Section 4.4 or (2) the day upon which a period of 60 days has passed after notice of such resignation or removal. Upon the acceptance of any appointment of the Custodian hereunder by a successor Custodian, such successor Custodian shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Custodian, and the retiring Custodian shall be discharged from its duties and obligations under this Agreement. The retiring or removed Custodian shall take all steps reasonably necessary to provide for an orderly transfer of the Mortgage Assets and all related documentation to the successor Custodian at the Servicer's expense. After any retiring Custodian's resignation or removal hereunder as the Custodian, the provisions of this Article IV shall inure to its benefit as to any actions taken or omitted to be taken by it while it was a Custodian under this Agreement.

4.5. Right of Inspection.

The Custodian shall permit any officer, employee or agent of the Sellers, the Servicer or the Administrative Agent that may so request to visit and inspect the premises on which the custodial duties of the Custodian hereunder are performed, examine the books and records of the Custodian which pertain to such custodial duties, take copies and extracts therefrom, and discuss the performance of such custodial duties with the officers of the Custodian that are responsible therefor, at such time, after reasonable prior written notice to the Custodian, as may be mutually acceptable to the Custodian and such Sellers, Servicer or Administrative Agent during the Custodian's normal business hours.

4.6. Accounting in Certain Circumstances.

Subject to the provisions of Section 4.2 hereof, in the event that the Custodian, acting in its capacity as custodian for the Administrative Agent, shall receive any money in respect of Mortgage Assets, whether pursuant to Section 3.4 hereof or otherwise, the Custodian shall provide an accounting therefor to the Administrative Agent and the Sellers by the end of the Business Day following the date of receipt thereof, such accounting to include the amount received and shall promptly (but in no event later than the next Business Day) deposit such amounts into the Collection Account and prior to such deposit to be held as Mortgage Assets in favor of the Administrative Agent as provided in Section 3.1; provided, however, that all expenses of the Custodian reasonably allocable to such accounting shall be added to the Repurchase Obligations as expenses of the Custodian. All such funds received after 4:00 p.m. (eastern time) shall be considered to have been received on the following Business Day. All such funds received shall be held uninvested (and the Custodian shall not be liable for interest thereon), unless permitted by the applicable Transaction Document and otherwise instructed by the Servicer, and in such case, funds shall be invested in Eligible Investments specified by the Servicer in such instructions; provided, however, that if the Servicer directs that funds be invested in Eligible Investments, the Servicer shall be required to ensure that all investments must mature on each Settlement Date (as defined in the Repurchase Agreement). The Custodian shall provide such other information in such detail and at such time or times as the Sellers or the Administrative Agent may reasonably request.

ARTICLE V

INDEMNIFICATION

5.1. Indemnities by the Servicer.

Without limiting any other rights that any such Person may have hereunder or under applicable law, the Servicer hereby agrees to indemnify the Custodian, its successors, transferees, participants and assigns and all affiliates, officers, directors, shareholders, controlling persons, employees and agents of any of the foregoing (each an "Indemnified Party"), forthwith on demand, from and against any and all actual damages, losses, claims, liabilities and related costs and expenses, including attorneys' fees, expenses and

disbursements (all of the foregoing being collectively referred to as "Indemnified Amounts") awarded against or incurred by any of them arising out of or relating to this Agreement, the Collection Account Control Agreement, the Reserve Account Control Agreement, the Disbursement Account Control Agreement or the Repurchase Agreement or the exercise or performance of any of its or their powers or duties hereunder or thereunder, or in respect of any Mortgage Loans or Take-Out Commitment, or related in any way to their possession of, or dealings with, the Mortgage Assets, excluding, however, Indemnified Amounts to the extent resulting from gross negligence or willful misconduct on the part of such Indemnified Party. This Section 5.1 shall survive the termination of this Agreement and the earlier resignation or removal of the Custodian.

ARTICLE VI

MISCELLANEOUS

6.1. Notices.

Any notice, demand or request required or permitted to be given under or in connection with this Agreement or the other Transaction Documents (except as may otherwise be expressly required therein) shall be in writing and shall be mailed by first class or express mail, postage prepaid, or sent by telex, telegram, telecopy or other similar form of rapid transmission, confirmed by mailing (by first class or express mail, postage prepaid) written confirmation at substantially the same time as such rapid transmission, or personally delivered to an officer of the receiving party. With the exception of certain administrative and collateral reports that may be directed to specific departments of the Administrative Agent, all such communications shall be mailed, sent or delivered to the parties hereto at their respective addresses as set forth in Schedule II hereto, or at such other addresses or to such officer's, individual's or department's attention as any party may have furnished the other parties in writing. Any communication so addressed and mailed shall be deemed to be given when so mailed, except with respect to notices and requests given pursuant to Sections 2.3 and 3.3 of the Repurchase Agreement. Communications related thereto shall not be effective until actually received by the Custodian, the Administrative Agent, the Issuer or the Sellers, as the case may be; and any notice so sent by rapid transmission shall be deemed to be given when receipt of such transmission is acknowledged, and any communication so delivered in person shall be deemed to be given when receipted for by, or actually received by, an authorized officer of the Custodian, the Administrative Agent or the Sellers, as the case may be.

6.2. Amendments, Etc.

This Agreement may not be amended, supplemented or modified without the written consent of the Sellers, the Custodian and the Administrative Agent. Any such waiver and any such amendment, supplement or modification shall be binding upon the Sellers the Custodian, the Administrative Agent and all Purchasers.

6.3. Invalidity.

In the event that any one or more of the provisions contained in this Agreement or any other Transaction Document shall, for any reason, be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of such document.

6.4. Survival of Agreements.

All covenants and agreements herein shall survive until payment in full of the Repurchase Obligations and termination of the Bank Commitments under the Repurchase Agreement.

6.5. Cumulative Rights.

The rights, powers, privileges and remedies of the Custodian and the Administrative Agent under this Agreement, and any other Transaction Document shall be cumulative, and the exercise or partial exercise of any such right, power, privilege or remedy shall not preclude the exercise of any other right or remedy. The exercise of any right, power, privilege or remedy of the Custodian or the Administrative Agent under this Agreement or any Transaction Document, shall not exhaust any such right, power, privilege or remedy of the Custodian or the Administrative Agent.

6.6. Construction; Governing Law.

THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK (WITHOUT GIVING EFFECT TO THE CONFLICT OF LAWS PRINCIPLES THEREOF, OTHER THAN SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW WHICH SHALL APPLY HERETO).

6.7. Successors and Assigns.

This Agreement is binding upon and inures to the parties to this Agreement and their respective successors and permitted assigns and shall remain in full force and effect until such time, after the Termination Date, as all Repurchase Obligations shall have been paid in full and all other obligations to be performed hereunder shall have been performed. The Sellers' obligations in respect of indemnification and payment provisions shall be continuing and shall survive any termination of this Agreement, subject to any applicable statute of limitations. The Custodian may not assign its rights or obligations hereunder, except pursuant to Section 4.2(k) or 4.4, and any such attempted assignment shall be null and void.

6.8. The Custodian Representations and Warranties.

The Custodian represents and warrants that it: (a) is a national banking association; (b) has the power and authority to own its properties and assets and to transact the business in which it is engaged; and (c) has the power and requisite authority to execute, deliver and perform this Agreement, and is duly authorized to, and has taken all action necessary to authorize it to, execute, deliver and perform this Agreement.

6.9. [Reserved].

6.10. Counterparts.

This Agreement may be executed in two or more counterparts, and it shall not be necessary that the signatures of each of the parties hereto be contained on any one counterpart hereof; each counterpart shall be deemed an original, but all counterparts together shall constitute one and the same instrument.

6.11. No Proceedings.

The Custodian hereby agrees that it will not institute against the Issuers, or join any other Person in instituting against the Issuer, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding, or other proceeding under any federal or state bankruptcy or similar law, for one year and one day after the latest Commercial Paper Note issued by the Issuers is paid.

6.12. Electronic Counterparts.

Any form or report contemplated by this Agreement may be furnished to the Custodian electronically and may be formatted in a manner convenient for electronic transmission so long as the required information is provided in an equally useable form to the format, if any, provided in this Agreement. It being understood and agreed that the Custodian shall not be responsible to verify the identity of the sender of any electronic transmissions received by it.

6.13. Waiver of Jury Trial.

EACH OF THE PARTIES HERETO HEREBY EXPRESSLY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS AGREEMENT, ANY OTHER TRANSACTION DOCUMENT OR UNDER ANY AMENDMENT, INSTRUMENT OR DOCUMENT DELIVERED OR THAT MAY IN THE FUTURE BE DELIVERED IN CONNECTION HEREWITH OR ARISING FROM ANY BANKING OR OTHER RELATIONSHIP EXISTING IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER TRANSACTION DOCUMENT AND AGREES THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

6.14. Consent to Jurisdiction; Waiver of Immunities.

EACH PARTY HERETO HEREBY ACKNOWLEDGES AND AGREES THAT:

(a) ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER TRANSACTION DOCUMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF NEW YORK AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH OF THE PARTIES HERETO CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO

THE NON-EXCLUSIVE JURISDICTION OF THOSE COURTS. EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES, TO THE MAXIMUM EXTENT PERMITTED BY LAW, ANY OBJECTION, INCLUDING, WITHOUT LIMITATION, ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH JURISDICTION WITH RESPECT TO THIS AGREEMENT OR ANY OTHER TRANSACTION DOCUMENT.

(b) TO THE EXTENT THAT IT HAS OR HEREAFTER MAY ACQUIRE ANY IMMUNITY FROM THE JURISDICTION OF ANY COURT OR FROM ANY LEGAL PROCESS (WHETHER THROUGH SERVICE OR NOTICE, ATTACHMENT PRIOR TO JUDGMENT, ATTACHMENT IN AID TO EXECUTION, EXECUTION OR OTHERWISE) WITH RESPECT TO ITSELF OR ITS PROPERTY, IT HEREBY IRREVOCABLY WAIVES SUCH IMMUNITY IN RESPECT OF ITS OBLIGATIONS UNDER OR IN CONNECTION WITH THIS AGREEMENT.

6.15. References to Repurchase Agreement.

Notwithstanding any references herein to the Repurchase Agreement, the parties hereto acknowledge that the Custodian is not a party to the Repurchase Agreement and has no obligations or rights thereunder and shall not be obligated to read the Repurchase Agreement, know the terms and conditions contained therein or to be on notice of any of its provisions.

6.16. Prior Collateral Agency Agreements.

Upon the execution of this Agreement, the Amended and Restated Collateral Agency Agreement, dated as of November 22, 2005, by and among AHM SPV I, the Servicer, the Administrative Agent and Deutsche Bank National Trust Company, as the collateral agent shall be deemed to be terminated.

* * * * *

SELLERS

AMERICAN HOME MORTGAGE CORP.

By:

/s/ Alan B. Horn

Name: Alan B. Horn

Title: Executive Vice President
General Counsel & Secretary

AMERICAN HOME MORTGAGE SERVICING, INC.

By:

/s/ Alan B. Horn

Name:

Alan B. Horn

Title: Executive Vice President
General Counsel & Secretary

AMERICAN HOME MORTGAGE ACCEPTANCE, INC.

By:

/s/ Alan B. Horn

Name: Alan B. Horn

Title: Executive Vice President
General Counsel & Secretary

AMERICAN HOME MORTGAGE INVESTMENT CORP.

By:

/s/ Alan B. Horn

Name: Alan B. Horn

Title: Executive Vice President
General Counsel & Secretary

(Signature Page One to Custodial Agreement)

CALYON NEW YORK BRANCH,
as Administrative Agent

By:

/s/ Gary Miller

Name: Gary Miller

Title: Managing Director

By:

/s/ Anthony Brown

Name: Anthony Brown

Title: Vice President

DEUTSCHE BANK NATIONAL TRUST COMPANY,
as Custodian

By:

/s/ Norma Catone

Name: Norma Catone

Title: Vice President

(Signature Page Two to Custodial Agreement)

MORTGAGE ASSET FUNCTIONS

In each Custodian Daily Report, the Custodian shall certify, with respect to each Mortgage Loan listed in the schedule attached thereto, the following, noting any applicable Exceptions on the schedule thereto:

- (a) all documents required to be delivered to it pursuant to Sections 3.2(b)(i) through (iii) of the Custodial Agreement are in Custodian's possession;
- (b) each assignment of a Mortgage Loan delivered by the Sellers pursuant to Section 3.2(b) bears an original signature of an officer one of the Sellers, and appears to be duly completed (including all Schedules thereto);
- (c) each Mortgage Note and Mortgage bears an original signature or signatures which appear to be those of the person or persons named as the maker and Mortgagor (trustor) or, in the case of a certified copy of the Mortgage, such copy bears what appears to be a reproduction of such signature or signatures;
- (d) except for the endorsement in blank of the Mortgage Note by either of the Sellers, and any intervening endorsements, neither the Mortgage Note nor the Mortgage contain any irregular writings which appear on their face to affect the validity of any such endorsement or to restrict the enforceability of the document on which they appear; and
- (e) based only on the Custodian's examination of the documents listed in Section 3.2(b)(i) through (iii) of the Custodial Agreement, the information set forth with respect to each Mortgage Loan on Schedule I to the related Assignment accurately reflects the following (within the tolerances, if any, shown in parentheses):
 - (i) Mortgage Loan number,
 - (ii) the maturity date (within 30 days),
 - (iii) the original loan amount,
 - (iv) the original interest rate,
 - (v) the name of the borrower(s), and
 - (vi) the property address.
- (f) each assignment of mortgage has been assigned as described in Section 3.2(b)(ii) of the Custodial Agreement, provided that the Custodian shall have no obligation to confirm that the assignments are in recordable form. If intervening assignments are included in the file, each such intervening assignment bears the signature of the mortgagee and/or the assignor (and any other subsequent assignors) that appears to be an original or, if photocopies, that such copies bear a reproduction of such signature or signatures.

-
- (g) the Mortgage Note is endorsed in blank and such endorsement bears an original signature of an officer of one of the Sellers.
 - (h) no Mortgage Note has an original principal balance in excess of \$3,000,000.
 - (i) no Mortgage Loan bears evidence (on its face or reverse side) that it is subject to any Lien in favor of any Person other than the Administrative Agent, for the benefit of the Purchasers.
 - (j) except as shown on the attached list of Exceptions, no Mortgage Loan has been included in the Custodian Daily Report for more than 90 days.

ADDRESSES AND NOTICES

Sellers:

AMERICAN HOME MORTGAGE CORP.

538 Broadhollow Road

Melville, New York 11747

Facsimile: (800) 209-7276

Telephone: (516) 396-7703

Attention: General Counsel

AMERICAN HOME MORTGAGE ACCEPTANCE, INC.

538 Broadhollow Road

Melville, New York 11747

Facsimile: (800) 209-7276

Telephone: (516) 396-7703

Attention: General Counsel

AMERICAN HOME MORTGAGE SERVICING, INC.

538 Broadhollow Road

Melville, New York 11747

Facsimile: (800) 209-7276

Telephone: (516) 396-7703

Attention: General Counsel

AMERICAN HOME MORTGAGE INVESTMENT CORP.

538 Broadhollow Road

Melville, New York 11747

Facsimile: (800) 209-7276

Telephone: (516) 396-7703

Attention: General Counsel

Servicer:

AMERICAN HOME MORTGAGE SERVICING, INC.

538 Broadhollow Road

Melville, New York 11747

Facsimile: (800) 209-7276

Telephone: (516) 396-7703

Attention: General Counsel

Administrative Agent:

CALYON NEW YORK BRANCH

Calyon Building

1301 Avenue of the Americas

New York, New York 10019

Telephone No.: (212) 261-7819
Telex No.: 62410
(Answerback: CRED A 62410 UW)
Facsimile No.: (212) 459-3258
Attention: Liquid Assets Securitization

DEUTSCHE BANK NATIONAL TRUST COMPANY

Custodian:

Corporate Trust & Agency Services
1761 East St. Andrew Place
Santa Ana, California 92705
Telephone: (714) 247-6000
Telecopy: (714) 247-6035
Attention: Mortgage Custody - AH031C

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DEFINITIONS

As used in this Agreement, the following terms have the following meanings:

“Administrative Agent” means Calyon, in its capacity as administrative agent for the Purchasers, or any successor administrative agent.

“Advanced Funds” means funds advanced to an escrow agent for purposes of funding a Mortgage Loan to be pledged hereunder.

“Affected Party” means each Purchaser, the Administrative Agent, each Managing Agent, any party providing credit enhancement or liquidity to an Issuer, and any permitted assignee or participant of any Purchaser, and any holding company of an Affected Party.

“Affiliate” of any Person means (a) any other Person that, directly or indirectly, controls, is controlled by, or is under common control with, such Person, or (b) any other Person who is a director, officer or employee (i) of such Person, or (ii) of any Person described in the preceding clause (a). For purposes of this definition, the term “control” (and the terms “controlled by” and “under common control with”), as used with respect to any Person, shall mean the possession or ownership, directly or indirectly, of the power either (x) to direct or cause the direction of the management and policies of such Person, whether by contract or otherwise, or (y) vote 10% or more of the securities having ordinary power in the election of directors of such Person.

“Agreement” means this Custodial Agreement, as amended, modified or supplemented from time to time.

“AHMIC” means American Home Mortgage Investment Corp., a Maryland corporation.

“Alt-A Loan” means a Mortgage Loan (other than a Conforming Loan or a Jumbo Loan) that (1) does not conform to the conventional underwriting standards of Fannie Mae, Freddie Mac or Ginnie Mae but that is underwritten in a manner designed to be purchased by an Approved Take-Out Investor (other than Fannie Mae, Freddie Mac or Ginnie Mae), within guidelines generally acceptable to industry norms for “Alt-A” loans, (2) has a demonstrated secondary market and is readily securitizable, and (3) matches all applicable requirements for purchase under the requirements of a Take Out Commitment or Hedge specifically issued for the purchase of such Mortgage Loan.

“American Home Mortgage Servicing, Inc.” has the meaning set forth in the preamble of this Agreement, and its successors and assigns.

“Amsterdam” has the meaning set forth in the Repurchase Agreement.

“Applicable Purchase Rate” means (i) with respect to a Conforming Loan, ninety-eight percent (98%) or, if a Conforming FICO Score Trigger Event or Conforming Loan-to-Value Ratio Trigger Event has occurred and is continuing, as reported to the Custodian by the Administrative Agent, then zero, (ii) with respect to a Jumbo Loan (other than a Super Jumbo Loan), ninety-eight percent (98%) or, if a Non-Conforming FICO Score Trigger Event or Non-Conforming Loan-to-Value Ratio Trigger Event has occurred and is continuing, as reported to the Custodian by the Administrative Agent, then zero, (iii) with respect to a Super Jumbo Loan, ninety-

five percent (95%) or, if a Non-Conforming FICO Score Trigger Event or Non-Conforming Loan-to-Value Ratio Trigger Event has occurred and is continuing, as reported to the Custodian by the Administrative Agent, then zero, (iv) with respect to an Alt-A Loan, ninety seven percent (97%) or, if a Non-Conforming FICO Score Trigger Event or Non-Conforming Loan-to-Value Ratio Trigger Event has occurred and is continuing, as reported to the Custodian by the Administrative Agent, then zero, (v) with respect to Second-Lien Loans, ninety-five percent (95%) or, if a Non-Conforming FICO Score Trigger Event or Non-Conforming Loan-to-Value Ratio Trigger Event has occurred and is continuing, as reported to the Custodian by the Administrative Agent, then zero and (vi) with respect to Uncovered Mortgage Loans, ninety-five percent (95%) or, if a Non-Conforming FICO Score Trigger Event or Non-Conforming Loan-to-Value Ratio Trigger Event has occurred and is continuing, as reported to the Custodian by the Administrative Agent, then zero.

“Approved Hedge Counterparty” means:

(a) Fannie Mae, Freddie Mac or Ginnie Mae, or

(b) any Person with short-term ratings of at least P-1 from Moody’ s, and either at least A-1 from S&P or at least F1 from Fitch, or long-term unsecured debt ratings (or in the case of a bank without such ratings that is the principal subsidiary of a bank holding company, the rating of the bank holding company) of at least Aa2 by Moody’ s, and either at least AA from S&P or at least AA from Fitch, or

(c) any Person with short-term ratings of at least P-1 from Moody’ s, and either at least A-1 from S&P or at least F1 from Fitch, or long-term unsecured debt ratings (or in the case of a bank without such ratings that is the principal subsidiary of a bank holding company, the rating of the bank holding company) of at least A, A2 and A from S&P, Moody’ s and Fitch, respectively (or at least two out of the three Rating Agencies), limited to a concentration limit of 50% of the concentration percentage for such Person as shown on Schedule II, or such other concentration percentage approved by the Administrative Agent, or

(d) all other Persons as may be approved by the Majority Banks, which approvals may be subject to certain concentration limits;

provided that (i) except for an Approved Hedge Counterparty defined above in section (d), if an Approved Hedge Counterparty has a short-term rating or a long-term unsecured debt rating at the time such Person becomes an “Approved Hedge Counterparty” and such Person’ s short-term ratings or long-term unsecured debt ratings are subsequently downgraded or withdrawn, such Person shall cease to be an “Approved Hedge Counterparty”; provided, further, that with respect to any Hedges issued by such Person prior to the date of such downgrade or withdrawal, such Person shall cease to be an “Approved Hedge Counterparty” sixty (60) days following such downgrade or withdrawal; and (ii) if an Approved Hedge Counterparty does not have a short-term rating or a long-term unsecured debt rating, such Person shall cease to be an “Approved Hedge Counterparty” upon prior written notice from the Administrative Agent, which shall provide such notice if the Administrative Agent has (or if the Majority Banks notify the

Administrative Agent that they have) good faith concerns about the future performance of such Person; provided, further, that with respect to any Hedges issued by such Person prior to such notice, such Person shall cease to be an “Approved Hedge Counterparty” sixty (60) days following such notice.

“Approved Take-Out Investor” means:

(a) Fannie Mae, Freddie Mac or Ginnie Mae, or

(b) any Person with short-term ratings of at least P-1 from Moody’ s, and either at least A-1 from S&P or at least F1 from Fitch, or long-term unsecured debt ratings (or in the case of a bank without such ratings that is the principal subsidiary of a bank holding company, the rating of the bank holding company) of at least Aa2 by Moody’ s and either at least AA from, S&P or at least AA from Fitch, or

(c) any Person with short-term ratings of at least P-1 from Moody’ s, and either at least A-1 from S&P or at least F1 from Fitch, or long-term unsecured debt ratings (or in the case of a bank without such ratings that is the principal subsidiary of a bank holding company, the rating of the bank holding company) of at least A, A2 and A from S&P, Moody’ s and Fitch, respectively (or at least two out of the three Rating Agencies), limited to a concentration limit of 50% of the concentration percentage for such Person as shown on Schedule II, or such other concentration percentage approved by the Majority Banks, or

(d) all other Persons as may be approved by the Majority Banks, which approvals may be subject to certain concentration limits;

provided that (i) except for an Approved Take-Out Investor defined above in section (d), if an Approved has a short-term rating or a long-term unsecured debt rating at the time such Person becomes an “Approved Take-Out Investor” and such Person’ s short-term ratings or long-term unsecured debt ratings are subsequently downgraded or withdrawn, such Person shall cease to be an “Approved Take-Out Investor”; provided, further, that with respect to any Take-Out Commitments issued by such Person prior to the date of such downgrade or withdrawal, such Person shall cease to be an “Approved Take-Out Investor” sixty (60) days following such downgrade or withdrawal; and (ii) if an Approved Take-Out Investor does not have a short-term rating or a long-term unsecured debt rating, such Person shall cease to be an “Approved Take-Out Investor” upon prior written notice from the Administrative Agent, which shall provide such notice if the Administrative Agent has (or if the Majority Banks notify the Administrative Agent that they have) good faith concerns about the future performance of such Person; provided, further, that with respect to any Take-Out Commitments issued by such Person prior to such notice, such Person shall cease to be an “Approved Take-Out Investor” sixty (60) days following such notice; provided, further, that the Custodian may assume that the Approved Take-Out Investors listed on the Schedule III hereto most recently distributed to the Custodian by the Administrative Agent are the Approved Take-Out Investors.

As of the date of this Agreement, Schedule III hereto sets forth the Approved Take-Out Investors pursuant to the preceding clauses (b) and (c) (and any applicable concentration limits). Schedule III shall be updated from time to time as Approved Take-Out Investors are added or deleted or concentration limits are changed pursuant to the preceding clauses (b) and (c); provided, further, that

the Custodian may rely on Schedule III until a new Schedule III is distributed to the Custodian by the Administrative Agent.

“Assignment” is defined in Section 3.2(a).

“Bailee and Security Agreement Letter” is defined in Section 3.4(b).

“Bank” means each of Calyon, Lloyds, ABN AMRO, SG, JPMorgan, BNP and each respective Eligible Assignee that shall become a party to the Repurchase Agreement pursuant to the terms of an “Assignment and Acceptance” (as defined in the Repurchase Agreement).

“Bank Commitment” means the obligations of the Banks to make Purchases from the Sellers pursuant to the Repurchase Agreement.

“Barton” has the meaning set forth in the Repurchase Agreement.

“BNP” has the meaning set forth in the Repurchase Agreement.

“Business Day” means (a) a day on which (i) commercial banks in New York City, New York, and Chicago, Illinois, are not authorized or required to be closed and (ii) commercial banks in the State in which the Custodian has its principal office are not authorized or required to be closed, and (b) if this definition of “Business Day” is utilized in connection with a Eurodollar Purchase, a day on which dealings in United States dollars are carried out in the London interbank market.

“Calyon” has the meaning set forth in the preamble of this Agreement, and its successors and assigns.

“Closing Protection Rights” means any rights of the Sellers to or under (i) a letter issued by a title insurance company to any of the Sellers assuming liability for certain acts or failure to act on behalf of a named closing escrow agent, approved attorney or similar Person in connection with the closing of a Mortgage Loan transaction, (ii) a bond, insurance or trust fund established to protect a mortgage lender against a loss or damage resulting from certain acts or failure to act of a closing escrow agent, approved attorney, title insurance company or similar Person, or (iii) any other right or claim that any of the Sellers may have against any Person for any loss or damage resulting from such Person’s acts or failure to act in connection with the closing of a Mortgage Loan and the delivery of the related Mortgage Loan Collateral to the Custodian or any of the Sellers.

“Collection Account” means the account established by the Sellers with the Deutsche Bank Trust Company Americas or another Eligible Institution acceptable to the Administrative Agent pursuant to Section 2.7(b) of the Repurchase Agreement to be used for (i) the deposit of proceeds from the sale of Mortgage Loans; and (ii) the payment of the Repurchase Obligations, it being understood that such account is controlled by the Administrative Agent pursuant to the Collection Account Control Agreement, and the Administrative Agent has the authority to direct the transfer of all funds in the Collection Account.

“Collection Account Bank” means, initially, Deutsche Bank Trust Company Americas and, at any time, the institution then holding the Collection Account in accordance with the terms of the Collection Account Control Agreement.

“Collection Account Control Agreement” means the Second Amended and Restated Collection Account Control Agreement, dated as of the date hereof, among the Sellers, the Servicer, the Administrative Agent and the Collection Account Bank, substantially in the form of Exhibit D-3 hereto, as amended, modified or supplemented from time to time.

“Collection Account Release Notice” is defined in Section 3.4(a).

“Commercial Paper Notes” means short-term promissory notes issued or to be issued by the Issuers to fund or maintain their Purchases or investments in other financial assets.

“Conforming FICO Score Trigger Event” means, with respect to Conforming Loans, that (A)(i) the Conforming Pool Weighted Average FICO Score has been reported, in a Custodian Daily Report, as less than 675 but more than 650, (ii) a period of ten (10) days has elapsed from the date of receipt of such report by the Administrative Agent and (iii) the Servicer has not provided to the Administrative Agent a revised Conforming Pool Weighted Average FICO Score that is at least 675 or (B)(i) the Conforming Pool Weighted Average FICO Score has been reported, in a Custodian Daily Report, as less than 650, (ii) a period of five (5) days has elapsed from the date of receipt of such report by the Administrative Agent and (iii) the Servicer has not provided to the Administrative Agent a revised Conforming Pool Weighted Average FICO Score that is at least 675.

“Conforming Loan” means (i) a Mortgage Loan that complies with all applicable requirements for purchase under a Fannie Mae, Freddie Mac or other similar Governmental Authority standard form of conventional mortgage loan purchase contract, then in effect, or (ii) an FHA Loan or a VA Loan.

“Conforming Loan-to-Value Ratio Trigger Event” means, with respect to Conforming Loans, that (A)(i) the weighted average Loan-to-Value Ratio has been reported, in a Custodian Daily Report, as greater than 83% but equal to or less than 90%, (ii) a period of ten (10) days has elapsed from the date of receipt of such report by the Administrative Agent and (iii) the Servicer has not provided to the Administrative Agent a revised weighted average Loan-to-Value Ratio that is equal to or less than 83% or (B)(i) the weighted average Loan-to-Value Ratio has been reported, in a Custodian Daily Report, as greater than 90%, (ii) a period of five (5) days has elapsed from the date of receipt of such report by the Administrative Agent and (iii) the Servicer has not provided to the Administrative Agent a revised weighted average Loan-to-Value Ratio that is equal to or less than 83%.

“Conforming Pool Weighted Average FICO Score” means the ratio of (a) the sum, for all Conforming Loans, of the product for each Conforming Loan of (i) its FICO Score and (ii) its original principal balance to (b) the sum of the original principal balances of all Conforming Loans.

“Corporate Trust Office” shall mean the principal office of the Custodian at which at any particular time its corporate trust business shall be administered which office at the date of the execution of the Custodial Agreement is located at 1761 East St.

Andrew Place, Santa Ana, California 92705, Attention: Corporate Trust and Agency Services or at any other time at such other address as the Custodian may designate from time to time by written notice to the parties thereto.

“Custodial Agreement” means this Agreement.

“Custodian” has the meaning set forth in the preamble of this Agreement.

“Custodian Daily Report” is defined in Section 3.8(a) of this Agreement.

“Default” means any condition or event that, with the giving of notice or lapse of time or both and unless cured or waived, would constitute an Event of Default.

“Delinquent Mortgage Loan” means a Mortgage Asset under which the Obligor is 30 or more days in payment default or the Obligor has taken any action, or suffered any event of the type described in Section 8.1(f), (g) or (h) of the Repurchase Agreement, or is in foreclosure.

“Delinquent Ratio” means as of the end of any Collection Period, the ratio of (i) the principal amount of all Mortgage Loans that were Delinquent Mortgage Loans at such time, to (ii) the aggregate principal amount of all Mortgage Loans at such time.

“Disbursement Account” means the account established by the Sellers with the Deutsche Bank National Trust Company or another Eligible Institution acceptable to the Administrative Agent, it being understood that such account is controlled by the Administrative Agent pursuant to the Disbursement Account Control Agreement, and the Administrative Agent has the authority to direct the transfer of all funds from the Disbursement Account.

“Disbursement Account Control Agreement” means the Second Amended and Restated Disbursement Account Control Agreement, dated as of even date herewith, between the Sellers, the Servicer, the Administrative Agent and Deutsche Bank National Trust Company, substantially in the form attached hereto as Exhibit D-13, as amended, modified, supplemented or replaced from time to time.

“Eligible Assignee” means (i) Calyon or any of its Affiliates, Lloyds or any of its Affiliates, ABN AMRO or any of its Affiliates, SG or any of its Affiliates, JPMorgan or any of its Affiliates or BNP or any of its Affiliates, (ii) any Person managed by Calyon or any of its Affiliates, Lloyds or any of its Affiliates, ABN AMRO or any of its Affiliates, SG or any of its Affiliates, or JPMorgan or any of its Affiliates or BNP or any of its Affiliates, or (iii) any financial or other institution that is acceptable to the Managing Agent related to the Purchaser that is making the assignment and, unless an Event of Default has occurred or is continuing, the Sellers (which consent shall not be unreasonably withheld).

“Eligible Investments” means any one or more of the following obligations or securities having the required ratings, if any, provided for in this definition and which shall not be subject to liquidation prior to maturity:

(i) direct obligations of, and obligations fully guaranteed as to timely payment of principal and interest by, the United States of America, Fannie Mae, Freddie Mac or any agency or instrumentality of the United States of America, the obligations of which are backed by the full faith and credit of the United States of America; provided that any obligation of, or guarantee by, Fannie Mae or Freddie Mac, other than an unsecured senior debt obligation of Fannie Mae or Freddie Mac, shall be an Eligible Investment only if such investment would not result in the downgrading, withdrawal or qualification of the then-current rating assigned by each rating agency to any certificate as evidenced in writing;

(ii) time deposits, unsecured certificates of deposit, or bankers' acceptances that mature in after the date of issuance and are issued or held by any depository institution or trust company (including the Custodian) incorporated or organized under the laws of the United States of America or any State thereof and subject to supervision and examination by federal or state banking authorities, so long as the commercial paper or other short-term debt obligations of such depository institution or trust company are rated in the highest rating categories of each of Moody's and Fitch, as applicable, or such other rating as would not result in the downgrading, withdrawal or qualification of the then-current rating assigned by each rating agency, as evidenced in writing; provided that Servicer shall direct investment only into instrument;

(iii) repurchase agreements or obligations with respect to any security described in clause (i) above where such security has a remaining maturity of one year or less and where such repurchase obligation has been entered into with a depository institution or trust company (acting as principal) described in clause (ii) above;

(iv) debt obligations bearing interest or sold at a discount issued by any corporation incorporated under the laws of the United States of America or any state thereof, which debt obligations are rated in the highest rating categories of each of Moody's and Fitch, as applicable; provided, however, that securities issued by any particular corporation will not be Eligible Investments to the extent that investment therein will cause the then-outstanding principal amount of securities issued by such corporation and held in the accounts established hereunder to exceed 10% of the sum of the aggregate principal balance and the aggregate principal amount of all Eligible Investments in such accounts;

(v) commercial paper (including both non-interest-bearing discount obligations and interest-bearing obligations) of any corporation or other entity organized under the laws of the United States or any state thereof payable on demand or on a specified date and which is rated in the highest rating category of each of Moody's and Fitch; or

(vi) money market funds, rated in the highest rating categories of each of Moody's and Fitch;

provided, however, that in each case if the investment is rated by Fitch, (a) it shall have a predetermined fixed dollar of principal due at maturity that cannot vary or change and (b) any such investment that provides for a variable rate of interest must have an interest rate that is tied to a single interest rate index plus a fixed spread, if any, and move proportionately with such index; and provided, further, however, that the Servicer shall not request or direct any investment in such instrument (x) 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 at the time of acquisition of greater than 120% of the yield to maturity at par of such underlying obligations or (y) if such instrument may be redeemed at a price below the purchase price. The Servicer shall not request or direct any investments that are subject to prepayment or call to be purchased at a price in excess of par.

“Eligible Mortgage Assets” means Eligible Mortgage Loans and the Collection Account.

“Eligible Mortgage Loan” means a Mortgage Loan: (e) that (i) is a closed and fully funded Mortgage Loan, (ii) has a maximum term to maturity of 40 years and the proceeds of which were used either to finance a portion of the purchase price of a Property encumbered by the related Mortgage or to refinance a loan secured by such Property, (iii) is secured by a perfected first-priority Lien on residential real Property consisting of land and a one-to-four family dwelling thereon which is completed and ready for owner occupancy, including townhouses and condominiums, and (iv) was underwritten according to the applicable Seller’s Underwriting Guidelines and was originated or purchased by one of the Sellers;

(f) that is a Conforming Loan, a Jumbo Loan, an Alt-A Loan, a Second-Lien Loan or an Uncovered Mortgage Loan;

(g) for which the Mortgage Note is payable to or endorsed (without recourse) in blank and each of such Mortgage Loan and the related Mortgage Note is a legal, valid and binding obligation of the Obligor thereof;

(h) for which, other than in respect of Wet Loans, the Principal Mortgage Documents have been received by the Custodian and are in form conforming to the review criteria referenced in Section 3.8;

(i) that, upon purchase by the Purchasers thereof under the Repurchase Agreement and application of any related Purchase to pay off any prior lienholder as required by the Repurchase Agreement and hereunder, together with the related Mortgage Loan Collateral, is owned beneficially by the Purchasers free and clear of any Lien of any other Person other than the Administrative Agent for the benefit of the Purchasers;

(j) that, together with the related Mortgage Loan Collateral, does not contravene any Governmental Requirements applicable thereto (including, without limitation, the Real Estate Settlement Procedures Act of 1974, as amended, and all laws, rules and regulations relating to usury, truth-in-lending, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices, privacy and other applicable federal, state and local consumer protection laws) and with respect to which no party to the related Mortgage Loan Collateral is in violation of any Governmental Requirements (or procedure prescribed thereby) if such violation would impair the collectability of such Mortgage Loan or the saleability of such Mortgage Loan under the applicable Take-Out Commitment or Hedge;

(k) that: (i) is not a Delinquent Mortgage Loan at the time it is transferred to the Purchasers pursuant to the Repurchase Agreement; (ii) has not previously been sold to an Approved Take-Out Investor and repurchased by a Seller; (iii) if, it was a

Wet Loan when it was assigned to the Sellers and the time periods set forth in Section 3.7(b) of this Agreement have occurred, the Principal Mortgage Documents relating to such Wet Loan were delivered to the Custodian; provided, however, that upon delivery of such Principal Mortgage Documents to the Custodian, such Mortgage Loans shall subsequently conform to the review criteria of Section 3.8 subsequent to such delivery; (iv) has a Loan-to-Value Ratio not in excess of 100%; and (v) does not have an original principal balance in excess of \$3,000,000;

(l) that if the Mortgage Loan Collateral has been withdrawn for correction pursuant to Section 3.5 of this Agreement such Mortgage Loan Collateral has been returned to the Custodian within 20 calendar days after withdrawal as required by Section 3.5 of this Agreement;

(m) that is denominated and payable in U.S. dollars in the United States and the Obligor of which is a natural person who is a U.S. citizen or resident alien or a corporation or an *inter vivos* revocable trust or other legal entity organized under the laws of the United States or any State thereof or the District of Columbia;

(n) that is not subject to any right of rescission, setoff, counterclaim or other dispute whatsoever;

(o) that was acquired by the Purchasers from any of the Sellers within 60 days after its Mortgage Origination Date;

(p) that is covered by the types and amounts of insurance required by Section 6.6(b) of the Repurchase Agreement;

(q) with respect to which all representations and warranties made by the related Seller in the Repurchase Agreement are true and correct in all material respects and with respect to which all loan level covenants made in the Repurchase Agreement have been complied with; and

(r) that is subjected to the following “Quality Control” measures by personnel of any of the Sellers before the Mortgage Note is funded by such Seller:

(i) for those Mortgage Loans not originated by any of the Sellers, is subject to being selected at random for a review for thoroughness and compliance (including truth-in-lending, good faith estimates and other disclosures); and

(ii) with respect to which, all Mortgage Loan Collateral is prepared by any of the Sellers and submitted to the closing agent at the time of funding the related Mortgage Loans.

“Event of Default” means an Event of Default as defined in Section 8.1 of the Repurchase Agreement.

“Exceptions” means exceptions to the specifications and certifications made by the Custodian on the Custodian Daily Report as set forth on Schedule I hereto.

“Fannie Mae” means the government sponsored enterprise formerly known as the Federal National Mortgage Association, or any successor thereto.

“FHA” means the Federal Housing Administration, or any successor thereto.

“FHA Loan” means a Mortgage Loan, the ultimate payment of which is partially or completely insured by the FHA or with respect to which there is a current, binding and enforceable commitment for such insurance issued by the FHA.

“FICO Score” means, with respect to the Obligor under a particular Mortgage Loan, a credit rating established by Fair Isaac Corporation.

“Fitch” means Fitch, Inc., and any successor thereto.

“Freddie Mac” means the Federal Home Loan Mortgage Corporation, or any successor thereto.

“Ginnie Mae” means the Government National Mortgage Association, or any successor thereto.

“Governmental Authority” means any nation or government, any agency, department, state or other political subdivision thereof, or any instrumentality thereof, and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government. Governmental Authority shall include, without limitation, each of Freddie Mac, Fannie Mae, FHA, HUD, VA and Ginnie Mae.

“Governmental Requirement” means any applicable law, statute, code, ordinance, order, rule, regulation, judgment, decree, injunction, franchise, permit, certificate, license, authorization or other requirement (including, without limitation, any of the foregoing that relate to energy regulations and occupational, safety and health standards or controls and any hazardous materials laws) of any Governmental Authority that has jurisdiction over the Custodian or any of the Sellers or any of their respective Properties.

“Hedge” means a current, valid, binding, enforceable, written commitment, including without limitation a forward purchase commitment, issued by an Approved Hedge Counterparty, to purchase mortgage loans from one of the Sellers from time to time at a specified price (or a specified spread to an agreed-upon index), which commitment is not subject to any term or condition (i) that is not customary in commitments of like nature or (ii) that, in the reasonably anticipated course of events, cannot be fully complied with prior to the expiration thereof, in which a perfected security interest has been granted to the Administrative Agent.

“Hedge Report” means, a report prepared by the Servicer pursuant to Section 3.6 of the Repurchase Agreement, showing, as of the close of business on the last Business Day of each week, all Take-Out Commitments or Hedges obtained by the Sellers to cover all closed loans owned by the Sellers, to the extent that such mortgage loans have been pledged hereunder or pursuant to another

lending arrangement, and certain information with respect to such trades including information as the Administrative Agent may request, in the form of Exhibit J of the Repurchase Agreement. Each such Take-Out Commitment or Hedge shall have been pledged to the Administrative Agent; *provided*, however, that any Hedges may have been pledged previously or may be pledged in the future by the Sellers on a *pari passu* basis.

“HELOC” means a home equity line of credit.

“HUD” means the Department of Housing and Urban Development, or any successor thereto.

“Indemnified Amounts” is defined in Section 5.1.

“Indemnified Party” is defined in Section 5.1.

“Issuer” means La Fayette, Amsterdam, Barton, Park Avenue, Starbird and their respective successors and assigns.

“Invested Amount” means, at the time determined, with respect to all the Purchasers, the aggregate Purchase Price for all Purchases under the Repurchase Agreement, to the extent that the Purchased Mortgage Loans have not been repurchased and the Repurchase Price therefor has not been paid and with respect to a particular Purchaser, the aggregate Purchase Price for all Purchases made by such particular Purchaser under the Repurchase Agreement, to the extent that the Purchased Mortgage Loans have not been repurchased and the Repurchase Price therefor has not been paid.

“JPMorgan” means JPMorgan Chase Bank, as a Bank and as a Managing Agent.

“Jumbo Loan” means a Mortgage Loan (other than a Conforming Loan) that (1) is underwritten in a manner designed to be purchased by an Approved Take-Out Investor (other than Fannie Mae, Freddie Mac or Ginnie Mae), (2) matches all applicable requirements for purchase under the requirements of a Take-Out Commitment or Hedge issued for the purchase of such Mortgage Loan, and (3) differs from a Conforming Loan solely because the principal amount of such Mortgage Loan exceeds the limit set for Conforming Loans by Fannie Mae or Freddie Mac from time to time but shall not exceed \$999,999; *provided, however*, that a Jumbo Loan having an original principal balance in excess of \$999,999 but not more than \$3,000,000 shall qualify as a Super Jumbo Loan. The term Jumbo Loan includes Super Jumbo Loans.

“La Fayette” means La Fayette Asset Securitization LLC, a Delaware limited liability company, together with its successors and assigns.

“Lien” means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (whether statutory, consensual or otherwise), or other security arrangement of any kind (including, without limitation, any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of any financing statement under the uniform commercial code or comparable law of any jurisdiction in respect of any of the foregoing).

“Loan to Value Ratio” means, with respect to any Mortgage Loan, the fraction, expressed as a percentage found by dividing the original principal balance of a Mortgage Loan by the value of the related mortgaged property, such value being measured by (i) the appraised value of such property at such time, if the Mortgage Loan is a refinance of any existing lien or (ii) the lower of the sales price of the related property at the time of origination of the Mortgage Loan or the appraised value of such property at such time, if the Mortgage Loan is a purchase money loan.

“Majority Banks” means, at any time, Banks, including Banks that have become party to the Repurchase Agreement pursuant to an Assignment and Acceptance, having an outstanding Invested Amount equal to more than 50% of the aggregate outstanding Invested Amount held by Banks or, if no Invested Amount is then outstanding from any Bank, Banks having more than 50% of the Bank Commitments.

“Managing Agent” means, (a) with respect to La Fayette, Calyon or any successor managing agent designated by such party; (b) with respect to Amsterdam, ABN AMRO or any successor managing agent designated by such party; (c) with respect to Park Avenue, JPMorgan or any successor managing agent designated by such party; (d) with respect to Barton, SG or any successor managing agent designated by such party; and (e) with respect to Starbird, BNP or any successor managing agent designated by such party.

“Margin Deficit” means, at any time, the amount by which the Invested Amount exceeds the lesser of (a) the Recognized Value of all Purchased Mortgage Assets which are Eligible Mortgage Assets and (b) if the Custodian holds no Purchased Mortgage Assets which are Eligible Mortgage Assets, zero.

“Margin Sufficiency” is defined in Section 3.4(a).

“Market Value” means at the time determined, for any Mortgage Loan (a) the market value of such Mortgage Loan determined by the Servicer based upon the then most recent posted net yield for 30-day mandatory future delivery furnished by Fannie Mae, Freddie Mac, Ginnie Mae or another entity deemed most appropriate by the Servicer and published and distributed by Telerate Mortgage Services, or, if such posted net yield is not available from Telerate Mortgage Services, such posted net yield obtained directly from Fannie Mae, Freddie Mac, Ginnie Mae or another entity deemed most appropriate by the Servicer, or (b) if an appropriate posted rate is not available, the value determined by the Servicer in good faith, using commercially reasonable efforts, which efforts shall include consulting with two or more entities that make a market in similar mortgage loans, to determine such Market Value. Notwithstanding the foregoing, within three (3) Business Days of the date upon which a Market Value determination is provided, the Administrative Agent or any Purchaser may dispute the Servicer’s determination of Market Value in writing to the Servicer and each of the Purchasers. Upon receipt of such a notice, the Servicer and the Purchasers shall make a good faith effort to resolve the discrepancy. If the discrepancy is not resolved within seven (7) days in a manner satisfactory to each of the Purchasers (an “Unresolved Dispute”), then the Administrative Agent shall obtain a different market valuation (an “Additional Determination”). At any time the Administrative Agent may, and upon an Unresolved Dispute, shall, obtain an Additional Determination. If the Administrative Agent shall have obtained an Additional Determination as of any determination date (which Additional Determination may be from the Administrative Agent or any Affiliate thereof) and the amount of the Additional Determination as of such

determination date is more than 0.50% less than the amount of the aggregate Market Values determined by the Servicer on such determination date, then, the amount of the Additional Determination shall be used as the Market Value for purposes of clause (A)(2) and (A)(3) of the definition of "Recognized Value." The Sellers shall be solely responsible for the costs incurred with respect to such Additional Determinations. The Administrative Agent shall notify the Servicer of the variance between the Servicer's determination of the Market Value and the Additional Determinations and the source(s) used by the Administrative Agent to determine the Additional Determinations. Following such notice and prior to the next determination date, either (i) the Servicer and the Administrative Agent will determine a mutually acceptable, reasonable, alternative valuation for the Market Value of such Mortgage Loan or (ii) the Servicer shall use an amount equal to the Additional Determination as the Market Value of such Mortgage Loan for subsequent determination dates until clause (i) is satisfied in good faith.

"Maximum Facility Amount" means \$1,500,000,000, as such amount may be reduced pursuant to Section 2.1(c) of the Repurchase Agreement.

"MERS" means Mortgage Electronic Registration Systems, Inc., a Delaware corporation.

"MERS Designated Mortgage Loan" means a Mortgage Loan registered to or by the related Seller on the MERS electronic mortgage registration system.

"Monthly Payment Status Report" is defined in Section 3.2(h).

"Mortgage" means a mortgage or deed of trust or other security instrument creating a Lien on real property, on a standard form as approved by Fannie Mae, Freddie Mac or Ginnie Mae or such other form as any of the Sellers determines is satisfactory for any Approved Take-Out Investor unless otherwise directed by the Administrative Agent and communicated to the Custodian.

"Mortgage Assets" means, collectively:

- (a) any and all Mortgage Loans purchased by or transferred to the Purchasers pursuant to the Repurchase Agreement that the Custodian has been instructed to hold for the Administrative Agent for the benefit of the Purchasers pursuant to this Agreement;
- (b) any and all instruments, documents and other property of every kind or description relating to the Mortgage Loans purchased by or transferred to the Purchasers pursuant to the Repurchase Agreement, of or in the name of any Seller, now or hereafter for any reason or purpose whatsoever, in the possession or control of, or in transit to, the Custodian;
- (c) any and all general intangibles and Mortgage Loan Collateral that relate in any way to the Mortgage Assets;
- (d) any and all Take-Out Commitments and Hedges identified on Hedge Reports from time to time prepared by the Servicer on behalf of any of the Sellers;

(e) any and all contract rights, chattel paper, certificated securities, uncertificated securities, financial assets, securities accounts or investment property which constitute proceeds of the Mortgage Assets;

(f) this Agreement, the Servicer Performance Guaranty and the Subordination Agreement, including all moneys due or to become due thereunder, claims of the Sellers arising out of or for breach or default thereunder, and the right of the Sellers to compel performance and otherwise exercise all remedies thereunder;

(g) any Advanced Funds; and

(h) any and all proceeds of any of the foregoing, including all Collections.

“Mortgage Loan” means a loan evidenced by a Mortgage Note and secured by a Mortgage, which Mortgage Loan has been acquired by the Purchasers from any of the Sellers by purchase pursuant to the Repurchase Agreement (it being understood that legal title thereof shall be retained by such Seller, or, in the case of a MERS Designated Mortgage Loan, MERS as nominee for such Seller, and its successors and assigns, in each case in trust for the Purchasers, solely for the purpose of servicing such Mortgage Loan).

“Mortgage Loan Collateral” means all Mortgage Notes and related Principal Mortgage Documents, Other Mortgage Documents, and other related collateral.

“Mortgage Note” means a promissory note, on a standard form approved by Fannie Mae, Freddie Mac or Ginnie Mae or such other form as the Sellers determine is satisfactory for any Approved Take-Out Investor unless otherwise directed by the Administrative Agent and communicated to the Custodian.

“Mortgage Origination Date” means, with respect to each Mortgage Loan, the date (transmitted by the Servicer to the Custodian) that is the later of (1) the date of the Mortgage Note or (2) the date such Mortgage Loan was funded and disbursed to or at the direction of the Obligor.

“Non-Conforming FICO Score Trigger Event” means, with respect to Non-Conforming Loans, that (A)(i) the Non-Conforming Pool Weighted Average FICO Score has been reported, in a Custodian Daily Report, as less than 675 but equal to or more than 650, (ii) a period of ten (10) days has elapsed from the date of receipt of such report by the Administrative Agent and (iii) the Servicer has not provided to the Administrative Agent a revised Non-Conforming Pool Weighted Average FICO Score that is at least 675 or (B)(i) the Non-Conforming Pool Weighted Average FICO Score has been reported, in a Custodian Daily Report, as less than 650, (ii) a period of five (5) days has elapsed from the date of receipt of such report by the Administrative Agent and (iii) the Servicer has not provided to the Administrative Agent a revised Non-Conforming Pool Weighted Average FICO Score that is at least 675.

“Non-Conforming Loan” means a Jumbo Loan, an Alt-A Loan, a Second-Lien Loan or an Uncovered Mortgage Loan.

“Non-Conforming Loan-to-Value Ratio Trigger Event” means, with respect to Non-Conforming Loans, that (A)(i) the weighted average Loan-to-Value Ratio has been reported, in a Custodian Daily Report, as greater than 83% but equal to or less than 90%, (ii) a period of ten (10) days has elapsed from the date of receipt of such report by the Administrative Agent and (iii) the Servicer has not provided to the Administrative Agent a revised weighted average Loan-to-Value Ratio that is equal to or less than 83% or (B)(i) the weighted average Loan-to-Value Ratio has been reported, in a Custodian Daily Report, as greater than 90%, (ii) a period of five (5) days has elapsed from the date of receipt of such report by the Administrative Agent and (iii) the Servicer has not provided to the Administrative Agent a revised weighted average Loan-to-Value Ratio that is equal to or less than 83%.

“Non-Conforming Pool Weighted Average FICO Score” means the ratio of (a) the sum, for all Non-Conforming Loans, of the product for each Non-Conforming Loan of (i) its FICO Score and (ii) its original principal balance to (b) the sum of the original principal balances of all Non-Conforming Loans.

“Obligor” means (i) with respect to each Mortgage Note included in the Mortgage Assets, the obligor on such Mortgage Note and (ii) with respect to any other agreement included in the Mortgage Assets, any person from whom any of the Sellers is entitled to performance.

“Other Mortgage Documents” is defined in Section 3.2(c).

“Park Avenue” has the meaning ascribed to it in the Repurchase Agreement.

“Performance Guarantor” means AHMIC and its successors and assigns.

“Permitted Transferees” is defined in Section 3.4(c).

“Person” means any individual, corporation (including a business trust), limited liability company, partnership, joint venture, association, joint stock company, trust, unincorporated organization, Governmental Authority, or any other form of entity.

“Principal Mortgage Documents” is defined in Section 3.2(b).

“Property” means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

“Purchase Price” for any Purchase means an amount equal to the Recognized Value of the Mortgage Assets that are the subject of such Purchase.

“Purchase” means any transaction pursuant to which the Purchasers purchase Mortgage Assets from the Sellers.

“Purchase Report” means a request, in the form of Exhibit C to the Repurchase Agreement for a Purchase pursuant to Article II of the Repurchase Agreement and in the form of Exhibit D-9 to this Agreement.

“Purchased Mortgage Assets” means any Mortgage Asset which has been purchased by any Purchaser pursuant to Section 2.1(a) of the Repurchase Agreement.

“Purchased Mortgage Loan” means a Mortgage Loan included in the Purchased Mortgage Assets.

“Purchasers” means, collectively, the Issuers and the Banks.

“Recognized Value” means

(A) with respect to each Eligible Mortgage Loan and at all times, an amount equal to the Applicable Purchase Rate for such Mortgage Loan times the least of:

(1) the lesser of the original principal amount of such Eligible Mortgage Loan or the acquisition price paid by the related Seller on the closing and funding of such Eligible Mortgage Loan;

(2) ratable amount determined by multiplying (a) the weighted average Market Value (expressed as a percentage of aggregate par) of all Mortgage Loans, owned by the Sellers, as reflected on the most recent Custodian Daily Report, (it being understood that the Servicer shall provide to the Custodian such Market Value as of the close of business on the last Business Day of the previous week, (or, while a Default or Event of Default is continuing, more frequently if so directed by the Administrative Agent) times (b) the original principal amount of such Eligible Mortgage Loan; and

(3) while a Default or Event of Default is continuing or upon the direction of any Managing Agent, the Market Value of such Eligible Mortgage Loan; and

(B) with respect to the Collection Account, the balance of collected funds therein that is not subject to any Lien in favor of any Person other than the Lien in favor of the Administrative Agent for the benefit of the Purchasers;

provided, however, that

(a) at any time, the portion of total Recognized Value that may be attributable to Jumbo Loans shall not exceed fifty percent (50%) of the Maximum Facility Amount;

(b) at any time, the portion of total Recognized Value that may be attributable to Super Jumbo Loans shall not exceed five percent (5%) of the Maximum Facility Amount, which percentage is a sublimit of the limitation set forth in clause (a), equal to 10% of the 50% set forth in clause (a) above;

(c) at any time, the portion of total Recognized Value that may be attributable to Alt-A Loans shall not exceed thirty-five percent (35%) of the Maximum Facility Amount;

(d) at any time, the portion of total Recognized Value that may be attributable to Non-Conforming Loans shall not exceed fifty percent (50%) of the Maximum Facility Amount;

(e) at any time, the portion of total Recognized Value that may be attributable to Mortgage Loans with a Loan-to-Value Ratio greater than 95% shall not exceed five percent (5%) of the Maximum Facility Amount;

(f) at any time, the portion of total Recognized Value that may be attributable to Eligible Mortgage Loans (a) with a FICO Score less than or equal to 640 shall not exceed twenty-five percent (25%) of the Maximum Facility Amount and (b) with a FICO Score less than or equal to 620 shall not exceed five percent (5%) of the Maximum Facility Amount;

(g) at any time, the portion of total Recognized Value that may be attributable to Mortgage Loans for which the Mortgage Notes have been withdrawn for correction pursuant to Section 3.5 of this Agreement shall not exceed 2.5% of the Maximum Facility Amount;

(h) [Reserved]

(i) at any time, the portion of total Recognized Value that may be attributable to Mortgage Loans that have been Eligible Mortgage Loans owned by the Sellers for more than 90 days shall be zero provided, that this clause (i) shall not apply to 5% of the total Recognized Value that may be attributable to Mortgage Loans that have been Eligible Mortgage Loans owned by the Purchasers for more than 90 days but less than 180 days;

(j) a Mortgage Loan that ceases to be an Eligible Mortgage Loan shall have a Recognized Value of zero;

(k) at any time, (A) except the first five and last five Business Days of any month, the portion of total Recognized Value that may be attributable to Wet Loans shall not exceed thirty percent (30%) of the Maximum Facility Amount, and (B) during the first five and last five Business Days of any month, the portion of total Recognized Value that may be attributable to Wet Loans shall not exceed fifty percent (50%) of the Maximum Facility Amount; (it being understood that on any day the Recognized Value of a Wet Loan with respect to which the related Principal Mortgage Documents have not been delivered to the Custodian within nine (9) Business Days after the date of origination of the Wet Loan shall be zero until such Principal Mortgage Documents have been delivered);

(l) at any time, a Mortgage Loan with respect to which the related Obligor is sixty (60) days or more in payment default, shall have a Recognized Value of zero;

(m) at any time, the portion of Recognized Value that may be attributable to Second-Lien Loans shall not exceed fifteen percent (15%) of the Maximum Facility Amount;

(n) at any time, the portion of Recognized Value that may be attributable to Uncovered Mortgage Loans shall not exceed fifteen percent (15%) of the Maximum Facility Amount; provided that any Uncovered Mortgage Loan shall have a Recognized Value of zero if it is not a Second-Lien Loan or HELOC; provided, further, that any Mortgage Loan that is not subject to significant interest rate volatility and is approved by the Managing Agents may be included in the portion of total Recognized Value that may be attributable to Uncovered Mortgage Loans; and

(o) at any time, the portion of Recognized Value that may be attributable to Mortgage Loans with maximum terms to maturity in excess of thirty years but not greater than forty years shall not exceed ten percent (10%) of the Maximum Facility Amount.

“Repurchase Agreement” means the Repurchase Agreement, dated as of the date of this Agreement, by and among the Administrative Agent, the Sellers, Issuers, Banks and Managing Agents parties thereto, as the same may be amended, modified or restated from time to time.

“Repurchase Obligations” means any and all present and future indebtedness, obligations, and liabilities of the Sellers to any of the Purchasers, the Custodian, each Managing Agent, each Affected Party, each Indemnified Party and the Administrative Agent, including all Repurchase Prices and all renewals, rearrangements and extensions thereof, or any part thereof, arising pursuant to the Repurchase Agreement or any other Transaction Document, and all Price Differential and fees accrued thereon, and attorneys’ fees and other costs incurred in the drafting, negotiation, enforcement or collection thereof, regardless of whether such indebtedness, obligations, and liabilities are direct, indirect, fixed, contingent, joint, several or joint and several.

“Repurchase Price” has the meaning given it in the Repurchase Agreement.

“Reserve Account Control Agreement” means the Second Amended and Restated Reserve Account Control Agreement, dated as of even date herewith, between the Sellers, the Servicer, the Administrative Agent and Deutsche Bank Trust Company Americas, substantially in the form attached to the Repurchase Agreement as Exhibit K, as amended, modified, supplemented or replaced from time to time.

“Responsible Officer” shall mean when used with respect to the Custodian any officer within the Corporate Trust Office including any Vice President, Managing Director, Director, Assistant Vice President, Associate or any other officer of the Custodian customarily performing functions similar to those performed by any of the above designated officers and also, with respect to a particular matter, any other officer to whom such matter is referred because of such officer’s knowledge and familiarity with the particular subject.

“Second-Lien Loan” means a Mortgage Loan that is secured by particular property with respect to which at least one other higher-priority Mortgage Loan exists secured by the same property.

“Security Instruments” means (a) this Agreement, (b) the Collection Account Control Agreement, (c) the Reserve Account Control Agreement (d) Disbursement Account Control Agreement, and (e) such other executed documents as are or may be necessary to grant to the Administrative Agent an ownership interest in and to the Mortgage Assets and any and all other agreements or

instruments now or hereafter executed and delivered by or on behalf of the Sellers in connection with, or as security for the payment or performance of, all or any of the Repurchase Obligations, as amended, modified or supplemented.

“Sellers” has the meaning specified in the preamble of this Agreement.

“Servicer” means at any time the Person then authorized pursuant to Section 11.1 of the Repurchase Agreement to administer and collect Mortgage Loans on behalf of the Purchasers. The initial Servicer shall be American Home Mortgage Servicing, Inc.

“Shipping Request” means the shipping request presented by the Sellers or the Servicer to the Custodian substantially in the form attached as Exhibits D-5A (as amended, modified or supplemented from time to time as agreed to by the Administrative Agent, the Managing Agents the Sellers and the Custodian).

“Subordination Agreement” means the Second Amended and Restated Subordination Agreement, dated as of the date hereof, substantially in the form attached as Exhibit B to the Repurchase Agreement, executed by the Performance Guarantor and certain of their respective Affiliates, if applicable, in favor of the Sellers and the Administrative Agent for the benefit of the Purchasers.

“Subsidiary” means, with respect to any Person, any corporation or other entity of which securities having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by such Person, or one or more of its Subsidiaries, or by such Person and one or more of its Subsidiaries.

“Super Jumbo Loan” means a Jumbo Loan having an original principal balance in excess of \$999,999 but not more than \$3,000,000.

“Take-Out Commitment” means a current, valid, binding, enforceable, written commitment, issued by an Approved Take-Out Investor to purchase mortgage loans from one of the Sellers from time to time at a specified price (or a specified spread to an agreed-upon index) which commitment is not subject to any term or condition (i) that is not customary in commitments of like nature or (ii) that, in the reasonably anticipated course of events, cannot be fully complied with prior to the expiration thereof, in which a perfected and first-priority security interest has been granted to the Administrative Agent.

“Take-Out Commitment Documents” means (1) with respect to any Mortgage Loan, with respect to which there is no loan-specific Take-Out Commitment, an executed original assignment of trade as described in the definition of “Take-Out Commitment”; and (2) with respect to any Mortgage Loan, with respect to which there is a loan-specific Take-Out Commitment, copies of all Take-Out Commitments.

“Take-Out Commitment Master Agreement” means with respect to which there is a loan-specific Take-Out Commitment, the master flow sale agreement, investor bulk sales agreement, or similar agreement setting forth the basic terms of sales to the related Approved Take-Out Investor.

“Termination Date” means the earliest to occur of (a) November 20, 2007, unless such date shall be extended pursuant to Section 2.1(b) of the Repurchase Agreement, then the date specified in such Extension Request, (b) the date on which the Maximum Facility Amount is terminated by the Sellers pursuant to Section 2.1(d) of the Repurchase Agreement, and (c) the date, on or after the occurrence of an Event of Default, determined pursuant to Section 8.2 of the Repurchase Agreement.

“Transaction Document” means any of the Repurchase Agreement, this Agreement, the Security Instruments, the Repurchase Agreement, the Second Amended and Restated Administrative Agent Fee Letter (as defined in the Repurchase Agreement), the Amended and Restated Managing Agents Fee Letter (as defined in the Repurchase Agreement) the Subordination Agreement, the Servicer Performance Guaranty and any and all other agreements or instruments now or hereafter executed and delivered by or on behalf of the Sellers in connection with, or as security for the payment or performance of any or all of the Repurchase Obligations, as any of such documents may be renewed, amended, restated or supplemented from time to time.

“Transfer Request” is defined in Section 3.4(a).

“Trust Receipt and Security Agreement Letter” is defined in Section 3.5.

“UCC” means the Uniform Commercial Code as adopted in the applicable state, as the same may hereafter be amended.

“Uncovered Mortgage Loan” means a Mortgage Loan that is not covered by a Hedge or a loan specific Take-Out Commitment.

“Underwriting Guidelines” means, with respect to each Seller, the Seller’s Underwriting Guidelines, a copy of which has been provided to the Administrative Agent.

“VA” means the Department of Veterans Affairs, or any successor thereto.

“VA Loan” means a Mortgage Loan, the payment of which is partially or completely guaranteed by the VA under the Servicemen’s Readjustment Act of 1944, as amended, or Chapter 37 of Title 38 of the United States Code or with respect to which there is a current binding and enforceable commitment for such a guaranty issued by the VA.

“Wet Loans” means the Mortgage Loans purchased pursuant to an Assignment in which the Sellers shall sell to the Administrative Agent for the benefit of the Purchasers, from the Purchase Date of each Wet Purchase, the Mortgage Loans identified in Schedule II to said Assignment.

“Wet Purchase” is defined in Section 3.7.

SECOND AMENDED AND RESTATED SERVICER PERFORMANCE GUARANTY

This Second Amended and Restated Servicer Performance Guaranty (the “Guaranty”), dated as of November 21, 2006, is executed by American Home Mortgage Investment Corp., a Maryland corporation (the “Performance Guarantor”), in favor of Calyon New York Branch (the “Administrative Agent”), as administrative agent for the Purchasers as defined in and under the Repurchase Agreement referred to below and the Purchasers.

WHEREAS, American Home Mortgage Corp., a New York corporation, American Home Mortgage Servicing, Inc., a Maryland corporation, American Home Mortgage Acceptance, Inc., a Maryland corporation and American Home Mortgage Investment Corp., a Maryland corporation (collectively, the “Sellers”), have entered into a Repurchase Agreement with the Servicer (as defined below), the Administrative Agent and the Banks, Issuers and Managing Agents parties thereto, dated as of November 21, 2006 (the “Repurchase Agreement”), pursuant to which the Sellers, subject to the terms and conditions therein, have agreed to sell certain Mortgage Assets to the Purchasers, subject to the right and obligation of the Sellers to repurchase such Mortgage Assets and American Home Mortgage Servicing, Inc., as the servicer thereunder (in such capacity, the “Servicer”) has agreed to perform the duties and obligations as “Servicer” thereunder either directly or through an Affiliate of the Servicer;

WHEREAS, as an inducement for the Purchasers to make Purchases pursuant to the Repurchase Agreement, the Performance Guarantor has agreed to guaranty the due and punctual performance of the Servicer as “Servicer” either directly or through an Affiliate of the Servicer under the Repurchase Agreement;

WHEREAS, it is a condition precedent to the Purchasers agreeing to make Purchases pursuant to the Repurchase Agreement that the Performance Guarantor executes and delivers to the Administrative Agent a performance guaranty substantially in the form hereof; and

WHEREAS, the Performance Guarantor wishes to guaranty the due and punctual performance of the Servicer’s obligations as “Servicer” to the Administrative Agent and the Purchasers under or in respect of the Repurchase Agreement as provided herein, and the Performance Guarantor, as the owner, directly or indirectly, of all of the outstanding shares of capital stock of the Servicer, will derive substantial benefit from the transactions contemplated under the Repurchase Agreement;

NOW, THEREFORE, the Performance Guarantor hereby agrees with the Administrative Agent and the Purchasers as follows:

Section 1. Definitions.

As used herein:

“Bankruptcy Code” means the United States Bankruptcy Code, 11 U.S.C. Sections 101 et seq., as amended.

“Obligations” means, collectively, all covenants, agreements, terms, conditions and indemnities to be performed and observed by the Servicer solely in its capacity as “Servicer” under and pursuant to the Repurchase Agreement and each other

document executed and delivered by the Servicer as “Servicer” pursuant to the Repurchase Agreement, including, without limitation, the due and punctual payment of all sums which are or may become due and owing by the Servicer as “Servicer” under the Repurchase Agreement, whether for the deposit of collections received by it or for fees, expenses (including counsel fees), indemnified amounts or otherwise, whether upon any termination or for any other reason, including any renewals, extensions and modifications thereof.

“AHM Entities” means, collectively, the Performance Guarantor and the Sellers.

All capitalized terms used herein, and not otherwise herein defined shall have their respective meanings as defined in the Repurchase Agreement.

Section 2. Guaranty of Performance of Obligations. The Performance Guarantor hereby unconditionally guarantees to the Administrative Agent and the Purchasers, the full and punctual payment and performance by the Servicer of the Obligations.

This Guaranty is an absolute, unconditional and continuing guaranty of the full and punctual performance of all of the Obligations and is in no way conditioned upon any requirement that the Administrative Agent or the Purchasers first take any action against the Servicer with respect to the Obligations or attempt to collect any of the amounts owing by the Servicer to the Purchasers from the Servicer or resort to any collateral security, any balance of any deposit account or credit on the books of any Purchasers in favor of the Servicer, any guarantor of the Obligations or any other Person. Should the Servicer default in the payment or performance of any of the Obligations, the Administrative Agent or the Majority Banks may cause the immediate performance by the Performance Guarantor of the Obligations and cause any payment Obligations to become forthwith due and payable to the Administrative Agent and the Purchasers, without demand or notice of any nature (other than as expressly provided herein), all of which are expressly waived by the Performance Guarantor.

The Performance Guarantor’s liability under this Guaranty shall be absolute and unconditional irrespective of (i) any lack of validity or enforceability of the Repurchase Agreement or any other document executed in connection therewith or delivered thereunder, (ii) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to departure from the Repurchase Agreement or any other document executed in connection therewith or delivered thereunder, (iii) any taking, exchange, release or non-perfection of any collateral, or any taking, release or amendment or waiver of or consent to departure from any other guaranty, for all or any of the Obligations, (iv) any law, regulation or order of any jurisdiction affecting any term of all or any Obligations or the rights of the Administrative Agent or any of the Purchasers, (v) any manner of application of collateral, or proceeds thereof, to all or any of the Obligations, or any manner of sale or other disposition of any collateral for all or any of the Obligations or any other assets of the Servicer, (vi) any change, restructuring or termination of the corporate structure or existence of the Servicer, or (vii) any other circumstance which might otherwise constitute a defense available to, or a discharge of, the Servicer or a guarantor. In the event that performance of any of the Obligations is stayed upon the insolvency, bankruptcy or reorganization of the Servicer, or for any other reason, all such Obligations shall be immediately performed by the Performance Guarantor.

Section 3. Performance Guarantor' s Further Agreements to Pay. The Performance Guarantor further agrees, in the event the Performance Guarantor fails to perform its obligations under this Guaranty, to pay to the Administrative Agent and the Purchasers, forthwith upon demand all reasonable costs and expenses (including court costs and legal expenses) incurred or expended by the Administrative Agent and the Purchasers in connection with the enforcement of this Guaranty.

Section 4. Waivers by Performance Guarantor; Administrative Agent' s and Purchaser' s Freedom to Act. The Performance Guarantor waives notice of (a) acceptance of this Guaranty, (b) any action taken or omitted by the Administrative Agent or any Purchaser in reliance on this Guaranty, and (c) any requirement that the Administrative Agent or the Purchasers be diligent or prompt in making demands under this Guaranty, giving notice of any Default, Event of Default or Servicer Default, default or omission by the Servicer or asserting any other rights of the Administrative Agent or any Purchaser under this Guaranty. To the maximum extent permitted by applicable law, the Performance Guarantor also irrevocably waives all defenses that at any time may be available in respect of the Obligations by virtue of any statute of limitations, valuation, stay, moratorium law or other similar law now or thereafter in effect.

The Administrative Agent shall be at liberty, upon its own initiative or at the request of the Majority Banks, without giving notice to or obtaining the assent of the Performance Guarantor and without relieving the Performance Guarantor of any liability under this Guaranty, to deal with the Servicer and with each other party who now is or after the date hereof becomes liable in any manner for any of the Obligations, in such manner as the Administrative Agent in its sole discretion deems fit or the Majority Banks in their sole discretion deem fit, and to this end the Performance Guarantor agrees that the validity and enforceability of this Guaranty, including without limitation, the provisions of Section 8 hereof, shall not be impaired or affected by any of the following: (a) any extension, modification or renewal of, or indulgence with respect to, or substitutions for, the Obligations or any part thereof or any agreement relating thereto at any time; (b) any failure or omission to enforce any right, power or remedy with respect to the Obligations or any part thereof or any agreement relating thereto, or any collateral securing the Obligations or any part thereof; (c) any waiver of any right, power or remedy or of any Default, Event of Default, Servicer Default or default with respect to the Obligations or any part thereof or any agreement relating thereto; (d) any release, surrender, compromise, settlement, waiver, subordination or modification, with or without consideration, of any other obligation of any person or entity with respect to the Obligations or any part thereof; (e) the enforceability or validity of the Obligations or any part thereof or the genuineness, enforceability or validity of any agreement relating thereto or with respect to the Obligations or any part thereof; (f) the application of payments received from any source to the payment of any payment Obligations of the Servicer, any part thereof or amounts which are not covered by this Guaranty even though the Administrative Agent or the Purchasers might lawfully have elected to apply such payments to any part or all of the payment Obligations of the Servicer or to amounts which are not covered by this Guaranty; (g) the existence of any claim, setoff or other rights which the Performance Guarantor may have at any time against the Servicer in connection herewith or any unrelated

transaction; (h) any assignment or transfer of the Obligations or any part thereof; or (i) any failure on the part of the Servicer to perform or comply with any term of the Repurchase Agreement or any other document executed in connection therewith or delivered thereunder, all whether or not the Performance Guarantor shall have had notice or knowledge of any act or omission referred to in the foregoing clauses (a) through (i) of this Section.

Section 5. Unenforceability of Obligations Against the Servicer. Notwithstanding (a) any change of ownership of the Servicer or the insolvency, bankruptcy or any other change in the legal status of the Servicer; (b) the change in or the imposition of any law, decree, regulation or other governmental act which does or might impair, delay or in any way affect the validity, enforceability or the payment when due of the Obligations; (c) the failure of the Servicer or the Performance Guarantor to maintain in full force, validity or effect or to obtain or renew when required all governmental and other approvals, licenses or consents required in connection with the Obligations or this Guaranty, or to take any other action required in connection with the performance of all obligations pursuant to the Obligations or this Guaranty; or (d) if any of the moneys included in the Obligations have become unrecoverable from the Servicer for any reason other than final payment in full of the payment Obligations in accordance with their terms, this Guaranty shall nevertheless be binding on the Performance Guarantor. This Guaranty shall be in addition to any other guaranty or other security for the Obligations, and it shall not be rendered unenforceable by the invalidity of any such other guaranty or security.

Section 6. Representations and Warranties.

Section 6.1. Existence and Standing. The Performance Guarantor is a corporation duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation and has all requisite corporate authority to conduct its business in each jurisdiction in which its business is conducted.

Section 6.2. Authorization; Validity. The Performance Guarantor has the corporate power and authority to execute and deliver this Guaranty, perform its obligations hereunder and consummate the transactions herein contemplated. The execution and delivery by the Performance Guarantor of this Guaranty, the performance of its obligations and consummation of the transactions contemplated hereunder have been duly authorized by proper corporate proceedings, and this Guaranty constitutes the legal, valid and binding obligation of the Performance Guarantor, enforceable against the Performance Guarantor in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally and by general equity principles (whether considered as a proceeding at law or in equity).

Section 6.3. No Conflict; Government Consent. Neither the execution and delivery by the Performance Guarantor of this Guaranty, nor the consummation of the transactions herein contemplated, nor compliance with the provisions hereof will contravene or conflict with any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the Performance Guarantor or any of the other AHM Entities, except where such contravention or conflict would not reasonably be expected to have a Material Adverse Effect, or the Performance Guarantor's certificate of incorporation or by-laws or the provisions of any indenture, instrument or agreement to which the Performance Guarantor is a party or is subject, or by which it, or its property, is bound, except where such

contravention or conflict would not reasonably be expected to have a Material Adverse Effect, or result in the creation or imposition of any Lien in, of or on the property of the Performance Guarantor or any of its subsidiaries pursuant to the terms of any such indenture, instrument or agreement.

Section 6.4. Financial Statements. The consolidated financial statements of American Home Mortgage Investment Corp. and its Subsidiaries, heretofore delivered to the Purchasers as required by the Repurchase Agreement, were prepared in accordance with generally accepted accounting principles in effect on the date such statements were prepared and fairly present the consolidated financial condition and operations of American Home Mortgage Investment Corp. and its Subsidiaries at such date and the consolidated results of their operations for the period then ended.

Section 6.5. Material Adverse Change. Since September 30, 2006, there has been no change in the business, properties, financial condition or results of operations of the Performance Guarantor and its Subsidiaries which is reasonably likely to have a Material Adverse Effect on (i) the business, properties, financial condition or results of operations of the Performance Guarantor and the other AHM Entities taken as a whole, (ii) the ability of the Performance Guarantor to perform its obligations under this Guaranty, or (iii) the validity or enforceability of any portion of this Guaranty or the rights or remedies of the Administrative Agent or the Purchasers hereunder.

Section 6.6. Taxes. The Performance Guarantor and the other AHM Entities have filed all United States federal tax returns and all other tax returns which are required to be filed, except where the failure to file would not reasonably be expected to have a Material Adverse Effect, and have paid all taxes due pursuant to said returns or pursuant to any assessment received by the Performance Guarantor or any of the other AHM Entities, except such taxes, if any, as are being contested in good faith and as to which adequate reserves have been provided. No tax liens have been filed which are reasonably likely to have a Material Adverse Effect on (i) the business, properties, financial condition or results of operations of the Performance Guarantor and the other AHM Entities taken as a whole, (ii) the ability of the Performance Guarantor to perform its obligations under this Guaranty, or (iii) the validity or enforceability of any portion of this Guaranty or the rights or remedies of the Administrative Agent or the Purchasers hereunder, and no claims are being asserted in writing with respect to any such taxes. The charges, accruals and reserves on the books of the Performance Guarantor and the other AHM Entities in respect of any taxes or other governmental charges are adequate.

Section 6.7. Litigation and Contingent Obligations. There is no litigation, arbitration, governmental investigation, proceeding or inquiry pending or, to the knowledge of any of its officers, threatened against or affecting the Performance Guarantor or its Subsidiaries which is reasonably likely to have a Material Adverse Effect on (i) the business, properties, financial condition or results of operations of the Performance Guarantor and the other AHM Entities taken as a whole, (ii) the ability of the Performance Guarantor to perform its obligations under this Guaranty, or (iii) the validity or enforceability of any portion of this Guaranty or the rights or remedies of the Administrative Agent or the Purchasers hereunder. The Performance Guarantor does not have any material contingent obligations not provided for or disclosed in the financial statements referred to in Section 6.4.

Section 7. Covenants. The Performance Guarantor hereby covenants and agrees for the benefit of the Administrative Agent and the Purchasers, until the Obligations have been satisfied in full and the Repurchase Agreement has been terminated, as follows:

(a) to promptly notify the Purchasers upon (i) any dispute between the Performance Guarantor and any Governmental Authority or any other Person that, if adversely determined, would have a Material Adverse Effect; (ii) any material adverse change in the business, operations or financial condition of the Performance Guarantor, including, without limitation, the Performance Guarantor's insolvency; (iii) any event or condition known to it that, if adversely determined, would have a Material Adverse Effect; and (iv) the receipt of any notice of any final judgment or order for payment of money applicable to the Performance Guarantor in excess of \$10,000,000;

(b) to pay and discharge promptly all taxes, assessments and governmental charges or levies imposed upon it or upon its income or upon any of its Property as well as all claims of any kind (including claims for labor, materials, supplies and rent) that, if unpaid, might become a Lien upon any or all of its Property; provided, however, the Performance Guarantor shall not be required to pay any such tax, assessment, charge, levy or claim if the amount, applicability or validity thereof shall currently be contested in good faith by appropriate proceedings diligently conducted by it or on its behalf and if it shall have set up reserves therefor adequate under GAAP;

(c) to maintain its corporate existence, rights and franchises; and

(d) to observe and comply in all material respects with all Governmental Requirements; and

(e) promptly and in any event within 60 days after the end of each of the first three (3) quarters in each fiscal year of the Performance Guarantor, and within 120 days after the close of the Performance Guarantor's fiscal year, completed officer's certificates in the forms of Exhibit H-3 and Exhibit H-4, respectively, attached to the Repurchase Agreement, executed by the treasurer or other Financial Officer of the Performance Guarantor.

Section 8. Subrogation; Subordination. The Performance Guarantor shall not enforce or otherwise exercise any right of subrogation to any of the rights of the Administrative Agent or the Purchasers against the Servicer, until the Obligations have been indefeasibly paid in full; notwithstanding anything to the contrary contained herein, until the Obligations have been indefeasibly paid in full, the Performance Guarantor hereby waives all rights of subrogation (whether contractual, under Section 509 of the United States Bankruptcy Code, at law or in equity or otherwise) to the claims of the Administrative Agent or any Lender against the Servicer and all contractual, statutory or legal or equitable rights of contribution, reimbursement, indemnification and similar rights and "claims" (as that term is defined in the United States Bankruptcy Code) which the Performance Guarantor might now have or hereafter acquire against the Servicer that arises from the existence or performance of the Servicer's obligations hereunder; until the Obligations have been indefeasibly paid in full; the Performance Guarantor will not claim any setoff, recoupment or counterclaim against the Servicer in respect of any liability of the Performance Guarantor to the Servicer; and the Performance Guarantor waives

any benefit of and any right to participate in any collateral security which may be held by the Administrative Agent or any Purchaser. Unless otherwise provided for in the Subordination Agreement, the payment of any amounts due with respect to any indebtedness for borrowed money of the Servicer now or thereafter owed to the Performance Guarantor is hereby subordinated to the prior payment in full of all of the Obligations. The Performance Guarantor agrees that, after the occurrence, and during the continuation, of any default in the payment or performance of any of the Obligations, the Performance Guarantor will not demand, sue for or otherwise attempt to collect any such indebtedness of the Servicer to the Performance Guarantor until all of the Obligations shall have been paid and performed in full. If, notwithstanding the foregoing sentence, the Performance Guarantor shall collect, enforce or receive any amounts in respect of such indebtedness while any Obligations are still unperformed or outstanding, such amounts shall be collected, enforced and received by the Performance Guarantor as trustee for the Purchasers and be paid over to the Administrative Agent on account of the Obligations without affecting in any manner the liability of the Performance Guarantor under the other provisions of this Guaranty. The provisions of this Section 8 shall be supplemental to and not in derogation of any rights and remedies of the Administrative Agent and the Purchasers under any separate subordination agreement which the Administrative Agent and the Purchasers may at any time and from time to time enter into with the Performance Guarantor.

Section 9. Termination of Guaranty. The Performance Guarantor's obligations hereunder shall continue in full force and effect until all Obligations are finally paid and satisfied in full and the Repurchase Agreement is terminated; provided, however, that this Guaranty shall continue to be effective or shall be reinstated, as the case may be, if at any time payment or other satisfaction of any of the Obligations is rescinded or must otherwise be restored or returned upon the bankruptcy, insolvency, or reorganization of the Servicer, or otherwise, as though such payment had not been made or other satisfaction occurred, whether or not the Administrative Agent is in possession of this Guaranty. No invalidity, irregularity or unenforceability by reason of the Bankruptcy Code or any insolvency or other similar law, or any law or order of any government or agency thereof purporting to reduce, amend or otherwise affect the Obligations shall impair, affect, be a defense to or claim against the obligations of the Performance Guarantor under this Guaranty.

Section 10. Effect of Bankruptcy. This Guaranty shall survive the insolvency of the Servicer and the commencement of any case or proceeding by or against the Servicer under the federal Bankruptcy Code or other federal, state or other applicable bankruptcy, insolvency or reorganization statutes. No automatic stay under the federal Bankruptcy Code or other federal, state or other applicable bankruptcy, insolvency or reorganization statutes to which the Servicer is subject shall postpone the obligations of the Performance Guarantor under this Guaranty.

Section 11. Setoff. Regardless of the other means of obtaining payment of any of the Obligations, each of the Administrative Agent and the Purchasers is hereby authorized at any time and from time to time during the existence of a Servicer Default, without notice to the Performance Guarantor (any such notice being expressly waived by the Performance Guarantor) and to the fullest extent permitted by law, to set off and apply such deposits and other sums against the obligations of the Performance Guarantor under this Guaranty, whether or not the Administrative Agent and the Purchasers shall have made any demand under this Guaranty and although such obligations may be contingent or unmatured.

Section 12. Taxes. All payments to be made by the Performance Guarantor hereunder shall be made free and clear of any deduction or withholding. If the Performance Guarantor is required by law to make any deduction or withholding on account of tax or otherwise from any such payment, the sum due from it in respect of such payment shall be increased to the extent necessary to ensure that, after the making of such deduction or withholding, the Administrative Agent and the Purchasers receive a net sum equal to the sum which they would have received had no deduction or withholding been made.

Section 13. Further Assurances. The Performance Guarantor agrees that it will permit the Administrative Agent and the Purchasers or any of their duly authorized representatives, during normal business hours, and upon reasonable notice to consult and discuss with the Performance Guarantor's Treasurer or Controller, with respect to the Performance Guarantor's business, finances, accounts and affairs. The Performance Guarantor agrees that it will, from time to time, at the request of the Administrative Agent and the Purchasers, provide to the Administrative Agent and the Purchasers information relating to the business and affairs of the Performance Guarantor as the Administrative Agent and the Purchasers may reasonably request. The Performance Guarantor also agrees to do all such things and execute all such documents as the Administrative Agent and the Purchasers may reasonably consider necessary or desirable to give full effect to this Guaranty and to perfect and preserve the rights and powers of the Administrative Agent and the Purchasers hereunder.

Section 14. Successors and Assigns. This Guaranty shall be binding upon the Performance Guarantor, its successors and assigns, and shall inure to the benefit of and be enforceable by the Administrative Agent and the Purchasers and their successors, transferees and assigns. The Performance Guarantor may assign or transfer any of its obligations hereunder without the prior written consent of each of the Purchasers and any attempted assignment shall be null and void.

Section 15. Amendments and Waivers. No amendment or waiver of any provision of this Guaranty nor consent to any departure by the Performance Guarantor therefrom shall be effective unless the same shall be in writing and signed by the Administrative Agent and the Performance Guarantor. No failure on the part of the Administrative Agent or any Purchaser to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right.

Section 16. Notices. All notices and other communications called for hereunder shall be made in writing and, unless otherwise specifically provided herein, shall be deemed to have been duly made or given when delivered by hand or mailed first class, postage prepaid, or, in the case of telegraphic, telecopied or telexed notice, when transmitted, answer back received, addressed as follows: if to the Performance Guarantor, at the address set forth beneath its signature hereto, and if to the Administrative Agent and the Purchasers at its address specified in the Repurchase Agreement, or at such other address as either party may designate in writing to the other.

Section 17. **GOVERNING LAW. THIS GUARANTY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK (WITHOUT GIVING EFFECT TO THE**

CONFLICT OF LAWS PRINCIPLES THEREOF, OTHER THAN SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW WHICH SHALL APPLY HERETO).

Section 18. **CONSENT TO JURISDICTION.** THE PERFORMANCE GUARANTOR HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR NEW YORK STATE COURT SITTING IN NEW YORK, NEW YORK IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS GUARANTY, THE REPURCHASE AGREEMENT OR ANY OTHER DOCUMENT EXECUTED IN CONNECTION THEREWITH OR DELIVERED THEREUNDER AND THE PERFORMANCE GUARANTOR HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. NOTHING HEREIN SHALL LIMIT THE RIGHT OF THE ADMINISTRATIVE AGENT, ANY MANAGING AGENT OR ANY LENDER TO BRING PROCEEDINGS AGAINST THE PERFORMANCE GUARANTOR IN THE COURTS OF ANY OTHER JURISDICTION.

Section 19. **Miscellaneous.** This Guaranty constitutes the entire agreement of the Performance Guarantor with respect to the matters set forth herein. The rights and remedies herein provided are cumulative and not exclusive of any remedies provided by law or any other agreement, and this Guaranty shall be in addition to any other guaranty of or collateral security for any of the Obligations. The provisions of this Guaranty are severable, and in any action or proceeding involving any state corporate law, or any state or federal bankruptcy, insolvency, reorganization or other law affecting the rights of creditors generally, if the obligations of the Performance Guarantor hereunder would otherwise be held or determined to be avoidable, invalid or unenforceable on account of the amount of the Performance Guarantor's liability under this Guaranty, then, notwithstanding any other provision of this Guaranty to the contrary, the amount of such liability shall, without any further action by the Performance Guarantor, the Administrative Agent or any Purchaser, be automatically limited and reduced to the highest amount that is valid and enforceable as determined in such action or proceeding. The invalidity or unenforceability of any one or more sections of this Guaranty shall not affect the validity or enforceability of its remaining provisions. Captions are for the ease of reference only and shall not affect the meaning of the relevant provisions. The meanings of all defined terms used in this Guaranty shall be equally applicable to the singular and plural forms of the terms defined.

[Signatures Follow]

IN WITNESS WHEREOF, the Performance Guarantor has caused this Guaranty to be executed and delivered as of the date first above written.

AMERICAN HOME MORTGAGE INVESTMENT
CORP.

By:

/s/ Alan B. Horn

Name: Alan B. Horn

Title: Executive Vice President
General Counsel & Secretary

Address: 538 Broadhollow Road
Melville, NY 11747

(Signature Page to the Second Amended & Restated Servicer Performance Guaranty)

AMENDMENT NO. 2

AMENDMENT NO. 2, dated as of January 29, 2007 (this "Amendment"), to the Third Amended and Restated Master Repurchase Agreement, dated as of July 15, 2005, as amended by AMENDMENT NO. 1, dated as of September 29, 2006, as amended, supplemented or otherwise modified prior to the date hereof (the "Existing Repurchase Agreement"), each among AMERICAN HOME MORTGAGE CORP., a New York corporation ("AHMC"), AMERICAN HOME MORTGAGE INVESTMENT CORP., a Maryland corporation ("AHMIC"), AMERICAN HOME MORTGAGE ACCEPTANCE, INC., a Maryland corporation ("AHMA"), AMERICAN HOME MORTGAGE HOLDINGS, INC., a Delaware corporation ("AHMH"), AMERICAN HOME MORTGAGE SERVICING, INC. (formerly known as Columbia National, Incorporated), a Maryland corporation ("AHMS" and, collectively with AHMC, AHMIC, AHMA and AHMH, the "Seller" and each a "Seller Entity"), and IXIS REAL ESTATE CAPITAL INC., a New York corporation ("Buyer").

WITNESSETH:

WHEREAS, pursuant to the Existing Repurchase Agreement between the Seller and the Buyer, the Buyer has agreed to purchase Mortgage Loans from time to time from the Seller, subject to the Seller's obligations to repurchase such Mortgage Loans upon the terms and conditions set forth therein; and

WHEREAS, the Seller has requested and the Buyer has agreed to amend the Existing Repurchase Agreement to modify certain covenants relating to the Seller;

NOW THEREFORE, in consideration of the premises set forth herein, and to induce the Buyer to make loans under the Existing Repurchase Agreement to the Seller, the Seller hereby agrees with the Buyer as follows:

Section 1. Defined Terms. Unless otherwise defined herein, terms that are defined in the Existing Repurchase Agreement and used herein are so used as so defined.

Section 2. Amendments.

(a) Section 2 of the Existing Repurchase Agreement is hereby amended by deleting the definition of "Asset Value" in its entirety and replacing it with the following:

"Asset Value" shall mean as of any date of determination with respect to (A) each Eligible Asset that is not a Repurchased Mortgage Loan, a HELOC, an Alt-A Second Mortgage Loan or a Sub-Prime Second Mortgage Loan, the lesser of (a) the Purchase Percentage applicable to such Eligible Asset multiplied by the Market Value of such Mortgage Loan as of such date and (b) the outstanding principal balance of such Eligible Asset as of such date, (B) each Repurchased Mortgage Loan, 60% of the least of (a) 90% of the Market Value of such Mortgage Loan as of such date, (b) the outstanding principal balance of such Eligible Asset as of such date and (c) the Repurchased Appraised Value of such Mortgage Loan and (C) each

Eligible Asset that is a HELOC, an Alt-A Second Mortgage Loan or a Sub-Prime Second Mortgage Loan, the lesser of (a) Purchase Percentage applicable to such Eligible Asset multiplied by the Market Value of such Mortgage Loan as of such date and (b) the outstanding principal balance of such Eligible Asset as of such date; provided, that, the following additional limitations on Asset Value shall apply:

- (1) after giving effect to any requested Transaction, the aggregate Asset Value of all Alt-A Mortgage Loans owned hereunder by Buyer as of such date of determination may not exceed the Alt-A Sub-Limit;
- (2) after giving effect to any requested Transaction, the aggregate Asset Value of all Sub-Prime Mortgage Loans owned hereunder by Buyer as of such date of determination may not exceed the Sub-Prime Sub-Limit;
- (3) after giving effect to any requested Transaction, the aggregate Asset Value of all Sub-Prime Second Lien Mortgage Loans owned hereunder by Buyer as of such date of determination may not exceed the Sub-Prime Second Lien Sub-Limit;
- (4) after giving effect to any requested Transaction, the aggregate Asset Value of all Sub-Prime Mortgage Loans made to "C" or "D" credit quality Mortgagors owned hereunder by Buyer as of such date of determination may not exceed the Credit Sub-Limit;
- (5) after giving effect to any requested Transaction, the aggregate Asset Value of all Mortgage Loans which are Manufactured Housing Mortgage Loans owned hereunder by Buyer as of such date of determination may not exceed the Manufactured Housing Sub-Limit;
- (6) after giving effect to any requested Transaction, the aggregate Asset Value of all Sub-Prime Mortgage Loans which are not occupied by the related Mortgagor as its primary residence (as determined on the origination date) owned hereunder by Buyer as of such date of determination may not exceed the N/O/O Sub-Limit;
- (7) after giving effect to any requested Transaction, the aggregate Asset Value of all Repurchased Mortgage Loans owned hereunder by Buyer as of such date of determination may not exceed the Repurchased Mortgage Loan Sub-Limit;
- (8) after giving effect to any requested Transaction, the aggregate Asset Value of all Co-op Loans owned hereunder by Buyer as of such date of determination may not exceed the Co-op Sub-Limit;
- (9) after giving effect to any requested Transaction, the aggregate Asset Value of all Super Jumbo Mortgage Loans owned hereunder by Buyer as of such date of determination may not exceed the Super Jumbo Sub-Limit;
- (10) after giving effect to any requested Transaction, the aggregate Asset Value of all Fannie Mae Flex 100 Mortgage Loans owned hereunder by Buyer as of such date of determination may not exceed the Fannie Mae Flex 100 Sub-Limit;

(11) after giving effect to any requested Transaction, the aggregate Asset Value of all Interest-Only Loans owned hereunder by Buyer as of such date of determination may not exceed the Interest-Only Sub-Limit;

(12) after giving effect to any requested Transaction, the aggregate Asset Value of all Wet-Ink Mortgage Loans owned hereunder by Buyer as of such date of determination may not exceed the Wet-Ink Sub-Limit;

(13) after giving effect to any requested Transaction, the aggregate Asset Value of all Co-op Loans that are Super Jumbo Mortgage Loans, Jumbo Mortgage Loans owned hereunder by Buyer as of such date of determination may not exceed the Co-op Jumbo Sub-Limit;

(14) with respect to each Check Funded Loan, the Asset Value shall be deemed zero until at least one check set forth on the related Check Funding Schedule has been presented for payment and paid in accordance with the procedures set forth in the Custodial and Disbursement Agreement and the Check Disbursement Agreement; provided that for purposes of Section 3(n) and Section 4 hereof, the Asset Value shall be equal to no more than amounts that have previously been paid in respect of checks with respect to such Check Funded Loan;

(15) with respect to each Official Check Funded Loan, the Asset Value shall be deemed zero until the official check set forth on the related Official Check Funding Schedule has been presented for payment and paid in accordance with the procedures set forth in the Custodial and Disbursement Agreement and the Official Check Disbursement Agreement; provided that for purposes of Section 3(n) and Section 4 hereof, the Asset Value shall be equal to no more than amounts that have previously been paid in respect of checks with respect to such Official Check Funded Loan;

(16) after giving effect to any requested Transaction, the aggregate Asset Value of all HELOCs owned hereunder by Buyer as of such date of determination may not exceed the HELOC Sub-Limit; and

(17) the Asset Value shall be deemed to be zero with respect to each Mortgage Loan (i) in respect of which there is a breach of a representation and warranty set forth in Schedule 1 (assuming each representation and warranty is made as of the date the Asset Value is determined), (ii) other than with respect to a Repurchased Loan, in respect of which there is a delinquency in the payment of principal and/or interest which continues for a period in excess of twenty-nine (29) calendar days (without regard to any applicable grace periods), (iii) which has not been repurchased by Seller by the earlier to occur of (A) the Termination Date and (B) except with respect to Repurchased Mortgage Loans, the 90th day after the date on which it is first purchased by Buyer, and with respect to Repurchased Mortgage Loans, the 180th day after the date on which such Mortgage Loan becomes a Repurchased Mortgage Loan, (iv) which has been released from the possession of Custodian under the Custodial and Disbursement Agreement to any Person other than Buyer for a period in excess of forty-five (45) calendar days with respect to releases pursuant to Section 5(c), (v) which has been released from the possession of

Custodian under the Custodial and Disbursement Agreement to Seller for a period in excess of ten (10) calendar days with respect to releases pursuant to Sections 5(a) and 5(b), (vi) which exceed the Sub-Limit for the related Class or otherwise or (vii) which is a Wet-Ink Mortgage Loan, for which Custodian has failed to receive the related Mortgage Documents by the tenth 10th Business Day following the applicable Purchase Date.”

(b) Section 2 of the Existing Repurchase Agreement is hereby amended by deleting the definition of “Wet-Ink Mortgage Loan” in its entirety and replacing it with the following:

“Wet-Ink Mortgage Loan” shall mean an Eligible Asset which is sold to Buyer simultaneously with or one day prior to the origination thereof by Seller, which origination is in accordance with the Underwriting Guidelines and is funded in part or in whole with proceeds of the sale of the Eligible Asset to Buyer advanced directly to a Settlement Agent or with respect to a Check Funded Loan, pursuant to the Custodial and Disbursement Agreement and Check Disbursement Agreement or Official Check Disbursement Agreement, as applicable, a DB Funded Mortgage Loan or a BONY Funded Mortgage Loan.”

(c) Section 2 of the Existing Repurchase Agreement is hereby amended by inserting the following definitions in the appropriate alphabetical order:

“BONY Funded Mortgage Loan” shall mean an Eligible Asset which is sold to Buyer on the day of origination thereof by Seller, which origination is in accordance with the Underwriting Guidelines and is advanced by the Seller out of one of the following accounts maintained at The Bank of New York; either (i) Account #8900553944, or (ii) Account #8900553952 (the “BONY Intra-day Account”), directly to a Settlement Agent on the origination date.”

“DB Funded Mortgage Loan” shall mean an Eligible Asset which is sold to Buyer on the day of origination thereof by Seller, which origination is in accordance with the Underwriting Guidelines and is advanced by the Seller out of one of the following accounts maintained at Deutsche Bank National Trust Company, either (i) Account # 00-446440, or (ii) Account #00-446432 (the “DB Intra-day Account”), directly to a Settlement Agent on the origination date.”

(d) Section 3 (b) of the Existing Repurchase Agreement is hereby amended by inserting the following clauses in order and renumbering clause (22) as clause (25):

“(22) with respect to each DB Funded Mortgage Loan, Buyer shall have received from Disbursement Agent a report (the “DB Funding Report”) setting forth for each such DB Funded Mortgage Loan, the amount disbursed to the Settlement Agent, the Federal Reference Number for such wire and the wire instructions to which such amount was wired;

(23) with respect to each BONY Funded Mortgage Loan, Buyer shall have received from Seller a report setting forth for each such BONY Funded Mortgage Loan, the amount disbursed to the Settlement Agent, the Federal Reference Number for such wire and the wire instructions to which such amount was wired;

(24) Buyer has not determined to cease funding any BONY Funded Mortgage Loans (and sent notice of such intention to Seller); provided that such notice shall be of no further effect if The Bank of New York agrees in writing, in form and substance acceptable to Buyer, to deliver directly to Buyer (or to Buyer through a Person not affiliated with the Seller) a report (a “BONY Report”) containing substantially the same information as the DB Funding Report with respect to each BONY Funded Mortgage Loan and such BONY Report is actually delivered with respect to each such BONY Funded Mortgage Loan; and”

(e) Schedule 1 of the Existing Repurchase Agreement is hereby amended by inserting the following clause in order and renumbering clause (64) as clause (65):

“(64) With respect to each DB Funded Mortgage Loan, the Disbursement Agent funded the amounts set forth on the DB Funding Report to the related Settlement Agent and such amounts were sufficient to fully fund the related Mortgage Loan which was, in fact, funded prior to the purchase hereunder. With respect to each BONY Funded Mortgage Loan, the Disbursement Agent funded the amounts set forth on the BONY Report to the related Settlement Agent and such amounts were sufficient to fully fund the related Mortgage Loan which was, in fact, funded prior to the purchase hereunder. With respect to each DB Funded Mortgage Loan and BONY Funded Mortgage Loan, the related Settlement Agent has been instructed to hold such Mortgage Loans on behalf of Buyer and to deliver the related Mortgage Loan Documents to the Custodian within 10 Business Days of the related origination date. Additionally, the mortgage loan documents for each mortgage loan not purchased by Buyer or proposed for purchase by Buyer originated by funds from the DB Intra-day Account or the BONY Intra-day Account will be delivered to the Custodian as custodian on behalf of the respective warehouse lender or the Seller; and”

Section 3. Representations and Warranties. Seller hereby represents and warrants that the representations and warranties of the Seller contained in Section 10 of the Existing Repurchase Agreement, as supplemented by this Amendment, are true and correct with respect to each of AHMS, AHMC, AHMIC, AHMA and AHMH as of the date of this Amendment.

Section 4. Effectiveness. The closing for the Amendment of the Existing Repurchase Agreement shall be subject to the condition precedent that the Seller and the Buyer shall have executed and delivered this Amendment, duly executed by all signatories as required pursuant to the respective terms thereof.

Section 5. Further Assurances. The Seller hereby covenants and agrees with the Buyer that, from and after the date hereof, at any time and from time to time, upon the written request of the Buyer, and at the sole expense of the Seller, the Seller will promptly and duly execute and deliver such further instruments and documents and take such further actions as the Buyer may reasonably request in order to effect the transactions contemplated hereby and to preserve the full benefits of the Existing Repurchase Agreement and the rights and powers therein granted.

Section 6. Counterparts. This Amendment may be executed by each of the parties hereto on any number of separate counterparts, each of which shall be an original and all of which taken together shall constitute one and the same instrument.

SECTION 7. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK WITHOUT REFERENCE TO THE CHOICE OF LAW PROVISIONS THEREOF.

Section 8. Ratification of Agreement. Except as modified by this Amendment, the Existing Repurchase Agreement is in all respects ratified and confirmed, and all the terms, provisions and conditions thereof shall be and remain in full force and effect. The execution of this Amendment shall in no manner constitute a waiver or extinguishment of any rights of the Buyer under the Existing Repurchase Agreement and all such rights are hereby reserved.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have caused their names to be signed hereto by their respective officers thereunto duly authorized as of the day and year first above written.

BUYER:

IXIS REAL ESTATE CAPITAL INC.

By: /s/ Anthony Malanga

Name: Anthony Malanga

Title: Managing Director

By: /s/ Christopher Hayden

Name: Christopher Hayden

Title: Managing Director

SELLER:

AMERICAN HOME MORTGAGE CORP.

By: /s/ Alan B. Horn

Name: Alan B. Horn

Title: Executive Vice President

General Counsel & Secretary

**AMERICAN HOME MORTGAGE
INVESTMENT CORP.**

By: /s/ Alan B. Horn

Name: Alan B. Horn

Title: Executive Vice President

General Counsel & Secretary

**AMERICAN HOME MORTGAGE
HOLDINGS, INC.**

By: /s/ Alan B. Horn

Name: Alan B. Horn

Title: Executive Vice President

General Counsel & Secretary

**AMERICAN HOME MORTGAGE
ACCEPTANCE, INC.**

By: /s/ Alan B. Horn

Name: Alan B. Horn

Title: Executive Vice President

General Counsel & Secretary

**AMERICAN HOME MORTGAGE
SERVICING, INC. f/k/a COLUMBIA
NATIONAL, INCORPORATED**

By: /s/ Alan B. Horn

Name: Alan B. Horn

Title: Executive Vice President

General Counsel & Secretary

**THIRD AMENDED AND RESTATED CUSTODIAL AND DISBURSEMENT
AGREEMENT**

Among

IXIS REAL ESTATE CAPITAL INC., as Buyer,

**AMERICAN HOME MORTGAGE CORP.,
AMERICAN HOME MORTGAGE INVESTMENT CORP.,
AMERICAN HOME MORTGAGE ACCEPTANCE, INC.
AMERICAN HOME MORTGAGE HOLDINGS, INC., and
AMERICAN HOME MORTGAGE SERVICING, INC., collectively as Seller,**

DEUTSCHE BANK NATIONAL TRUST COMPANY, as Custodian,

and

DEUTSCHE BANK NATIONAL TRUST COMPANY, as Disbursement Agent

Dated as of January 29, 2007

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THIRD AMENDED AND RESTATED CUSTODIAL AND DISBURSEMENT AGREEMENT (“Agreement”) dated as of January 29, 2007 made by and among:

- (i) AMERICAN HOME MORTGAGE CORP., a New York corporation (“AHMC”), AMERICAN HOME MORTGAGE INVESTMENT CORP., a Maryland corporation (“AHMIC”), AMERICAN HOME MORTGAGE ACCEPTANCE, INC., a Maryland corporation (“AHMA”), AMERICAN HOME MORTGAGE HOLDINGS, Inc., a Delaware corporation (“AHMH”), AMERICAN HOME MORTGAGE SERVICING, INC., (formerly known as Columbia National, Incorporated), a Maryland corporation (“AHMS” and, collectively with AHMC, AHMIC, AHMA and AHMH and their respective successors in interest, the “Seller” and each a “Seller Entity”);
- (ii) DEUTSCHE BANK NATIONAL TRUST COMPANY, as custodian for Buyer pursuant to this Agreement (in such capacity, including its successors in interest and any successor Custodian as permitted hereunder, “Custodian”);
- (iii) DEUTSCHE BANK NATIONAL TRUST COMPANY, as disbursement agent for Buyer pursuant to this Agreement (in such capacity, including its successors in interest and any successor Disbursement Agent as permitted hereunder, “Disbursement Agent”); and
- (iv) IXIS REAL ESTATE CAPITAL INC. (formerly known as CDC Mortgage Capital Inc.), a New York corporation (including its successors in interest, “Buyer”).

RECITALS

Seller and Buyer are parties to the Third Amended and Restated Master Repurchase Agreement, dated as of July 15, 2005, as amended by Amendment No. 1, dated as of September 29, 2006, as amended by Amendment No. 2, to be dated as of January 29, 2007 (as amended, supplemented or otherwise modified and in effect from time to time, the “Repurchase Agreement”), pursuant to which Seller and Buyer have agreed, subject to the terms and conditions of the Repurchase Agreement, to enter into transactions (each, a “Transaction”) in which Buyer has agreed to consider the purchase from time to time from Seller of certain Mortgage Loans with a simultaneous agreement by Seller to repurchase such Mortgage Loans.

AHMC and Buyer previously entered into the Second Amended and Restated Custodial and Disbursement Agreement, dated June 1, 2004 (the “Original Agreement”) and the Seller and Buyer now desire to amend and restate the Original Agreement to include all of the Seller Entities as parties.

It is a condition precedent to the effectiveness of the Repurchase Agreement that the parties hereto execute and deliver this Agreement to provide for the appointment of Custodian as custodian and Disbursement Agent as disbursement agent hereunder. Accordingly, the parties hereto agree as follows:

Section 1. Definitions.

Unless otherwise defined herein, capitalized terms used herein and defined in the Repurchase Agreement shall have the respective meanings given them in the Repurchase Agreement, and the following terms shall have the following meanings:

“Additional Seller Funded Amount” for any Check Presentation Date shall be an amount equal to the difference between the Total Required Funds and sum of (a) the aggregate Buyer Funded Amount on such Check Presentation Date plus (b) the Seller Funded Wire Amount for such Check Presentation Date.

“Affiliate” shall mean with respect to any Person, any “affiliate” of such Person as such term is defined in the Bankruptcy Code.

“Agency” shall mean Freddie Mac or Fannie Mae, as applicable.

“Agreement and Release” shall mean a letter in form and substance acceptable to Buyer in its sole discretion, substantially in the form of Annex 21, from a Warehouse Lender to Buyer, (i) unconditionally releasing all of Warehouse Lender’s right, title and interest in certain Mortgage Loans identified therein upon receipt of payment by the Warehouse Lender, and (ii) acknowledging that Warehouse Lender shall remove its name from the Interim Funder field on the MERS® System within one Business Day of the related Purchase Date.

“AHMA” shall mean American Home Mortgage Acceptance, Inc., a Maryland corporation and its successors in interest.

“AHMC” shall mean American Home Mortgage Corp., a New York Corporation and its successors in interest.

“AHMH” shall mean American Home Mortgage Holdings, Inc., a Delaware corporation and its successors in interest.

“AHMIC” shall mean American Home Mortgage Investment Corp., a Maryland corporation and its successors in interest.

“AHMS” shall mean American Home Mortgage Servicing, Inc., a Maryland corporation and its successors in interest.

“Applicable Agency Documents”: The documents listed on Annex 15-A or Annex 15-B, as applicable.

“Applicable Guide” shall mean with respect to Fannie Mae or Freddie Mac, the applicable guide published by either Fannie Mae or Freddie Mac setting forth the requirements each Mortgage Loan needs to satisfy in order to be eligible for purchase by Fannie Mae or Freddie Mac, as such guide may be amended or supplemented from time to time or any other set of criteria established by Fannie Mae or Freddie Mac that a Mortgage Loan must satisfy in order to be eligible for purchase by Fannie Mae or Freddie Mac.

“Asset Schedule and Exception Report” shall mean a list of Eligible Assets delivered by Custodian to Buyer on each Business Day, reflecting the Mortgage Loans held by Custodian for the benefit of Buyer (other than Mortgage Loans with Fatal Exceptions), which includes the exception codes set forth on Annex 11 hereto indicating any Exceptions with respect to each Eligible Asset listed thereon. Each Asset Schedule and Exception Report shall set forth (a) the Mortgage Loans being sold to Buyer on any applicable Purchase Date as well as the Mortgage Loans previously sold to Buyer and held by Custodian hereunder, and (b) all Exceptions with respect thereto, with any updates thereto from the time last delivered.

“Assignment of Mortgage” shall mean an assignment of the Mortgage, notice of transfer or equivalent instrument in recordable form sufficient under the laws of the jurisdiction wherein the related Mortgaged Property is located to reflect the transfer of the Mortgage to the party indicated therein.

“Authorized Representative” shall have the meaning specified in Section 18.

“Bailee Letter”: A Fannie Mae Bailee Letter or a Freddie Mac Bailee Letter, as applicable.

“Bankruptcy Code” shall mean the United States Bankruptcy Code of 1978, as amended from time to time.

“BONY Funded Mortgage Loan” shall mean an Eligible Asset which is sold to Buyer on the day of origination thereof by Seller, which origination is in accordance with the Underwriting Guidelines and is advanced by the Seller out of one of the following accounts maintained at The Bank of New York; either (i) Account #8900553944, or (ii) Account #8900553952, directly to a Settlement Agent on the origination date.

“Business Day” shall mean any day other than (i) a Saturday or Sunday or (ii) a day on which banking institutions in the state of New York or any of Custodian, Disbursement Agent, Seller or Buyer is authorized or obligated by law or executive order to be closed.

“Buyer” shall have the meaning specified in the preamble to this Agreement.

“Buyer Funded Amount” shall mean with respect to each Check Funded Loan, DB Funded Mortgage Loan and BONY Funded Mortgage Loan, an amount equal to the Purchase Price for such Mortgage Loan; provided there are no Fatal Exceptions and shall mean zero with respect to each such Mortgage Loan for which there is a Fatal Exception.

“Check Disbursement Account” shall have the meaning specified in the Check Disbursement Agreement.

“Check Disbursement Agreement” shall mean the Letter Agreement, dated as of June 1, 2004, among each Seller Entity, Buyer, Disbursement Agent, Deutsche Bank Trust Company Delaware and Check Disbursement Bank, as may be amended from time to time.

“Check Disbursement Bank” shall mean Deutsche Bank Trust Company Americas, and its successors in interest.

“Check Funded Loan” shall mean a Wet-Ink Mortgage Loan which Seller intends to fund at origination by means of delivering a check written on the Check Disbursement Account maintained by Seller at Deutsche Bank Trust Company Americas, which check is not a certified check.

“Check Funding Schedule” shall mean a schedule delivered by Seller to Buyer, Disbursement Agent and Check Disbursement Bank with respect to Check Funded Loans which sets forth the following information with respect to each check used to fund origination of such Check Funded Loan: (i) the Loan ID; (ii) the outstanding principal balance of such Check Funded Loan; (iii) the check number; (iv) the check payee; (v) the check amount; and (vi) the issue date of such check.

“Check Funding Exception” shall mean any of the following:

Exception	Description
Above Max Dollar	A single check is for an amount in excess of \$500,000
Canceled Item	Check has previously been cancelled
Duplicate Paid	Duplicate check already funded
Paid Disagrees with Issue	Dollar amount on check is different then identified in Check Funding Schedule
Paid Without Issue	Check not identified on a Check Funding Schedule
Stale Date	Check was issued more than 30 days prior to presentment
Stop Suspects	Any check with the same dollar amount as a cancelled check

“Check Presentation Date” shall mean the Business Day a check is presented for payment against the Check Disbursement Account.

“Check Reconciliation Date” shall have the meaning specified in the Check Disbursement Agreement.

“Check Presentment Report” shall have the meaning specified in the Check Disbursement Agreement.

“Closed End Loan” shall mean a Mortgage Loan which is not a HELOC.

“Confirmation” shall have the meaning specified in the Repurchase Agreement.

“Co-op” shall mean a private, cooperative housing corporation, having only one class of stock outstanding, which owns or leases land and all or part of a building or buildings, including apartments, spaces used for commercial purposes and common areas therein and whose board of directors authorizes the sale of stock and the issuance of a Co-op Lease.

“Co-op Lease” shall mean with respect to a Co-op Loan, the lease with respect to a dwelling unit occupied by the Mortgagor and relating to the stock allocated to the related dwelling unit.

“Co-op Loan” shall mean an Eligible Asset that is a Conforming Mortgage Loan secured by the pledge of stock allocated to a dwelling unit in a Co-op and a collateral assignment of the related Co-op Lease.

“Co-op Security Agreement” shall mean the agreement creating a security interest in the stock allocated to a dwelling unit in the residential cooperative housing corporation that was pledged to secure such Co-op Loan and the related Co-op Lease.

“Credit Limit” shall mean, with respect to each HELOC, the maximum amount permitted under the terms of the related Credit Line Agreement.

“Credit Line Agreement” shall mean, with respect to each HELOC, the related home equity line of credit agreement, account agreement and promissory note (if any) executed by the related mortgagor and any amendment or modification thereof.

“Custodial Delivery Failure” shall have the meaning specified in Section 13(b).

“Custodial Identification Certificate” shall mean the certificate executed by Seller in connection with the delivery of one or more Mortgage Files to be held by Custodian pursuant to this Agreement, a form of which is attached as Annex 3 hereto.

“Custodian” shall have the meaning specified in the preamble to this Agreement.

“DB Funded Mortgage Loan” shall mean an Eligible Asset which is sold to Buyer on the day of origination thereof by Seller, which origination is in accordance with the Underwriting Guidelines and is advanced by the Seller out of one of the following accounts maintained at Deutsche Bank National Trust Company, either (i) Account # 00-446440, or (ii) Account #00-446432, directly to a Settlement Agent on the origination date.”

“DDA Account” shall have the meaning specified in the Check Disbursement Agreement.

“Disbursement Account” shall have the meaning specified in Section 11(a)(i).

“Disbursement Agent” shall have the meaning specified in the preamble to this Agreement.

“Edit Check” shall mean a review conducted by the Disbursement Agent in accordance with the Edit Check Procedures.

“Edit Check Agreement” shall mean the separate letter agreement, if any, between Disbursement Agent and Buyer setting forth the Edit Check Procedures, as may be amended from time to time.

“Edit Check Procedures” shall mean, if an Edit Check Agreement has been entered into, those certain edit check procedures set forth in the Edit Check Agreement, and if no Edit Check Agreement has been entered into, none.

“Electronic Agent” shall mean MERSCORP, INC, and its successors in interest.

“Electronic Tracking Agreement” shall mean The Electronic Tracking Agreement, in a form substantially similar to the form set forth as Annex 19 hereto with such changes as may be reasonably agreed to by the parties thereto, among Buyer, Seller, Electronic Agent and MERS, as the same shall be amended, supplemented or otherwise modified from time to time; provided that if no Mortgage Loans are or will be MERS Designated Mortgage Loans, all references herein to the Electronic Tracking Agreement shall be disregarded.

“Electronic Transmission” shall mean the delivery of information in an electronic format acceptable to the applicable recipient thereof. An Electronic Transmission shall be considered written notice for all purposes hereof (except when a request or notice by its terms requires execution).

“Escrow Instruction Letter” shall mean the Escrow Instruction Letter from Seller to the Settlement Agent, in the form of Annex 10 hereto as the same may be modified, supplemented and in effect from time to time.

“Exception” shall mean, with respect to any Mortgage Loan, any variances from the delivery requirements of Section 2 hereof that are not Fatal Exceptions with respect to the Mortgage Files (giving effect to Seller’s right to deliver certified copies in lieu of original documents in certain circumstances) and indicating such exceptions using the codes set forth on Annex 11 hereto.

“Fannie Mae” shall mean the Federal National Mortgage Association, and its successors in interest.

“Fannie Mae Bailee Letter”: The master bailee letter, in the form of Annex 14, for use by Custodian in connection with the delivery to Fannie Mae of a Mortgage File excluding (i) the Assignment of Mortgage, in blank, (ii) the Warehouse Lender’s Release, if applicable and (iii) all modification agreements relating to a Mortgage.

“Fatal Document Exception” shall mean, with respect to any Mortgage Loan, (i) any variance from the requirements of Section 2(a)(i)(A), (B), (D), (F) or (J) or Section 2(a)(ii)(A), (B), (C), (D), (E), (F), (H) or (I) (hereof with respect to the Mortgage Files (giving effect to Seller’s right to deliver certified copies in lieu of original documents in certain circumstances); (ii) that the documents in the Mortgage Files referred to in the preceding clause (i) have been reviewed by Custodian in accordance with the Review Procedures (other than the Review Procedures set forth in 8, 9 and 10 thereof) and do not appear on their face to be regular or to relate to such Mortgage Loan, (iii) any exception indicated as a Fatal Exception on Annex 11 hereto, (iv) any exception with respect to the delivery requirements specified in Section 5(c)(iii) hereof with respect to a Mortgage Loan to be sold to an Agency, or (v) any Mortgage Loan with respect to which Custodian receives written notice or has actual knowledge of a lien subject or security interest in favor of a Person other than Buyer with respect to such Mortgage Loan.

“Fatal Document Exception Report” shall mean a report delivered by Custodian to Seller and Buyer setting forth all Mortgage Loans with Fatal Document Exceptions.

“Fatal Exception” shall mean a Fatal Document Exception or a Fatal Information Exception.

“Fatal Exception Report” shall mean a report delivered by Disbursement Agent to Seller and Buyer setting forth all Mortgage Loans with Fatal Exceptions.

“Fatal Information Exception” shall mean, with respect to any Mortgage Loan, (i) that any of the information required pursuant to all fields set forth on Annex 1 hereto is not set forth with respect to such Mortgage Loan in the related Seller Asset Schedule delivered to Disbursement Agent with the Transaction Request, (ii) a Mortgage Loan that fails the Edit Check Procedure or (iii) the related Transaction Request sets forth a Purchase Price, Pricing Rate or Asset Value that is not identical to the Purchase Price, Pricing Rate or Asset Value calculated by Disbursement Agent.

“Freddie Mac” shall mean the Federal Home Loan Mortgage Corporation, and its successors in interest.

“Freddie Mac Bailee Letter”: The master bailee letter for use by Custodian in connection with the delivery to Freddie Mac of a Mortgage File excluding (i) the Assignment of Mortgage, in blank, (ii) the Warehouse Lender’s Release, if applicable, and (iii) all modification agreements relating to a Mortgage.

“Governmental Authority” shall mean, with respect to any Person, any nation or government, any state or other political subdivision thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government and any court or arbitrator having jurisdiction over such Person, any of its subsidiaries or any of their properties.

“HELOC” shall mean a home equity revolving line of credit secured by a mortgage, deed of trust or other instrument creating a second lien on the related Mortgaged Property, which lien secures the related Credit Line Agreement.

“Interim Funder” shall mean with respect to each MERS Designated Mortgage Loan, the Person named on the MERS System as the interim funder pursuant to the MERS Procedures Manual.

“MERS” shall mean Mortgage Electronic Registration Systems, Inc., and its successors in interest.

“MERS Designated Mortgage Loan” shall have the meaning assigned to such term in Section 3 of the Electronic Tracking Agreement.

“MERS Identification Number” shall mean the eighteen digit number permanently assigned to each MERS Designated Mortgage Loan.

“MERS Procedures Manual” shall mean the MERS Procedures Manual attached as Exhibit B to the Electronic Tracking Agreement, as it may be amended, supplemented or modified from time to time.

“MERS Report” shall mean the schedule listing MERS Designated Mortgage Loans and other information prepared by an electronic agent pursuant to the Electronic Tracking Agreement.

“MERS[®] System” shall mean an electronic agent’s mortgage electronic registry system, as more particularly described in the MERS Procedures Manual.

“Mortgage” shall mean the mortgage, deed of trust or other instrument securing a Mortgage Note or Credit Line Agreement, which creates a first or second lien on the Mortgaged Property described therein.

“Mortgage File” shall mean, as to each Mortgage Loan, those documents listed in Sections 2 that are delivered to Custodian or which at any time come into the possession of Custodian.

“Mortgage Loan” shall mean any residential real estate secured loan or HELOC, including, without limitation: (i) a promissory note, any reformation thereof and related deed of trust (or mortgage), security agreement, home equity line of credit agreement and account agreement; (ii) all guaranties and insurance policies, including, without limitation, all mortgage and title insurance policies and all fire and extended coverage insurance policies and rights of the Seller to return premiums or payments with respect thereto; and (iii) all right, title and interest of the Seller in the property covered by such deed of trust (or mortgage) or home equity line of credit agreement, as applicable.

“Mortgage Loan Documents” shall mean, with respect to a Mortgage Loan, the documents comprising the Mortgage File for such Mortgage Loan.

“Mortgage Note” shall mean the note or other evidence of the indebtedness of a Mortgagor secured by a Mortgage, as the same may be reformed or amended from time to time.

“Mortgaged Property” shall mean the real property securing repayment of the debt evidenced by a Mortgage Note or Credit Line Agreement.

“Mortgagor” shall mean the obligor or obligors on a Mortgage Note or Credit Line Agreement, including any Person who has assumed or guaranteed the obligations of the obligor thereunder.

“Official Check Account” shall have the meaning specified in the Check Disbursement Agreement.

“Person” shall mean any individual, corporation, company, voluntary association, partnership, joint venture, limited liability company, trust, unincorporated association or government (or any agency, instrumentality or political subdivision thereof).

“Release Limit” shall have the meaning specified in Section 5(a).

“Repurchase Agreement” shall have the meaning specified in the Recitals.

“Request for Release” shall mean a request of Seller in the form of Annex 5-A, 5-B, or 5-C, hereto.

“Required Delivery Item” shall have the meaning specified in Section 3(a).

“Required Delivery Time” shall have the meaning specified in Section 3(a).

“Required Party” shall have the meaning specified in Section 3(a).

“Review Procedures” shall have the meaning specified in Section 3(c).

“Seller” shall mean, collectively, AHMC, AHMIC, AHMA, AHMH and AHMS, and their respective successors in interest.

“Seller Asset Schedule” shall mean a list of Eligible Assets delivered by Seller to Buyer pursuant to Section 3(c) of the Repurchase Agreement, and provided in electronic format, setting forth, as to each Eligible Asset, the applicable information specified on Annex 1 to this Agreement.

“Seller Funded Wire Amount” shall have the meaning specified in Section 11(a)(ii).

“Seller’s Release” shall mean a letter, in the form of Annex 18-A, delivered by Seller when no Warehouse Lender has an interest in a Mortgage Loan, unconditionally releasing all of Seller’s right, title and interest in such Mortgage Loan upon receipt of the Purchase Price by Seller.

“Seller’s Wire Instructions” shall mean the wire instructions, set forth in a letter in the form of Exhibit A to Seller’s Release, to be used for the payment of funds to Seller when no Warehouse Lender has an interest in the Mortgage Loans to which such payment relates.

“Settlement Account” shall have the meaning specified in the Check Disbursement Agreement.

“Settlement Report” shall have the meaning specified in Section 11(f).

“Transaction Account” shall mean any of the Disbursement Account, the Settlement Account or the Wire-out Account.

“Total Required Funds” shall have the meaning specified in Section 11(c)(i)(G).

“Trust Receipt” shall mean a trust receipt in the form annexed hereto as Annex 2 delivered to Buyer by Custodian covering all of the Mortgage Loans subject to this Agreement from time to time, as reflected on the Asset Schedule and Exception Report attached thereto in accordance with Section 3(e).

“Warehouse Lender” shall mean any lender providing financing to Seller for the purpose of warehousing, originating or purchasing Mortgage Loans, which lender has a security interest in such Mortgage Loans to be purchased by Buyer.

“Warehouse Lender’ s Release” shall mean a letter, in the form of Annex 18-B, from a Warehouse Lender to Buyer, unconditionally releasing all of Warehouse Lender’ s right, title and interest in certain Mortgage Loans identified therein upon receipt of payment by the Warehouse Lender.

“Warehouse Lender’ s Wire Instructions” shall mean the wire instructions, set forth in a letter in the form of Exhibit A to the Warehouse Lender’ s Release, from a Warehouse Lender to Buyer, setting forth wire instructions for all amounts due and payable to such Warehouse Lender.

“Wire Amount” shall mean the amount to be wired to the Warehouse Lender or Seller in accordance with the Warehouse Lender’ s Release or Seller’ s Release, as applicable, for any Mortgage Loan which is not a Wet-Ink Mortgage Loan and shall mean the amount to be wired to (i) the Settlement Agent pursuant to the Escrow Instruction Letter in the case of a Wet-Ink Mortgage Loan which is not a Check Funded Loan or (ii) the DDA Account in the case of a Check Funded Loan.

“Wire-out Account” shall have the meaning specified in Section 11(a)(ii).

Section 2. Delivery of Mortgage File.

Seller shall release to Custodian the following original documents pertaining to each Eligible Asset in accordance with the required delivery times set forth in Section 3(a), each of which Mortgage Loans shall be identified in the related Seller Asset Schedule:

(a) With respect to each Eligible Asset:

(i) (other than a Wet-Ink Mortgage Loan or a Co-op Loan):

(A) The original Mortgage Note or Credit Line Agreement, as applicable, bearing all intervening endorsements, endorsed “Pay to the order of _____ without recourse” and signed in the name of the last endorsee (the “Last Endorsee”) by an authorized Person (in the event that the Eligible Asset was acquired by the Last Endorsee in a merger, the signature must be in the following form: “[Last Endorsee], successor by merger to [name of predecessor]”; in the event that the Eligible Asset was acquired or originated by the Last Endorsee while doing business under another name, the signature must be in the following form: “[Last Endorsee], formerly known as [previous name]”);

(B) The original Mortgage with evidence of recording thereon, or a copy thereof certified by Seller, the title company, the Settlement Agent or the closing attorney to be a true and correct copy of the original that has been duly delivered to the appropriate recording office and, with respect to MERS Designated Mortgage Loans, the Mortgage names MERS as the “mortgagee” or “beneficiary” thereof (or MERS is reflected as the current mortgagee pursuant to an assignment of mortgage with evidence of recording thereon and reflecting a complete chain of title from the named originator in the Mortgage), with a conformed recorded copy to follow as soon as the same is received by Seller;

(C) The originals of all assumption, modification, consolidation or extension agreements, if any, with evidence of recording thereon, or a copy thereof certified by Seller, the title company, the Settlement Agent or the closing attorney to be a true and correct copy of the original that has been duly delivered to the appropriate recording office;

(D) The original Assignment of Mortgage in blank for each Eligible Asset, in form and substance acceptable for recording and signed in the name of the Last Endorsee (in the event that the Eligible Asset was acquired by the Last Endorsee in a merger, the signature must be in the following form: “[Last Endorsee], successor by merger to [name of predecessor]”; in the event that the Eligible Asset was acquired or originated while doing business under another name, the signature must be in the following form: “[Last Endorsee], formerly known as [previous name]”), except in the case of such Eligible Asset that has been originated in the name of or assigned to MERS and registered under the MERS[®] System;

(E) The originals of all intervening assignments of mortgage, if any, with evidence of recording thereon, showing an unbroken chain of title from the originator thereof to the Last Endorsee (or, in the case of a MERS Designated Mortgage Loan, MERS) or a copy thereof certified by Seller, the title company, the Settlement Agent or the closing attorney to be a true and correct copy of the original that has been duly delivered to the appropriate recording office;

(F) The original attorney’s opinion of title and abstract of title or the original mortgagee title insurance policy, or if the original mortgagee title insurance policy has not been issued, the irrevocable commitment to issue the same;

(G) The original of any security agreement, chattel mortgage or equivalent document executed in connection with the Eligible Asset;

(H) If any of the above documents has been executed by a person holding a power of attorney, an original or photocopy of such power certified by Seller to be a true and correct copy of the original;

(I) Either a Seller’s Release or a Warehouse Lender’s Release;

(J) In the case of a MERS Designated Mortgage Loan where any Person is named in the Interim Funder field on the MERS® System, an Agreement and Release; and

(K) an original release letter for each Eligible Asset which has been the subject of a prior interest of which an Authorized Representative of Custodian has actual knowledge;

provided, however, that as to the documents listed in clauses (B), (C) and (E) above which have been delivered or are being delivered to recording offices for recording and have not been returned to Seller in time to permit their delivery hereunder at the time of such transfer, and in lieu of delivering such original documents or conformed copies where permitted, Seller has delivered to Custodian a true copy thereof, Seller shall deliver such original documents, together with any related policy of title insurance not previously delivered, on behalf of Seller to Custodian promptly after they are received.

(ii) With respect to each Co-op Loan:

(A) The original Mortgage Note or Credit Line Agreement, as applicable, bearing all intervening endorsements, endorsed “Pay to the order of _____ without recourse” and signed in the name of the last endorsee (the “Last Endorsee”) by an authorized Person (in the event that the Eligible Asset was acquired by the Last Endorsee in a merger, the signature must be in the following form: “[Last Endorsee], successor by merger to [name of predecessor]”; in the event that the Eligible Asset was acquired or originated by the Last Endorsee while doing business under another name, the signature must be in the following form: “[Last Endorsee], formerly known as [previous name]”);

(B) The original Co-op Security Agreement entered into by the Mortgagor with respect to such Co-op Loan;

(C) UCC-3 assignment in blank (or equivalent instrument), sufficient under the laws of the jurisdiction where the related underlying Mortgaged Property is located to reflect of record the sale and assignment of the Mortgage Loan to the Buyer;

(D) Original assignments of Co-op Security Agreement in blank showing a complete chain of assignment from the originator of the related Co-op Loan to the Seller;

(E) Original Form UCC-1 and any continuation statements with evidence of filing thereon with respect to such Co-op Loan;

(F) Stock certificate representing the stock allocated to the related dwelling unit in the related residential cooperative housing corporation and pledged by the related Mortgagor to the originator of such Co-op Loan with a stock power in blank attached;

(G) Original proprietary lease.

(H) Original assignment of proprietary lease, in blank, and all intervening assignments thereof;

(I) Original recognition agreement of the interests of the mortgagee with respect to the Co-op Loan by the residential cooperative housing corporation, the stock of which was pledged by the related Mortgagor to the originator of such Co-op Loan; and

(J) Originals of any assumption, consolidation or modification agreements relating to any of the items specified in (A) through (F) above with respect to such Co-op Loan.

(b) Seller shall release to Custodian the following original documents pertaining to each Eligible Asset that is a Wet-Ink Mortgage Loan in accordance with the required delivery times set forth in Section 3(a) and set forth below, each of which Mortgage Loans shall be identified in the related Seller Asset Schedule:

(i) Seller shall cause the Settlement Agent to send Custodian a facsimile of each Escrow Instruction Letter with respect to all Wet-Ink Mortgage Loans to be purchased on each Purchase Date. Custodian shall not be responsible for reviewing such Escrow Instruction Letter, except to the extent requested by Buyer, to verify wire instructions.

(ii) No later than ten (10) Business Days following the applicable Purchase Date, Seller shall deliver to Custodian the documents listed in Section 2(a).

(c) With respect to all Mortgage Files:

(A) From time to time, Seller shall forward to Custodian additional original documents or additional documents evidencing any assumption, modification, consolidation or extension of a Mortgage Loan approved by Seller, in accordance with the terms of the Repurchase Agreement, and upon receipt of any such other documents, Custodian shall hold such other documents as Buyer shall request from time to time.

(B) With respect to any documents which have been delivered or are being delivered to recording offices for recording and have not been returned to Seller in time to permit their delivery hereunder at the time required, in lieu of delivering such original documents, Seller shall deliver to Custodian a copy thereof certified by Seller, the title company, the Settlement Agent or the closing attorney to be a true and correct copy of the original that has been duly delivered to the appropriate recording office, with a conformed recorded copy to follow as soon as the same is received by Seller.

Section 3. Asset Schedule and Exception Report; Trust Receipt.

(a) With respect to each category of Eligible Asset, Seller shall provide to the indicated required parties (each, a “Required Party”) the required delivery items (each, a “Required Delivery Item”) set forth in the table below by the corresponding required delivery time (the “Required Delivery Time”):

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Eligible Asset	Required Delivery Time	Required Delivery Items	Required Party
Mortgage Loans (other than Wet-Ink Mortgage Loans) on initial Purchase Date	6:00 p.m. New York time, one (1) Business Day prior to the Purchase Date	A preliminary Transaction Request for the Mortgage Loans requested to be purchased on the next Business Day (delivered by Electronic Transmission)	Buyer
	10:00 a.m. New York time, on the Purchase Date	The final Transaction Request for the Mortgage Loans, together with a Seller Asset Schedule containing the information set forth in <u>Annex 1</u> hereto (delivered by Electronic Transmission)	Custodian, Disbursement Agent and Buyer
	8:00 p.m. New York time, one (1) Business Day prior to the Purchase Date	All documents required to be delivered pursuant to Section 2(a), together with a Custodial Identification Certificate	Custodian
	For delivery of each additional 250 Mortgage Files, one additional Business Day prior to the Purchase Date		
Wet-Ink Mortgage Loans (other than Check Funded Loans)	8:00 a.m. New York time on the Purchase Date	A preliminary Transaction Request for the Wet-Ink Loans requested to be purchased on such Business Day	Buyer
	1:00 p.m. New York time on the Purchase Date; provided that Seller may deliver up to three (3) final transaction requests on each Business Day	A final Transaction Request for the Mortgage Loans, together with a Seller Asset Schedule containing the information set forth in <u>Annex 1</u> hereto (delivered by Electronic Transmission)	Custodian, Disbursement Agent and Buyer
		All documents required to be delivered pursuant to Section 2(b)(i)	Custodian
Check Funded Loans	4:00 p.m. New York time on the origination date of such Check Funded Loan	a Check Funding Schedule	Disbursement Agent and Buyer
Check Funded Loans	4:00 p.m. New York time on the origination date of such Check Funded Loan	A final Transaction Request for the Check Funded Loans requested to be purchased, attaching a Seller Asset Schedule	Disbursement Agent and Buyer

If Custodian has received each applicable Required Delivery Item by the Required Delivery Time set forth above, then Custodian will deliver to Buyer and Disbursement Agent, by Electronic Transmission, no later than 3:00 p.m. New York time (or with respect to each such Wet-Ink Mortgage Loan, no later than 2 hours after receipt of a final Transaction Request but in no event later than 5:00 p.m. New York time) on the Purchase Date, an Asset Schedule and Exception Report for each Mortgage Loan (other than Mortgage Loans with a Fatal Document Exception) sold hereunder on such date, with Exceptions identified by Custodian as current as of the date and time of delivery of such Asset Schedule and Exception Report.

Upon receipt of a Transaction Request and the related Seller Asset Schedule from Seller, Disbursement Agent shall confirm via Electronic Transmission, the receipt of such request with Seller and Buyer. Upon discovery by Custodian of a Fatal Document Exception, Custodian shall immediately send to Seller, Disbursement Agent and Buyer, by Electronic Transmission, a Fatal Document Exception Report listing such Fatal Document Exceptions together with an Asset Schedule with respect to each Mortgage Loan that has any Fatal Document Exception. Custodian's Electronic Transmission to each of Seller, Disbursement Agent and Buyer of a Fatal Document Exception, shall be sent "confirm receipt" or by some other means such that Custodian has a reasonable belief that such notice has been received by the addressee. In the event Custodian has not received all documents required to be delivered pursuant to Section 2(b)(ii) with respect to a Wet-Ink Mortgage Loan on or before the tenth (10th) Business Day after the related Purchase Date, Custodian shall immediately notify Buyer, Seller and Disbursement Agent by Electronic Transmission of such failure.

(b) Custodian shall deliver to Buyer, no later than 5:00 p.m. New York time a Trust Receipt in respect of all Mortgage Loans (including Wet-Ink Mortgage Loans) sold to Buyer on such Purchase Date and any prior Purchase Date and held hereunder, and shall deliver to each of Buyer and Disbursement Agent an Asset Schedule and Exception Report for Mortgage Loans which are not Wet-Ink Mortgage Loans and a detailed listing of all Wet-Ink Mortgage Loans. Each Asset Schedule and Exception Report and detailed listing of Wet-Ink Mortgage Loans delivered by Custodian to Buyer and Disbursement Agent shall supersede and cancel the Asset Schedule and Exception Report and detailed listing of Wet-Ink Mortgage Loans previously delivered by Custodian to Buyer and Disbursement Agent hereunder, and shall replace the then existing Asset Schedule and Exception Report and detailed listing of Wet-Ink Mortgage Loans to be attached to the Trust Receipt. Custodian shall incorporate into each Asset Schedule and Exception Report delivered to Buyer and Disbursement Agent pursuant to this Section 3(b) all updated information with respect to the outstanding principal balance and interest paid on each Mortgage Loan delivered to Custodian by either Disbursement Agent or Buyer. Custodian shall also deliver to Seller, Buyer and Disbursement Agent no later than 5:00 p.m. New York time on each Business Day, by Electronic Transmission, a daily aging report setting forth such information as may be reasonably required by Buyer (the "Daily Aged Report"). Custodian shall monitor each Mortgage Loan on a daily basis in order that all information set forth on the Daily Aged Report is accurate as of the time such Daily Aged Report is delivered. Disbursement Agent shall provide to Custodian all information in its possession that Custodian requires in order to complete and deliver each Daily Aged Report. In no event shall Custodian list any Mortgage Loan on an Asset Schedule and Exception Report if Custodian has not yet reviewed the related Mortgage File.

(c) Each Asset Schedule and Exception Report shall list all Exceptions using such exception codes as are set forth on Annex 11 hereto, as may be amended from time to time. In no event shall Custodian list any Mortgage Loan on the Asset Schedule and Exception Report if such Mortgage Loan is required to be listed on the Fatal Document Exception Report and related Asset Schedule; provided that, if a Wet-Ink Mortgage Loan has been previously listed on the Asset Schedule and Exception Report, it shall remain on the Asset Schedule and Exception Report and the Custodian shall indicate any Fatal Document Exception. The delivery of each Asset Schedule and Exception Report to Buyer and Disbursement Agent shall be Custodian's representation that, other than the Exceptions listed as part of the Exception Report: (i) all documents required to be delivered in respect of each Mortgage Loan pursuant to Section 2 of this have been delivered and are in the possession of Custodian as part of the Mortgage File for such Mortgage Loan, (ii) Custodian is holding each Mortgage Loan identified on the Asset Schedule and Exception Report (except with respect to MERS Designated Mortgage Loans), pursuant to this Agreement, as the bailee of and custodian for Buyer and/or its designees, (iii) all such documents have been reviewed by Custodian and appear on their face to be regular and to relate to such Mortgage Loan and satisfy the requirements set forth in Section 2 of this Agreement and the review procedures attached hereto as Annex 4 (the "Review Procedures"), (iv) the interest rate on the Mortgage Note or Credit Line Agreement, as applicable, is the same as the amount specified in the related Mortgage File and (v) with respect to Closed End Loans, the original principal amount of the Mortgage Note, and with respect to HELOCs, the Credit Limit, as applicable, are each accurately reflected in the documents in the Mortgage File, and based upon a review of the Mortgage Note and Credit Line Agreement, as applicable, items 6, 8 through 12, 14, 21, 22, 118 and 119 of Annex 1 as set forth in the Seller Asset Schedule delivered by Seller to Custodian are correct.

(d) In connection with an Asset Schedule and Exception Report delivered hereunder by Custodian, Custodian shall make no representations as to and shall not be responsible to verify (A) the validity, legality, enforceability, due authorization, recordability, sufficiency, or genuineness of any of the documents contained in each Mortgage File or (B) the collectability, insurability, effectiveness or suitability of any such Mortgage Loan. Subject to the following sentence, Seller and Buyer hereby give Custodian notice that from and after the Purchase Date, Buyer shall own each Mortgage Loan identified on an Asset Schedule and Exception Report until such time that Custodian receives notice from Buyer or Disbursement Agent that Buyer no longer owns such Mortgage Loan. In the event that Buyer does not purchase the Eligible Assets proposed to be purchased from Seller prior to 5:00 p.m. New York time on such Purchase Date, upon written notice thereof from Seller, acknowledged by Buyer, or notice from Disbursement Agent thereof, Custodian shall hold or release to Seller, pursuant to Seller's written instructions, the Mortgage Loans in respect of the Asset Schedule and Exception Report delivered by Custodian on such Purchase Date.

(e) Notwithstanding anything to the contrary set forth herein, in the event that the Asset Schedule and Exception Report or detailed listing of Wet-Ink Mortgage Loans attached to the Trust Receipt is different from the most recently delivered Asset Schedule and Exception Report or detailed listing of Wet-Ink Mortgage Loans, then the most recently delivered Asset Schedule and Exception Report or detailed listing of Wet-Ink Mortgage Loans shall control and be binding upon the parties hereto.

Section 4. Obligations of Custodian.

(a) Custodian shall maintain continuous custody of all items constituting the Mortgage Files in secure facilities in accordance with customary standards for such custody and shall reflect in its records the interest of Buyer therein. Each Mortgage Note and Credit Line Agreement, as applicable (and Assignment of Mortgage), shall be maintained in fire resistant facilities.

(b) With respect to the documents constituting each Mortgage File, Custodian shall (i) act exclusively as the bailee of, and custodian for, Buyer, (ii) hold all documents constituting such Mortgage File received by it for the exclusive use and benefit of Buyer, and (iii) make disposition thereof only in accordance with the terms of this Agreement or with written instructions furnished by Buyer; provided, however, that in the event of a conflict between the terms of this Agreement and the written instructions of Buyer, Buyer's written instructions shall control.

(c) In the event that (i) Buyer, any Seller Entity or Custodian shall be served by a third party with any type of levy, attachment, writ or court order with respect to any Mortgage File or any document included within a Mortgage File or (ii) a third party shall institute any court proceeding by which any Mortgage File or a document included within a Mortgage File shall be required to be delivered otherwise than in accordance with the provisions of this Agreement, the party receiving such service shall promptly deliver or cause to be delivered to the other parties to this Agreement copies of all court papers, orders, documents and other materials concerning such proceedings. Custodian shall, to the extent permitted by law, continue to hold and maintain all the Mortgage Files that are the subject of such proceedings pending a final, nonappealable order of a court of competent jurisdiction permitting or directing disposition thereof. Upon final determination of such court, Custodian shall dispose of such Mortgage File or any document included within such Mortgage File as directed by Buyer which shall give a direction consistent with such determination. Expenses of Custodian incurred as a result of such proceedings shall be borne by Seller.

Section 5. Release of Mortgage Files.

(a) From time to time until Custodian is otherwise notified by Buyer in writing (unless such notice is given by the Disbursement Agent in accordance with Section 11), which notice shall be given by Buyer (or Disbursement Agent in accordance with Section 11) only following the occurrence of a Default or an Event of Default, Custodian shall, upon receipt of written request of Seller, release documentation relating to Mortgage Loans in the possession of Custodian to Seller or its designee, for the purpose of correcting documentary deficiencies relating thereto against a Request for Release and Receipt delivered via Electronic Transmission by Seller in the form of Annex 5-A hereto. The preceding sentence respecting release to Seller, or its designee, of Custodian's Mortgage Files shall be operative only to the extent that at any time Custodian shall not have released to Seller or its designee pursuant to clause (a) or (b) of this Section 5, Mortgage Files pertaining to Mortgage Loans at the time being held by Custodian on behalf of Buyer with an aggregate outstanding principal balance greater than \$500,000 (the "Release Limit"). In the event Seller or its designee requests the release of a Mortgage File to Seller or its designee with respect to a Mortgage Loan, which release would result in Custodian

having released Mortgage Files pertaining to Mortgage Loans at the time being held by Custodian on behalf of Buyer with an aggregate outstanding principal balance greater than the Release Limit, Custodian shall notify Buyer and obtain written consent of Buyer prior to such requested release. Custodian shall promptly notify Buyer in its Daily Report that it has released any Mortgage File to Seller or its designee. Seller or its designee shall hold each Mortgage File delivered to it pursuant to this Section 5(a) as bailee for Buyer. Seller or its designee shall return to Custodian each document previously released from Custodian's Mortgage File within ten (10) Business Days of receipt thereof. Seller hereby further covenants to Buyer and Custodian that any such request by Seller for release of Mortgage Loan Documents pursuant to this Section 5(a) shall be solely for the purposes of correcting clerical or other non-substantial documentation problems in preparation for returning such Mortgage Loan Documents to Custodian for ultimate sale or exchange and that Seller has requested such release in compliance with all terms and conditions of such release set forth herein and in the Repurchase Agreement. Notwithstanding anything to the contrary contained in the foregoing, Mortgage Notes and Credit Line Agreements, as applicable, shall be released only for the purpose of (i) ultimate sale or exchange or (ii) presentation, collection, renewal or registration of transfer.

(b) From time to time until Custodian is otherwise notified by Buyer in writing (unless such notice is given by the Disbursement Agent in accordance with Section 11), which notice shall be given by Buyer (or Disbursement Agent in accordance with Section 11) only following the occurrence of a Default or an Event of Default, and as appropriate for the servicing of any of the Mortgage Loans, Custodian shall, upon receipt from Seller or its designee of a written Request for Release of Documents and Receipt delivered via Electronic Transmission in the form of Annex 5-B hereto, release to Seller or its designee the Mortgage File or the documents set forth in such request relating to Mortgage Loans in the possession of Custodian. The preceding sentence respecting release to Seller, or its designee, of Custodian's Mortgage Files shall be operative only to the extent that at any time Custodian shall not have released to Seller or its designee pursuant to clause (a) or (b) of this Section 5, Mortgage Files pertaining to Mortgage Loans at the time being held by Custodian on behalf of Buyer with an aggregate outstanding principal balance greater than the Release Limit. In the event Seller or its designee requests the release of a Mortgage File to Seller or its designee with respect to a Mortgage Loan, which release would result in Custodian having released Mortgage Files pertaining to Mortgage Loans at the time being held by Custodian on behalf of Buyer with an aggregate outstanding principal balance greater than the Release Limit, Custodian shall notify Buyer in its Daily Report and obtain written consent of Buyer prior to such requested release. Custodian shall promptly notify Buyer that it has released any Mortgage File to Seller or its designee. Seller or its designee shall hold each Mortgage File delivered to it pursuant to this Section 5(b) as bailee for Buyer. Seller or its designee shall return to Custodian each document previously released from Custodian's Mortgage File within ten (10) Business Days of receipt thereof. Seller hereby further covenants to Buyer and Custodian that any such request by Seller or its designee for release of Mortgage Loan Documents pursuant to this Section 5(b) shall be solely for the purposes of servicing of any of the Mortgage Loans and that Seller has requested such release in compliance with all terms and conditions of such release set forth herein and in the Repurchase Agreement. Notwithstanding anything to the contrary contained in the foregoing, Mortgage Notes and Credit Line Agreements, as applicable, shall be released only for the purpose of (i) ultimate sale or exchange or (ii) presentation, collection, renewal or registration of transfer.

(c) (i) From time to time Custodian is hereby authorized, upon receipt of a Request for Release in the form of Annex 5-C hereto delivered by Seller via Electronic Transmission and receipt of Buyers written consent to such release to release Mortgage Files in the possession of Custodian to a third party purchaser for the purpose of resale thereof. Buyer shall have no obligation to consent to any such Request for Release after the occurrence of a Default or an Event of Default. On such Request for Release, Seller shall indicate the Mortgage Loans to be sold, the purchase price for such Mortgage Loan anticipated to be received, the name and address of the third party purchaser, the preferred method of delivery, and the date of desired delivery.

(ii) Any transmittal of documentation for Mortgage Loans in the possession of Custodian in connection with the sale thereof to a third-party purchaser other than an Agency will be under cover of a transmittal letter substantially in the form attached as Annex 12 hereto, duly completed by Custodian and executed by Custodian. Any transmittal of documentation for Mortgage Loans in the possession of Custodian in connection with the shipment to a custodian or trustee other than an Agency in connection with the formation of a mortgage pool supporting a mortgage-backed security (an “MBS”) will be under cover of a transmittal letter substantially in the form attached as Annex 13 hereto. Promptly upon (x) the remittance by such third-party purchaser of the full purchase price of the Mortgage Loan or (y) the issuance of such MBS, Buyer shall notify Custodian in writing thereof.

(iii) Any transmittal of documentation for Mortgage Loans in the possession of Custodian in connection with the sale thereof to an Agency will be under cover of Bailee Letter, duly completed by Custodian and executed by Custodian. Promptly upon the remittance by such Agency or the Seller of the full purchase price of the Mortgage Loan. With respect to any transmittal of documentation for Mortgage Loans in the possession of Custodian in connection with the shipment to an Agency, the Custodian shall verify (A) that the related Mortgage File contains the Applicable Agency Documents, (B) (1) with respect to the wire transfer instructions as set forth in Freddie Mac Form 987 (Wire Transfer Authorization for a Cash Warehouse Delivery) such wire transfer instructions are identical to Buyer’s wire instructions to Seller or (2) the Payee Number set forth on Fannie Mae Form 1068 (Fixed-Rate, Graduated-Payment, or Growing-Equity Mortgage Loan Schedule) or Fannie Mae Form 1069 (Adjustable-Rate Mortgage Loan Schedule), as applicable, is identical to the Payee Number that has been identified by Buyer in writing as Buyer’s Payee Number and (C) the Applicable Agency Documents list Buyer as sole subscriber. Seller covenants that it will advise Buyer of any necessary amendments to such exhibits to reflect all current requirements of the applicable Agency. Custodian shall immediately notify Buyer and Seller via Electronic Transmission (which shall be sent “confirm receipt” or by some other means such that Custodian has a reasonable belief that such notice has been received by the addressee) of any exception with respect to any exceptions to the requirements of the preceding sentence and such exception shall be a Fatal Document Exception with respect to such Mortgage Loan.

(d) So long as no Default or Event of Default has occurred and is continuing, Custodian and Buyer shall take such steps as they may reasonably be directed from time to time by Seller in writing, which Seller deems necessary and appropriate, to transfer promptly and

deliver to Seller any Mortgage File in the possession of Custodian relating to any Mortgage Loan which was previously a Purchased Asset but which Seller, with the written consent of Buyer, has notified Custodian has ceased to be an Eligible Asset or the release of which would not cause Seller to violate Section 4 of the Repurchase Agreement. In furtherance of the foregoing, upon receipt of written request from Seller in the form of Annex 5-A hereto delivered via Electronic Transmission, which must be consented to by Buyer, Custodian shall release to Seller the requested Mortgage Files.

(e) Following written notification by Buyer (or Disbursement Agent in accordance with Section 11) (which may be by facsimile) to Custodian that a Default or an Event of Default has occurred and is continuing, Custodian shall not release, or incur any liability to any Seller Entity or any other Person for refusing to release, any item relating to a Purchased Asset to any Seller Entity or any other Person without the express prior written consent and at the direction of Buyer.

(f) Custodian shall at all times monitor any release of Purchased Assets under this Section 5, and shall track the period of time which has elapsed for any such release of Purchased Assets and shall report such information to Buyer daily and in the same manner as Custodian provides an Asset Schedule and Exception Report.

(g) Prior to any shipment of Mortgage Files hereunder, Seller shall deliver to Custodian written instructions as to the method of shipment and shippers Custodian is to utilize in connection with the transmission of Mortgage Files or other loan documents in the performance of Custodian's duties hereunder. Seller shall arrange for the provision of such services at its sole cost and expense (or, at Custodian's option, reimburse Custodian for all costs and expenses incurred by Custodian consistent with the instructions) and will maintain such insurance against loss or damage to Mortgage Files or other loan documents as Buyer deems appropriate. Without limiting the generality of the provisions of Section 13(a), it is expressly agreed that in no event shall Custodian have any liability for any losses or damages to any Seller Entity arising out of actions of Custodian consistent with the instructions of Seller except to the extent such losses or damages arise due to the Custodian's gross negligence or willful misconduct. In the event Custodian does not receive such written instructions, Custodian shall be authorized to utilize any nationally recognized courier service.

Section 6. Fees and Expenses of Custodian.

Custodian shall charge such fees for its services under this Agreement as are set forth in a separate agreement between Custodian and AHMC, the payment of which fees, together with Custodian's expenses in connection herewith, shall be solely the obligation of Seller. The failure of Seller to pay any such fees shall not excuse the performance by Custodian of any of its obligations hereunder. The obligations of Seller to pay Custodian such fees and reimburse Custodian for such expenses in connection with services provided by Custodian prior to the termination of this Agreement and the earlier of the resignation or removal of Custodian shall survive such termination, resignation or removal.

Section 7. Removal or Resignation of Custodian and Disbursement Agent.

(a) Custodian or Disbursement Agent may at any time resign and terminate their obligations under this Agreement upon at least (180) days' prior written notice to Seller and Buyer. Promptly after receipt of notice of Custodian's or Disbursement Agent's resignation, as applicable, Buyer shall appoint, by written instrument, a successor custodian or a successor disbursement agent, as applicable, subject to written approval by Seller (which approval shall not be unreasonably withheld). One original counterpart of such instrument of appointment shall be delivered to each of Seller, Custodian and the successor custodian. In the event that no successor custodian or disbursement agent shall have been appointed within such 180 day notice period, Custodian or Disbursement Agent, as applicable, may petition any court of competent jurisdiction to appoint a successor custodian or disbursement agent, as the case may be.

(b) Buyer, with the consent of Seller (which consent shall not be unreasonably withheld), upon at least (30) days' prior written notice to Custodian, Disbursement Agent and Seller, may remove and discharge Custodian (or any successor custodian thereafter appointed) from the performance of its obligations under this Agreement. Buyer, without the consent of Seller, upon at least (30) days' prior written notice to Custodian, Disbursement Agent and Seller, may remove and discharge Disbursement Agent (or any successor disbursement agent thereafter appointed) from the performance of its obligations under this Agreement. Promptly after the giving of notice of removal of Custodian and Disbursement Agent, Buyer shall appoint, by written instrument, a successor custodian, with the consent of Seller (which consent shall not be unreasonably withheld), and a disbursement agent, which appointment shall require no other approval. One original counterpart of such instrument of appointment shall be delivered to each of Buyer, Seller, Custodian, Disbursement Agent and the successor custodian and disbursement agent.

(c) In the event of any such resignation or removal, Custodian shall promptly transfer to the successor custodian, as directed in writing, all the Mortgage Files being administered under this Agreement and, if the endorsements on the Mortgage Notes or Credit Line Agreements, as applicable, and the Assignments of Mortgage have been completed in the name of Custodian, assign the Mortgages and endorse without recourse the Mortgage Notes Credit Line Agreements, as applicable, to the successor Custodian or as otherwise directed by Buyer. The cost of the shipment of Mortgage Files arising out of the resignation of Custodian shall be at the expense of Custodian; provided, however, that if the sole reason for Custodian's resignation is due to the non-payment of the fees and expenses due to it hereunder by Seller, then the shipment cost of such shipment of Mortgage Files shall not be an expense of Custodian, but shall be at the expense of Seller. Any cost of shipment arising out of the removal of Custodian shall be at the expense of Seller. Seller shall be responsible for the fees and expenses of the successor custodian and the fees and expenses for endorsing the Mortgage Notes and Credit Line Agreements, as applicable, and assigning the Mortgages to the successor custodian if required pursuant to this paragraph.

Section 8. Examination of Files, Books and Records.

Upon twenty-four (24) hours' prior written notice to Seller and Custodian and at Seller's expense, Buyer, Seller and each of their respective agents, accountants, attorneys and

auditors will be permitted during normal business hours to examine, inspect, and make copies of, the Mortgage Files and any and all documents, records and other instruments or information in the possession of or under the control of Custodian relating to any or all of the Mortgage Loans.

Section 9. Insurance.

(a) At its own expense, Custodian shall maintain at all times during the existence of this Agreement and keep in full force and effect a fidelity bond and document hazard insurance. All such insurance shall be in amounts, with standard coverage and subject to standard deductibles, all as is customary for insurance typically maintained by institutions which act as custodian. The minimum coverage under any such bond and insurance policies shall be at least equal to the corresponding amounts required by Fannie Mae or Freddie Mac in the Applicable Guide. A certificate of an Authorized Representative of Custodian shall be furnished to Seller and Buyer, upon written request, stating that such insurance is in full force and effect.

(b) At its own expense, Disbursement Agent shall maintain at all times during the existence of this Agreement and keep in full force and effect a fidelity bond. All such insurance shall be in amounts, with standard coverage and subject to standard deductibles, all as is customary for insurance typically maintained by institutions which act as Disbursement Agents with duties similar to those of Disbursement Agent herein. The minimum coverage under any such bond and insurance policies shall be at least equal to the corresponding amounts required by Fannie Mae or Freddie Mac in the Applicable Guide. A certificate of an Authorized Representative of Disbursement Agent shall be furnished to Seller and Buyer, upon written request, stating that such insurance is in full force and effect.

Section 10. Representations and Warranties.

(a) Custodian represents and warrants to Buyer that:

(i) Custodian has the corporate power and authority and the legal right to execute and deliver, and to perform its obligations under, this Agreement, and has taken all necessary corporate action to authorize its execution, delivery and performance of this Agreement;

(ii) no consent or authorization of, filing with, or other act by or in respect of, any arbitrator or Governmental Authority and no consent of any other Person (including, without limitation, any stockholder or creditor of Custodian) is required in connection with the execution, delivery, performance, validity or enforceability of this Agreement;

(iii) this Agreement has been duly executed and delivered on behalf of Custodian and constitutes a legal, valid and binding obligation of Custodian enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general principles of equity (whether enforcement is sought in a proceeding in equity or at law); and

(iv) Custodian is not an Affiliate of any Seller Entity.

(b) Disbursement Agent represents and warrants to Buyer that:

(i) Disbursement Agent has the corporate power and authority and the legal right to execute and deliver, and to perform its obligations under, this Agreement, and has taken all necessary corporate action to authorize its execution, delivery and performance of this Agreement;

(ii) no consent or authorization of, filing with, or other act by or in respect of, any arbitrator or Governmental Authority and no consent of any other Person (including, without limitation, any stockholder or creditor of Disbursement Agent) is required in connection with the execution, delivery, performance, validity or enforceability of this Agreement;

(iii) this Agreement has been duly executed and delivered on behalf of Disbursement Agent and constitutes a legal, valid and binding obligation of Disbursement Agent enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general principles of equity (whether enforcement is sought in a proceeding in equity or at law); and

(iv) Disbursement Agent is not an Affiliate of any Seller Entity.

(c) Each of the Seller Entities, jointly and severally, hereby makes to Custodian the same representations and warranties that each such Seller Entity makes to Buyer under Section 10 of the Repurchase Agreement.

Section 11. Disbursement Agent Duties.

(a) Establishment of Disbursement Account, Wire-out Account and Settlement Account.

(i) Disbursement Agent shall establish and maintain a disbursement account (the "Disbursement Account") for and on behalf of Buyer entitled "Disbursement Account, Deutsche Bank National Trust Company, as Disbursement Agent for IXIS Real Estate Capital Inc., Reference Number 33863." The Disbursement Account shall be owned by and under the exclusive dominion and control of Buyer. None of Disbursement Agent, any Seller Entity or any other Person claiming on behalf of or through Seller or Disbursement Agent shall have any right or authority, whether express or implied, to close or make use of, or, except as expressly provided herein, withdraw any funds from, the Disbursement Account. Unless Disbursement Agent shall receive notice in writing from Buyer to the contrary by 10:00 a.m. New York time on any applicable Business Day, Disbursement Agent is hereby authorized by Buyer to disburse funds deposited in the Disbursement Account on such Business Day in accordance with this Agreement. Funds retained in the Disbursement Account shall remain uninvested. Disbursement Agent shall reconcile the Disbursement Account on a daily basis. Unless otherwise instructed by Buyer in writing, before the close of business on each Business Day, Disbursement Agent shall withdraw all collected amounts as of 5:00 p.m. New York time then standing to the credit of the Disbursement Account and deposit such amounts

into the following account maintained by Buyer: Bank of New York, for the A/C of IXIS Real Estate Capital Inc., ABA#021000018, Account #GLA 111569 SER, Attn: Eric Seyffer, or, if such funds cannot be deposited into the foregoing account at the end of such Business Day, on the next Business Day.

(ii) In connection with the funding of any Wet-Ink Mortgage Loans that are not DB Funded Mortgage Loans or BONY Funded Mortgage Loans or the purchase of any other Mortgage Loan by Seller simultaneously with the purchase of such Mortgage Loan by Buyer, Disbursement Agent shall establish and maintain a Wire-out Account (the "Wire-out Account") for and on behalf of Seller entitled "Wire-out Account, Deutsche Bank National Trust Company, as Disbursement Agent for American Home Mortgage Corp., Reference Number 33867." With respect to any Wet-Ink Mortgage Loan to be funded or any other Mortgage Loan to be purchased on any Business Day (other than a Check-Funded Loan, a DB Funded Mortgage Loan or a BONY Funded Mortgage Loan), Seller shall deposit into the Wire-out Account no later than 11:00 a.m. New York time on such Business Day an amount (the "Seller Funded Wire Amount") equal to the difference between the Wire Amount and the amount to be funded by Buyer from the Disbursement Account in accordance with Section 11(d). Seller hereby requests that Disbursement Agent, and Disbursement Agent shall, disburse the Seller Funded Wire Amount at the same time, and in the same manner, as Disbursement Agent disburses funds from the Disbursement Account with respect to such Mortgage Loan in accordance with Section 11(d)(i). With respect to each Check Funded Loan, prior to 12:00 p.m. New York time on the related Check Presentation Date, Seller shall wire to the Wire-Out Account the Seller Funded Wire Amount and the Additional Seller Funded Amount for such Check Presentation Date. Seller hereby requests that Disbursement Agent, and Disbursement Agent shall, disburse the Seller Funded Wire Amount and the Additional Seller Funded Amount at the same time, and in the same manner, as Disbursement Agent disburses the Buyer Funded Amount from the Disbursement Account with respect to such Mortgage Loan in accordance with Section 11(d)(ii). The Wire-out Account shall be owned by and under the exclusive dominion and control of Seller. None of Disbursement Agent, Buyer nor any other Person claiming on behalf of or through Buyer or Disbursement Agent shall have any right or authority, whether express or implied, to close or make use of, or, except as expressly provided herein, withdraw any funds from, the Wire-out Account. Funds retained in the Wire-out Account shall remain uninvested. Disbursement Agent shall reconcile the Wire-out Account on a daily basis. Upon written request of Buyer, Disbursement Agent shall verify the information contained on each wire instruction to the extent of confirming that the wire instructions on the Asset Schedule delivered by Seller are identical to the wire instructions set forth in the related Escrow Instruction Letter, Seller' s Release or Warehouse Lender' s Release.

(iii) Check Disbursement Bank shall establish and maintain the Settlement Account in accordance with the Check Disbursement Agreement. All proceeds from the repurchase of a Mortgage Loan subject to this Agreement by Seller or a sale of a Mortgage Loan subject to this Agreement to a third party investor shall be sent directly to the Settlement Account. All related fees and expenses for the Settlement Account shall be borne by Seller. The Settlement Account shall be owned by and under the exclusive dominion and control of Buyer. None of Disbursement Agent, any Seller Entity or any

other Person claiming on behalf of or through Seller or Disbursement Agent shall have any right or authority, whether express or implied, to close or make use of, or, except as expressly provided herein, withdraw any funds from, the Settlement Account. Notwithstanding anything herein to the contrary, Disbursement Agent shall be entitled to net any amounts due and owing under this Agreement to it or Custodian from Seller from amounts that, after application of amounts in the Settlement Account due and owing to Buyer, would otherwise be disbursed to Seller pursuant to this Section 11(a)(iii). Unless Disbursement Agent shall receive notice in writing from Buyer to the contrary by 5:00 p.m. New York time on any applicable Business Day, Disbursement Agent is hereby authorized by Buyer to disburse funds deposited in the Settlement Account on such Business Day in accordance with Section 11(f). Funds retained in the Settlement Account shall remain uninvested. Disbursement Agent shall reconcile the Settlement Account on a daily basis. Unless otherwise instructed by Buyer in writing, before the close of business on each Business Day, Disbursement Agent shall withdraw all collected amounts as of 5:00 p.m. New York time then standing to the credit of the Settlement Account and deposit such amounts into the following account maintained by Buyer: Bank of New York, for the A/C of IXIS Real Estate Capital Inc., ABA#021000018, Account #GLA 111569 SER, Attn: Eric Seyffer, or, if such funds cannot be deposited into the foregoing account at the end of such Business Day, on the next Business Day.

With respect to each DB Funded Mortgage Loan, no later than 4:30 p.m. New York time, on the Purchase Date, Disbursement Agent shall prepare and send to Buyer a report (the “DB Funding Report”) setting forth for each such DB Funded Mortgage Loan, the amount disbursed to the Settlement Agent, the Federal Reference Number for such wire and the wire instructions to which such amount was wired. Disbursement Agent hereby represents and warrants to Buyer that with respect to each DB Funded Mortgage Loan set forth on the DB Funding Report, the Disbursement Agent funded the amounts set forth on the DB Funding Report to the related Settlement Agent and such amounts were sufficient to fully fund the related Mortgage Loan which was, in fact, funded prior to the Disbursement Agent’s delivery to Buyer of the DB Funding Report. With respect to each BONY Funded Mortgage Loan, no later than 4:30 p.m. New York time, on the Purchase Date, Seller shall prepare and send to Buyer a report (a “BONY Funding Report”) setting forth for each such BONY Funded Mortgage Loan, the amount disbursed to the Settlement Agent, the Federal Reference Number for such wire and the wire instructions to which such amount was wired.

(b) Customer Profiles. On or prior to the first Purchase Date, Buyer shall provide to Disbursement Agent an initial customer profile in a form and substance as determined by Buyer and as is reasonably acceptable to Disbursement Agent (the “Customer Profile”), which will include each Class to be purchased under the Repurchase Agreement (i.e., Conforming Mortgage Loan, Jumbo Mortgage Loan, Alt-A First Mortgage Loan, Alt-A Second Mortgage Loan, BONY Funded Mortgage Loan, Sub-Prime First Mortgage Loan, Sub-Prime Second Mortgage Loan, Wet-Ink Mortgage Loan, Repurchased Mortgage Loan or DB Funded Mortgage Loan) together with the related Market Values, Purchase Percentages, Sub-Limits, Pricing Spread and other relevant information, together with the calculations required to be performed in order to determine the Asset Value, Purchase Price, Pricing Differential and Pricing Spread for each such Class. The Customer Profile shall, at any time and from time to time, be in

a form and substance as determined by the Buyer and as is reasonably acceptable to the Disbursement Agent. Each Customer Profile delivered by Buyer shall supersede the previous Customer Profile and Disbursement Agent shall utilize the most recently delivered Customer Profile on each day with respect to all transactions hereunder. Promptly upon receipt of a Customer Profile, Disbursement Agent shall verbally confirm with Buyer all changes to each field since the most recently delivered Customer Profile.

(c) Disbursement Agent Calculations and Verifications.

(i) Initial Purchase of an Eligible Asset. With respect to each Eligible Asset, Disbursement Agent shall perform the procedures set forth below, in such order, with respect to each Eligible Asset in the order that the related Transaction Requests are received:

(A) On each date on which Disbursement Agent receives a Transaction Request from Seller, together with the related Seller Asset Schedule, Disbursement Agent shall verbally confirm the receipt of such Transaction Request with Buyer. With respect to each Transaction Request, Disbursement Agent shall perform an Edit Check with respect to each Eligible Asset that Seller has requested Buyer purchase. If any Mortgage Loan fails the Edit Check Procedures, Disbursement Agent shall notify each of Seller and Buyer via Electronic Transmission (which shall be sent “confirm receipt” or by some other means such that Disbursement Agent has a reasonable belief that such notice has been received by the addressee) of such Fatal Information Exception, and such Transaction Request shall be deemed to be null and void.

(B) Upon a determination that each Eligible Asset that Seller has requested Buyer purchase does not fail the Edit Check, Disbursement Agent shall compare the information set forth in the related Seller Asset Schedule with the applicable information required pursuant to Annex 1 hereof with respect to the particular Class and shall notify each of Seller and Buyer via Electronic Transmission (which shall be sent “confirm receipt” or by some other means such that Disbursement Agent has a reasonable belief that such notice has been received by the addressee) of any Fatal Information Exception, and such Transaction Request shall be deemed to be null and void.

(C) Upon a determination that there is no Fatal Information Exception as set forth in clause (i) of the definition thereof, Disbursement Agent shall calculate the Purchase Price and Pricing Rate for each Eligible Asset to be purchased by Buyer pursuant to the Transaction Request using the information set forth in the Customer Profile. If the values calculated by Disbursement Agent do not match the values set forth in the related Transaction Request by Seller, Disbursement Agent shall notify each of Seller and Buyer via Electronic Transmission (which shall be sent “confirm receipt” or by some other means such that Disbursement Agent has a reasonable belief that such notice has been received by the addressee) of such Fatal Information Exception, and such Transaction Request shall be deemed to be null and void.

(D) Upon Disbursement Agent's determination that the Transaction Request sets forth the correct calculations of the related Purchase Price and Pricing Rate with respect to the Transaction, Disbursement Agent shall verify that, (i) after taking into account all purchase requests on the related Transaction Request, together with all other outstanding Transactions, that the aggregate Purchase Prices for each Class is equal to or less than the related Sub-Limits set forth in the Customer Profile and (ii) after giving effect to the requested Transaction that there would not be a Margin Deficit. If after giving effect to the purchases contemplated in the Transaction Request, the aggregate Purchase Prices of all such Transactions is greater than the Sub-Limits or the Margin Base, Disbursement Agent shall notify each of Seller and Buyer via Electronic Transmission (which shall be sent "confirm receipt" or by some other means such that Disbursement Agent has a reasonable belief that such notice has been received by the addressee) of such Fatal Information Exception, and such Transaction Request shall be deemed to be null and void.

(E) At the request of Buyer, other than with respect to a BONY Funded Mortgage Loan or a DB Funded Mortgage Loan, Disbursement Agent shall verify the Wire Instructions set forth in the Seller Asset Schedule only to the extent of confirming that the Wire Instructions on the Asset Schedule delivered by Seller are to the DDA Account or are identical to the Wire Instructions set forth in the related Escrow Instruction Letter, Seller's Release or Warehouse Lender's Release, as applicable. Disbursement Agent shall be under no obligation to verify such wire instructions unless requested by Buyer.

(F) With respect to each Mortgage Loan other than a Check Funded Loan, a DB Funded Mortgage Loan or a BONY Funded Mortgage Loan, upon a determination that giving effect to a Transaction Request would not cause a violation of any Sub-Limit or cause a Margin Deficit and receipt of an Asset Schedule and Exception Report from Custodian in accordance with Section 3 and receipt of the Fatal Document Exception Report, if any, from Custodian in accordance with Section 3, Disbursement Agent shall disburse funds in accordance with Section 11(d)(i). The disbursing of funds by Disbursement Agent shall constitute Disbursement Agent's certification that no Fatal Exception exists with respect to any Eligible Asset (or, with respect to a Wet-Ink Mortgage Loan, no Fatal Information Exception exists) funded pursuant to this Section 11(c)(i)(F).

(G) With respect to each Check Funded Loan, upon (i) a determination that giving effect to a Transaction Request would not cause a violation of any Sub-Limit or cause a Margin Deficit, (ii) receipt of an Asset Schedule and Exception Report from Custodian in accordance with Section 3, (iii) receipt of the Fatal Document Exception Report, if any, from Custodian in accordance with Section 3, and (iv) receipt from Seller of a Check Funding Schedule, Disbursement Agent shall on each Check Presentation Date (1) verify that checks in excess of the original principal balance with respect to any Check Funded Loan were not presented for payment and (2) determine the related Buyer Funded

Amount. On the Check Presentation Date, in accordance with the Check Disbursement Agreement, on or prior to 12:00 noon, New York time, the Check Disbursement Bank shall deliver electronically to Disbursement Agent, Buyer and Seller the Check Presentment Report. Upon receipt of each Check Presentment Report, with respect to all checks listed on such Check Funding Schedule, Seller shall determine (i) the aggregate difference (“Seller Funded Amount”) between the Purchase Price for the related Check Funded Loans and the amounts necessary to clear all such checks and (ii) the difference between the aggregate Buyer Funded Amount for such Check Funded Loan and the aggregate amount needed to fund all checks on such Check Presentation Date (the “Total Required Funds”). Upon receipt of the Seller Funded Amount and the Additional Seller Funded Amount, the Disbursement Agent shall disburse funds in accordance with Section 11(d)(ii). The disbursing of funds by Disbursement Agent shall constitute Disbursement Agent’s certification that no Fatal Information Exception exists with respect to any Check Funded Loan funded pursuant to this Section 11(c)(i)(G). No later than 11:00 a.m. New York time on the Check Reconciliation Date, pursuant to the Check Disbursement Agreement, Check Disbursement Bank shall make available to Disbursement Agent any Check Funding Exceptions with respect to a check or a Check Funded Loan. Disbursement Agent shall review all Check Funding Exceptions received as of 11:00 a.m. New York time and notify Buyer via Electronic Transmission of any Check Funding Exceptions prior to 1:00 p.m. New York time. Unless Buyer shall have notified Disbursement Agent in writing on or prior to 2:00 p.m. New York time that Disbursement Agent shall not issue a “no pay” instruction on any related check, Disbursement Agent shall issue a “no pay” instruction on any check with a Check Funding Exception except in the case of “Stop Suspect” Check Funding Exceptions, which Disbursement Agent shall not stop payment on unless notified by Seller or Buyer. At the request of Buyer, Disbursement Agent shall view the image of a check and verify that the payee set forth on the Check Funding Schedule matches the payee on such imaged check. Disbursement Agent shall track each check funded on respect of a Check Funded Loan and notify Buyer, pursuant to the Daily Report, when each check with respect to a Check Funded Mortgage Loan has been paid.

(H) With respect to each DB Funded Mortgage Loan and BONY Funded Mortgage Loan, upon (i) a determination that giving effect to a Transaction Request would not cause a violation of any Sub-Limit or cause a Margin Deficit, (ii) with respect to each DB Funded Mortgage Loan, delivery by the Disbursement Agent of the related DB Funding Report to Buyer and (iii) with respect to each BONY Funded Mortgage Loan, receipt from Seller of a BONY Funding Report, Disbursement Agent shall (1) verify that amounts in excess of the original principal balance with respect to any DB Funded Mortgage Loan were not wired based on the DB Funding Report and (2) determine the related Buyer Funded Amount. Unless Buyer shall have notified Disbursement Agent in writing on or prior to 5:00 p.m. New York time that Disbursement Agent shall not disburse funds with respect to a BONY Funded Mortgage Loan, upon compliance with the prior sentence, Disbursement Agent shall disburse funds in accordance

with Section 11(d)(iii). The disbursing of funds by Disbursement Agent shall constitute Disbursement Agent's certification that no Fatal Information Exception exists with respect to any DB Funded Mortgage Loan or BONY Funded Mortgage Loan funded pursuant to this Section 11(c)(i)(H).

(ii) Conversion of a Wet-Ink Mortgage Loan. On the date that Custodian receives a Seller Asset Schedule containing the information set forth on Annex 1 and all the documents set forth in Section 2(b) with respect to each Wet-Ink Mortgage Loan, pursuant to Section 3(a), Custodian shall deliver an Asset Schedule and Exception Report to each of Buyer and Disbursement Agent in accordance with Section 3(a). Upon Disbursement Agent's receipt of such Asset Schedule and Exception Report, Disbursement Agent shall perform the procedures set forth in Section 11(c)(i)(A)-(E) as if such conversion were a purchase of an Eligible Asset and if there are no Fatal Exceptions with respect to such Wet-Ink Mortgage Loan, the related Mortgage Loan shall no longer be a Wet-Ink Mortgage Loan.

(iii) Request for Additional Transactions for Excess Margin. Upon Disbursement Agent's receipt of any Request for Additional Transactions for Excess Margin, Disbursement Agent shall perform the procedures set forth in Section 11(c)(i)(C) and (D) as if such request were a Transaction Request. Pursuant to Section 11(b) herein, Disbursement Agent shall utilize the most recently delivered Customer Profile in connection with such Request for Additional Transactions for Excess Margin. If, after performing such procedures, Disbursement Agent determines that giving effect to any such Request for Additional Transactions for Excess Margin would not cause a violation of any Sub-Limits or cause a Margin Deficit, Disbursement Agent shall fund any amounts required pursuant to Section 11(d)(iv). The disbursing of funds by Disbursement Agent shall constitute Disbursement Agent's certification that no Fatal Exception exists with respect to any Eligible Asset (or, with respect to a Wet-Ink Mortgage Loan, no Fatal Information Exception exists).

(d) Disbursements. If at any time Disbursement Agent is unable to calculate the Purchase Prices in respect of disbursements to be made pursuant to this Section 11(d) as a result of technical difficulties or otherwise, upon written notice from Disbursement Agent to Buyer and Seller, Disbursement Agent may request such information from Buyer. Additionally, if at any time Buyer disputes Disbursement Agent's or Seller's calculation of the Purchase Prices in respect of disbursements to be made pursuant to this Section 11(d), upon written notice from Buyer to Disbursement Agent and Seller, Disbursement Agent shall not disburse funds as provided in this Section 11(d) until such dispute is resolved.

(i) Disbursement in Respect of Purchases of Eligible Assets. Other than with respect to a BONY Funded Mortgage Loan, DB Funded Mortgage Loan or Check Funded Loan, on each proposed Purchase Date, Disbursement Agent will disburse funds in the Disbursement Account in accordance with the Wire Instructions in the Seller Asset Schedule within 2 hours of a final Transaction Request but in no event later than 5:15 p.m. New York time, provided that (A) Disbursement Agent shall have performed the procedures set forth in Section 11(c) and all conditions to disbursement set forth therein shall have been satisfied; (B) sufficient funds exist in the Disbursement Account

(taking into account amounts required to be transferred from the related Wire-out Account pursuant to Section 11 (a)(ii)); (C) such instructions do not include any Seller Entity or any Affiliate of a Seller Entity as payee, unless otherwise authorized by Buyer in writing to Disbursement Agent; and (D) if a conflict exists between the instructions of Buyer and the instructions of Seller, Disbursement Agent shall follow Buyer's instructions. In the event that the funds maintained in the related Wire-out Account are not sufficient to permit the funding of the full Wire Amount for any Eligible Asset, no funds shall be disbursed from the Disbursement Account to fund or acquire such Eligible Asset. For each disbursement pursuant to this Section 11(d)(i), Disbursement Agent shall promptly notify Seller by Electronic Transmission of the related federal wire reference number when it becomes available.

(ii) Disbursements in Respect of Check Funded Loans. On each Check Presentation Date, Disbursement Agent will disburse funds in the Disbursement Account to the DDA Account by 5:15 p.m. New York time, provided that (A) Disbursement Agent shall have performed the procedures set forth in Section 11(c) and all conditions to disbursement set forth therein shall have been satisfied; and (B) sufficient funds exist in the Disbursement Account (taking into account amounts required to be transferred from the related Wire-out Account pursuant to Section 11 (a)(ii)). In the event that the funds maintained in the related Wire-out Account are not equal to the Total Required Funds for such Check Presentation Date, Disbursement Agent should disburse funds in accordance herewith and notify each of the Buyer and Seller of such shortfall via Electronic Transmission (which shall be sent "confirm receipt" or by some other means such that Disbursement Agent has a reasonable belief that such notice has been received by the addressee).

(iii) With respect to each DB Funded Mortgage Loan and BONY Funded Mortgage Loan, to the extent requested by Buyer, on each Payment Date, Disbursement Agent will disburse funds in the Disbursement Account to Seller's operating account at Deutsche Bank National Trust Company, Account #00-380082 by 5:15 p.m. New York time, provided that (A) Disbursement Agent shall have performed the procedures set forth in Section 11(c) and all conditions to disbursement set forth therein shall have been satisfied; and (B) sufficient funds exist in the Disbursement Account.

(iv) Disbursements in Respect of Requests for Additional Transactions for Excess Margin. On the Business Day that Disbursement Agent determines that the provisions of Section 11(c)(iii) have been satisfied with respect to any Request for Additional Transactions for Excess Margin, Disbursement Agent shall withdraw from the Disbursement Account and credit to the Wire-out Account an amount equal to the requested amount of the Excess Margin.

(e) [Reserved]

(f) Settlement. On the Business Day prior to the date on which Seller intends to or is required to repurchase an Eligible Asset ("Intended Repurchase Date") pursuant to the terms of the Repurchase Agreement (or a third party purchases such Eligible Asset), Seller shall provide Disbursement Agent and Buyer with written notice of all funds anticipated to be

received by Disbursement Agent from Seller (or such third party) for the credit of the Settlement Account, together with a settlement report containing all information set forth on Annex 17 hereto (the “Settlement Report”) by 4:00 p.m. New York time. Upon Disbursement Agent’s verification that (x) all information required pursuant to Annex 17 hereto is set forth in the Settlement Report, and (y) Buyer has confirmed the accuracy of such Settlement Report in writing, which confirmation may be delivered via Electronic Transmission, Disbursement Agent shall immediately disburse such funds in the Settlement Account as directed in the Settlement Report, provided (i) sufficient funds exist in the Settlement Account, (ii) after giving effect to such repurchase, a Margin Deficit would not exist and there would be no violation of any Sub-Limits and (iii) Buyer has not disputed such disbursement prior to such disbursement. Disbursement Agent’s verification and Buyer’s confirmation or disputation referenced in the preceding sentence shall be completed, and written notice of any disputation shall be given to Seller by Electronic Transmission, no later than 11:00 a.m. New York time on the Intended Repurchase Date. If all amounts required to be disbursed to Buyer pursuant to the Settlement Report are not deposited in the Settlement Account by 4:00 p.m. New York time on the date indicated as the “Settlement Date” in the Settlement Report, Disbursement Agent shall notify each of Custodian, Seller and Buyer and it shall be deemed to constitute an Event of Default under the Repurchase Agreement and satisfy all notice requirements of Buyer with respect to an Event of Default and Custodian and Seller shall treat such notice as a notice of an Event of Default from Buyer. Notwithstanding the foregoing sentence, if sufficient funds are not deposited in the Settlement Account in accordance with the preceding sentence on any “Settlement Date” and there are funds on deposit in the Wire-out Account, Seller hereby agrees that, and Disbursement Agent shall, transfer from the Wire-out Account to the Settlement Account no later than 5:30 p.m. New York time on such date an amount equal to the lesser of (x) all amounts on deposit in the Wire-out Account and (y) such shortfall. If such transferred funds are sufficient to pay all amounts required to be paid to Buyer pursuant to the Settlement Report, no Event of Default shall be deemed to have occurred. Notwithstanding the foregoing, if a conflict exists between the instructions of Buyer and the Settlement Report, Disbursement Agent shall follow Buyer’s instructions.

(g) Reports; Monitoring.

(i) On each Business Day, Disbursement Agent shall provide to Buyer a reconciliation report with respect to all cash activity in each Transaction Account. Additionally, upon request Disbursement Agent shall provide to Seller a reconciliation report with respect to all cash activity on the Wire-out Account and the Settlement Account.

(ii) No later than 5:00 p.m. New York time on each Business Day, Disbursement Agent shall provide to Buyer a daily report setting forth such information as may reasonably be required by Buyer (a “Daily Report”).

(iii) Upon request of Buyer, Disbursement Agent shall provide to Seller a Daily Report reflecting the information set forth thereon as of the time of the transmission of such report.

(iv) Disbursement Agent shall provide to Buyer any reports with respect to any aspect of the transactions contemplated by this Agreement, to the extent the requested information is, or should be, in the possession of Disbursement Agent, as Buyer may request.

(v) Disbursement Agent shall track and monitor all information required to be provided to any party hereunder pursuant to any report required to be delivered hereunder, including but not limited to, (A) all amounts funded in respect of any Mortgage Loan, including, without limitation, the Purchase Price, (B) the date such funds were disbursed, (C) all amounts due to Buyer in respect of the Periodic Advance Repurchase Payment, (D) the amount of any distribution in connection with any Request for Additional Transactions for Excess Margin, (E) all Purchased Assets and the aggregate outstanding Repurchase Prices in respect thereof and (F) the amount of any Margin Deficit or Excess Margin.

(vi) Disbursement Agent shall provide all information in its possession to Custodian, to the extent Custodian requests, in order to permit Custodian to comply with its requirements under this Agreement, including, but not limited to, the preparation and delivery of each updated Asset Schedule, Exception Report and Fatal Exception Report.

(h) Income Payment Dates. Notwithstanding that Buyer and Seller intend that the Transactions under the Repurchase Agreement and hereunder to be sales to Buyer of the Purchased Assets, Seller shall deposit into the Settlement Account the Periodic Advance Repurchase Payment on each Payment Date. On each Payment Date, Buyer shall forward to Disbursement Agent a payment date report in the form set forth on Annex 19 hereto (a "Payment Date Report"). Disbursement Agent shall verify that all amounts required to be paid to Buyer pursuant to the Payment Date Report are deposited into the Settlement Account on each Payment Date. If such amounts are not deposited into the Settlement Account on or prior to 5:00 p.m. New York time on such Payment Date, Disbursement Agent shall notify each of Custodian, Seller and Buyer and it shall be deemed to constitute an Event of Default under the Repurchase Agreement and satisfy all notice requirements of Buyer with respect to an Event of Default and Custodian and Seller shall treat such notice as a notice of an Event of Default from Buyer.

(i) Set-off. Custodian and Disbursement Agent agree that they shall not exercise any right of set-off, banker's lien or any similar right in connection with funds on deposit in any Transaction Account.

(j) Fees and Expenses of Disbursement Agent.

(i) Disbursement Agent shall charge such fees for its services under this Agreement as are set forth in a separate agreement between Disbursement Agent and AHMC, the payment of which fees, together with Disbursement Agent's expenses in connection herewith, shall be solely the obligation of Seller. The failure of Seller to pay any such fees shall not excuse the performance by Disbursement Agent of any of its obligations hereunder. The obligations of the Seller to pay Disbursement Agent such fees and reimburse Disbursement Agent for such expenses in connection with services provided by Disbursement Agent prior to the termination of this Agreement and the earlier of the resignation or removal of Disbursement Agent shall survive such termination, resignation or removal.

(ii) Seller shall be responsible for the standard fees and charges of Disbursement Agent applicable to each Transaction Account. To the extent that Seller has not paid such fees within a reasonable amount of time from Seller's receipt of notice of such fees and charges, Disbursement Agent shall provide written notice to Buyer of Seller's failure to pay such fees and Buyer shall have the option, in its sole discretion, to cure such failure.

(k) In performing its obligations under this Section 11, except as specifically provided in this Agreement, Disbursement Agent will not follow instructions from any party other than Buyer.

Section 12. No Adverse Interest.

By execution of this Agreement, each of Disbursement Agent and Custodian represent and warrant that it currently holds, and during the existence of this Agreement shall hold, no adverse interest, by way of security or otherwise, in any Mortgage Loan, and hereby waives and releases any such interest which it may have in any Mortgage Loan as of the date hereof. The Mortgage Loans shall not be subject to any security interest, lien or right to set-off by Custodian, Disbursement Agent or any third party claiming through Custodian or Disbursement Agent, and neither Custodian nor Disbursement Agent shall pledge, encumber, hypothecate, transfer, dispose of, or otherwise grant any third party interest in, the Mortgage Loans.

Section 13. Indemnification.

(a) Each Seller Entity, jointly and severally, agrees to indemnify and hold Custodian, Disbursement Agent and their affiliates, directors, officers, agents and employees harmless against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, of any kind or nature whatsoever, including reasonable attorney's fees, that may be imposed on, incurred by, or asserted against it or them in any way relating to or arising out of this Agreement or any action taken or not taken by it or them hereunder unless such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, cost, expenses or disbursements were imposed on, incurred by or asserted against Custodian or Disbursement Agent because of the breach by Custodian or Disbursement Agent, as applicable, of its obligations hereunder, which breach was caused by negligence, lack of good faith or willful misconduct on the part of Custodian or Disbursement Agent, as applicable or any of its respective directors, officers, agents or employees. Each of Disbursement Agent and Custodian agree that it will promptly notify Seller of any such claim, action or suit asserted or commenced against it and that Seller may assume the defense thereof with counsel reasonably satisfactory to Disbursement Agent or Custodian, as applicable, at Seller's sole expense, that Custodian or Disbursement Agent, as applicable, will cooperate with Seller on such defense, and that Custodian or Disbursement Agent, as applicable, will not settle any such claim, action or suit without the consent of Seller. The foregoing indemnification shall survive any resignation or removal of Custodian or Disbursement Agent, as applicable, or the termination or assignment of this Agreement.

(b) In the event that Custodian fails to produce a Mortgage Note, a Credit Line Agreement, an Assignment of Mortgage or any other document related to a Mortgage Loan that was in its possession pursuant to Section 2 within two (2) Business Days after required or requested by Seller or Buyer, and provided that (i) Custodian previously delivered to Buyer an Asset Schedule and Exception Report which did not list such document as an Exception on the related Purchase Date; (ii) such document is not outstanding pursuant to a Request for Release and Receipt in the form annexed hereto as either Annex 5-A or Annex 5-B; and (iii) such document was held by Custodian on behalf of Seller or Buyer, as applicable (a “Custodial Delivery Failure”), then Custodian shall (a) with respect to any missing Mortgage Note or Credit Line Agreement, as applicable, promptly deliver to Buyer or Seller upon request, a Lost Note Affidavit in the form of Annex 16 hereto and (b) with respect to any missing document related to such Mortgage Loan, including but not limited to a missing Mortgage Note or Credit Line Agreement, as applicable, (1) indemnify Seller and Buyer, as applicable, in accordance with Section 13(c) below and (2) at Buyer’s option, at any time the long term obligations of Custodian are rated below the second highest rating category of Moody’s Investors Service, Inc. or Standard and Poor’s Ratings Group, a division of McGraw-Hill, Inc., obtain and maintain, at Custodian’s expense, an insurance bond in the name of Buyer, and its successors in interest and assigns, insuring against any losses associated with the loss of such document, in an amount equal to the then outstanding principal balance of the related Mortgage Loan or such lesser amount requested by Buyer in Buyer’s sole discretion.

(c) Custodian agrees to indemnify and hold Buyer and each Seller Entity, and each of their respective present or former affiliates, directors, officers, employees, agents and representatives harmless against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever, including reasonable attorney’s fees, that may be imposed on, incurred by, or asserted against it or them in any way relating to or arising out of a Custodial Delivery Failure or Custodian’s breach of this Agreement, negligence, lack of good faith or willful misconduct. The foregoing indemnification shall survive the resignation or removal of Custodian and any termination or assignment of this Agreement.

(d) Disbursement Agent agrees to indemnify and hold Buyer and each Seller Entity, and each of their respective present or former affiliates, directors, officers, employees, agents and representatives harmless against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever, including reasonable attorney’s fees, that may be imposed on, incurred by, or asserted against it or them in any way relating to or arising out of Disbursement Agent’s breach of this Agreement, negligence, lack of good faith or willful misconduct. The foregoing indemnification shall survive the resignation or removal of Disbursement Agent or any termination or assignment of this Agreement.

Section 14. Reliance of Custodian.

(a) In the absence of bad faith on the part of Custodian or Disbursement Agent, Custodian and Disbursement Agent may each conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any request, instruction, certificate, opinion or other document furnished to Custodian or Disbursement Agent (including such items received via Electronic Transmission), reasonably believed by Custodian or Disbursement Agent, as applicable, to be genuine and to have been signed or presented by the proper party or parties and conforming to the requirements of this Agreement; provided, however, that in the case of any Mortgage Loan Document or other request, instruction, document or certificate which by any provision hereof is specifically required to be furnished to Custodian or Disbursement Agent, Custodian or Disbursement Agent, as applicable, shall be under a duty to examine the same in accordance with the requirements of this Agreement.

(b) Custodian shall have no duties or responsibilities except those that are specifically set forth in this Agreement. Custodian shall have no responsibility nor duty with respect to any Mortgage File while not in its possession. If Custodian requests instructions from Buyer with respect to any act, action or failure to act in connection with this Agreement, Custodian shall be entitled to refrain from taking such action and continue to refrain from acting unless and until Custodian shall have received written instructions from Buyer with respect to a Mortgage File without incurring any liability therefor to Buyer or any other Person.

(c) Other than as provided herein, neither Custodian nor any of its directors, officers, agents or employees shall be liable for any action or omission to act hereunder except for its or their own negligence or lack of good faith or willful misconduct. In no event shall Custodian or any of its directors, officers, agents or employees have any responsibility to ascertain or take action except as expressly provided herein.

(d) Neither Custodian nor any of its directors, officers, agents or employees shall be liable to the Purchaser or any other Person with respect to any action taken or not taken by it in good faith in the performance of its obligations under this Agreement. The obligations of Custodian or any of its directors, officers, agents or employees shall be determined solely by the express provisions of this Agreement.

(e) Custodian may consult with counsel selected by Custodian with regard to legal questions arising out of or in connection with this Agreement, and the advice or opinion of such counsel shall be full and complete authorization and protection in respect of any action reasonably taken, omitted or suffered by Custodian in good faith and in accordance therewith; provided such action shall be in compliance with all the terms expressly provided herein.

(f) No provision of this Agreement shall require Custodian to expend or risk its own funds or otherwise incur financial liability (other than expenses or liabilities otherwise required to be incurred by the express terms of this Agreement) in the performance of its duties under this Agreement if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity is not reasonably assured to it.

(g) Any corporation into which Custodian may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which Custodian shall be a party, or any corporation succeeding to the business of Custodian shall be the successor of Custodian hereunder without the execution or filing of any paper with any party hereto or any further act on the part of any of the parties hereto except where an instrument of transfer or assignment is required by law to effect such succession, anything herein to the contrary notwithstanding.

Section 15. Term of Agreement.

Promptly after written notice from Buyer of the termination of the Repurchase Agreement and payment in full of all amounts owing to Buyer thereunder, Custodian shall deliver all documents remaining in the Mortgage Files to Seller, and, except as otherwise set forth herein, this Agreement shall thereupon terminate.

Section 16. Notices.

All demands, notices and communications hereunder shall be in writing and shall be deemed to have been duly given when received by the recipient party at the address shown on its signature page hereto, or at such other addresses as may hereafter be furnished to each of the other parties by like notice. Any such demand, notice or communication hereunder shall be deemed to have been received on the date delivered to or received at the premises of the addressee. Each party hereto hereby represents and warrants that its office is located at the respective address set forth on its signature page hereto, and each such party shall notify each other party hereto if such address should change.

Section 17. Governing Law.

THIS AGREEMENT SHALL BE GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO THE CONFLICT OF LAW PRINCIPLES THEREOF.

Section 18. Authorized Representatives.

Each individual designated as an authorized representative of Buyer or its successors or assigns, any Seller Entity, Disbursement Agent and Custodian, respectively (an "Authorized Representative"), is authorized to give and receive notices, requests and instructions and to deliver certificates and documents in connection with this Agreement on behalf of Buyer, Seller, Disbursement Agent and Custodian, as the case may be, and the specimen signature for each such Authorized Representative, initially authorized hereunder, is set forth on Annexes 6, 7, 8 and 9 hereof, respectively. From time to time, Buyer, each Seller Entity, Disbursement Agent and Custodian or their respective successors or permitted assigns may, by delivering to the others a revised annex, change the information previously given pursuant to this Section 18, but each of the parties hereto shall be entitled to rely conclusively on the then current annex until receipt of a superseding annex.

Section 19. Amendment.

This Agreement may be amended from time to time by written agreement signed by each Seller Entity, Buyer, Custodian and Disbursement Agent.

Section 20. Cumulative Rights.

The rights, powers and remedies of Custodian, Disbursement Agent and Buyer under this Agreement shall be in addition to all rights, powers and remedies given to Custodian, Disbursement Agent and Buyer by virtue of any statute or rule of law, the Repurchase Agreement or any other agreement, all of which rights, powers and remedies shall be cumulative and may be exercised successively or concurrently without impairing Buyer's interest in the Purchased Assets.

Section 21. Assignment; Binding upon Successors.

This Agreement may not be assigned in whole or in part by Seller, Custodian or Disbursement Agent without the prior written consent of Buyer. This Agreement may be assigned by Buyer in whole or in part without the prior written consent of any other party hereto. Buyer shall provide Custodian with notice of such assignment together with written acknowledgment that the assignee is assuming all of the obligations of Buyer under this Agreement to the extent applicable. All rights of Custodian, Disbursement Agent and Buyer under this Agreement shall inure to the benefit of Custodian, Disbursement Agent and Buyer and their successors and permitted assigns, and all obligations of Seller and each Seller Entity shall bind its respective successors and assigns.

Section 22. Entire Agreement; Severability.

This Agreement, the Edit Check Agreement and the Repurchase Agreement contain the entire agreement with respect to the rights and obligations of Custodian and Disbursement Agent relating to the Purchased Assets among Custodian, Disbursement Agent, Buyer and Seller. If any of the provisions of this Agreement shall be held invalid or unenforceable, this Agreement shall be construed as if not containing such provisions, and the rights and obligations of the parties hereto shall be construed and enforced accordingly.

Section 23. Execution in Counterparts.

This Agreement may be executed in counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same agreement.

Section 24. Tax Reports.

Custodian shall not be responsible for the preparation or filing of any reports or returns relating to federal, state or local income taxes with respect to this Agreement, other than in respect of Custodian's compensation or for reimbursement of expenses.

Section 25. Assignment by Buyer.

Buyer hereby notifies Custodian that Buyer may assign, as of the applicable Purchase Date, all of its right, title and interest in and to some or all of the Purchased Assets to a third party assignee (an “Assignee”), subject only to an obligation on the part of the Assignee to release its interest in each such Purchased Asset to Buyer to permit Custodian, Buyer or its designee to make delivery thereof in accordance with the terms of this Agreement. Seller hereby irrevocably consents to any such assignment. Subject to any limitations in any agreement between the Assignee and Buyer, the Assignee may, upon notice of Buyer’s default, directly enforce and exercise such rights under this Agreement that have been assigned or pledged to it and, until otherwise notified by the Assignee, Buyer shall no longer have any of such rights. Custodian shall assume that any assignment from Buyer to the Assignee is subject to no limitations that are not expressly set forth in this Agreement.

Section 26. Submission to Jurisdiction; Waivers.

EACH OF BUYER, EACH SELLER ENTITY, CUSTODIAN AND DISBURSEMENT AGENT HEREBY IRREVOCABLY AND UNCONDITIONALLY:

(a) SUBMITS FOR ITSELF AND ITS PROPERTY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT AND THE OTHER REPURCHASE DOCUMENTS, OR FOR RECOGNITION AND ENFORCEMENT OF ANY JUDGMENT IN RESPECT THEREOF, TO THE EXCLUSIVE GENERAL JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK SITTING IN THE BOROUGH OF MANHATTAN, THE FEDERAL COURTS OF THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT OF NEW YORK, AND APPELLATE COURTS FROM ANY THEREOF;

(b) CONSENTS THAT ANY SUCH ACTION OR PROCEEDING MAY BE BROUGHT IN SUCH COURTS AND, TO THE EXTENT PERMITTED BY LAW, WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH ACTION OR PROCEEDING IN ANY SUCH COURT OR THAT SUCH ACTION OR PROCEEDING WAS BROUGHT IN AN INCONVENIENT COURT AND AGREES NOT TO PLEAD OR CLAIM THE SAME;

(c) AGREES THAT SERVICE OF PROCESS IN ANY SUCH ACTION OR PROCEEDING MAY BE EFFECTED BY MAILING A COPY THEREOF BY REGISTERED OR CERTIFIED MAIL (OR ANY SUBSTANTIALLY SIMILAR FORM OF MAIL), POSTAGE PREPAID, TO ITS ADDRESS SET FORTH UNDER ITS SIGNATURE BELOW OR AT SUCH OTHER ADDRESS OF WHICH EACH OTHER PARTY HERETO SHALL HAVE BEEN NOTIFIED;

(d) AGREES THAT NOTHING HEREIN SHALL AFFECT THE RIGHT TO EFFECT SERVICE OF PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR SHALL LIMIT THE RIGHT TO SUE IN ANY OTHER JURISDICTION; AND

(e) WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY OTHER REPURCHASE DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

Section 27. Confidentiality.

Each of Custodian and Disbursement Agent hereby acknowledges and agrees that (i) all written or computer-readable information provided by Buyer or Seller regarding Buyer or Seller and (ii) the terms of this Agreement and the Repurchase Agreement (the “Confidential Information”), shall be kept confidential and shall not be divulged to any Person other than the parties hereto without Buyer’s and Seller’s prior written consent except to the extent that (i) Custodian or Disbursement Agent reasonably deems necessary to do so in working with legal counsel, auditors, taxing authorities or other governmental agencies or regulatory bodies or in order to comply with any applicable federal or state laws, (ii) any portion of the Confidential Information is in the public domain other than due to a breach of this covenant by the Custodian or the Disbursement Agent, as the case may be, or by the disclosing party or (iii) to the extent that Custodian or Disbursement Agent, as applicable, is required to disclose Confidential Information pursuant to the requirements of any legal proceeding, Custodian or Disbursement Agent, as applicable, shall notify Buyer and Seller within one Business Day of its knowledge of such legally required disclosure so that Buyer or Seller may seek an appropriate protective order and/or waive Custodian’s or Disbursement Agent’s compliance, as applicable, with this Agreement. Notice shall be both by telephone and in writing. In the absence of a protective order or waiver, Custodian or Disbursement Agent, as applicable, may disclose the relevant Confidential Information if, in the written opinion of its counsel, failure to disclose such Confidential Information would subject Custodian or Disbursement Agent, as applicable, to liability for contempt, censure or other legal penalty or liability.

Section 28. Obligations Joint and Several.

Each of the Seller Entities hereby acknowledges and agrees that it shall be jointly and severally liable to Buyer, Custodian and Disbursement Agent, as applicable, for all representations, warranties, covenants, obligations and indemnities of Seller hereunder.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, this Agreement was duly executed by the parties hereto as of the day and year first above written.

AMERICAN HOME MORTGAGE CORP.

By: /s/ Alan B. Horn

Name: Alan B. Horn

Title: Executive Vice President

General Counsel & Secretary

**AMERICAN HOME MORTGAGE
INVESTMENT CORP.**

By: /s/ Alan B. Horn

Name: Alan B. Horn

Title: Executive Vice President

General Counsel & Secretary

**AMERICAN HOME MORTGAGE
HOLDINGS, INC.**

By: /s/ Alan B. Horn

Name: Alan B. Horn

Title: Executive Vice President

General Counsel & Secretary

**AMERICAN HOME MORTGAGE
ACCEPTANCE, INC.**

By: /s/ Alan B. Horn

Name: Alan B. Horn

Title: Executive Vice President

General Counsel & Secretary

**AMERICAN HOME MORTGAGE
SERVICING, INC.**

By: /s/ Alan B. Horn

Name: Alan B. Horn

Title: Executive Vice President

General Counsel & Secretary

Address for Notices:

c/o American Home Mortgage Corp:

520 Broadhollow Road,

Melville, New York 11747

Attention: Alan B. Horn, Esq., Executive Vice

President and General Counsel

Telecopier No.: (800) 209-7276

Telephone No.: (516) 396-7703

Email: alan.horn@americanhm.com

**DEUTSCHE BANK NATIONAL TRUST
COMPANY, as Custodian**

By: /s/ Norma L. Catone

Name: Norma L. Catone

Title: Vice President

By: /s/ Angel Sanchez

Name: Angel Sanchez

Title: Authorized Signer

Address for Notices:

1761 East St. Andrew Place

Santa Ana, California 92705

Attention: Mortgage Custody-AH020C

Telecopier No.: (714) 247-6285

Telephone No.: (714) 247-6000

By: /s/ Anthony Malanga

Name: Anthony Malanga
Title: Managing Director

By: /s/ Christopher Hayden

Name: Christopher Hayden
Title: Managing Director

Address for Notices:

9 West 57th Street
New York, NY 10019
Attn: Ray Sullivan
Telecopier No.: (212) 891-3347
Telephone No.: (212) 891-5815
Email: r.sullivan@cdcixis-cmna.com

With a copy to:

9 West 57th Street
New York, NY 10019
Attn: Al Zakes, Esq.,
General Counsel
Telecopier No.: (212) 891-1922
Telephone No.: (212) 891-6137
Email: albert.zakes@cdcixis-cmna.com

and with a copy to:

9 West 57th Street
New York, NY 10019
Attn: Michael Friedman
Telecopier No.: (212) 891-6143
Telephone No.: (212) 891-6261
Email: m.friedman@cdcixis-cmna.com

DEUTSCHE BANK NATIONAL TRUST
COMPANY, as Disbursement Agent

By: /s/ Norma L. Catone
Name: Norma L. Catone
Title: Vice President

By: /s/ Angel Sanchez
Name: Angel Sanchez
Title: Authorized Signer

Address for Notices:
1761 East St. Andrew Place
Santa Ana, California 92705
Attention: Mortgage Custody- AH020C
Telecopier No.: (714) 247-6058
Telephone No.: (714) 247-6000

REVIEW PROCEDURES

This Annex sets forth Custodian's review procedures for each item listed below delivered by Seller pursuant to the Third Amended and Restated Custodial and Disbursement Agreement (the "Agreement") to which this Annex is attached. Capitalized terms used herein and not defined herein shall have the meanings ascribed to them in the Agreement.

1. the Mortgage Note or Credit Line Agreement, as applicable, and the Mortgage each appear to bear an original signature or signatures purporting to be the signature or signatures of the Person or Persons named as the maker and Mortgagor, or in the case of copies of the Mortgage permitted under Section 2(a)(i)(B) of the Agreement, that such copies bear a reproduction of such signature;
2. amount of the Mortgage Note or Credit Limit in the Credit Line Agreement, as applicable, is the same as the amount specified on the related Mortgage and Seller Asset Schedule;
3. the mortgagee is the same as the payee on the Mortgage Note or Credit Line Agreement, as applicable;
4. the Mortgage contains a legal description other than address, city and state on the first page and has evidence of recording thereon provided that Custodian shall have no responsibility for the accuracy or completeness of such legal description;
5. the notary section (acknowledgment) is present and attached to the related Mortgage and is signed;
6. neither the original Mortgage Note or Credit Line Agreement, as applicable, nor the copy of the Mortgage delivered pursuant to the Agreement, nor the original Assignment of Mortgage contain any notations on their face which appear in the good faith judgment of Custodian to evidence any claims, liens, security interests, encumbrances or restrictions on transfer;
7. the Mortgage Note or Credit Line Agreement, as applicable, is endorsed in blank by the named holder or payee thereof;
8. each original Assignment of Mortgage and any intervening assignment of mortgage, if applicable, appears to bear the original signature of the named mortgagee or beneficiary including any subsequent assignors (and any other necessary party), as applicable, or in the case of copies permitted under Section 2(a)(i)(E) of the Agreement, that such copies appear to bear a reproduction of such signature of signatures, and the intervening assignments of mortgage evidence a complete chain of assignment and transfer of the related Mortgage from the originating Person to Seller;

Annex 4-1

9. the date of each intervening assignment is on or after the date of the related Mortgage and/or the immediately preceding assignment, as the case may be;

10. the notary section (acknowledgment) is present and attached to each intervening assignment and is signed;

11. based upon a review of the Mortgage Note or Credit Line Agreement, as applicable, items 6, 8 through 12, 14, 21, 22, 118 and 119 of Annex 1 for each asset class as set forth in the Seller Asset Schedule delivered by Seller to Custodian are correct;

12. each MERS Designated Mortgage Loan is registered in the MERS[®] System;

13. with respect to each MERS Designated Mortgage Loan, shall verify the “MERS Identification Number” column by comparing such MERS Identification Number to each of (a) the information in the MERS Report and (b) verifying that such MERS Designated Loan appears to be the Mortgage Loan listed on such MERS Report; and

14. with respect to each MERS Designated Mortgage Loan, shall verify that no Person is listed as Interim Funder on the MERS[®] System. In the event that a Person is designated as Interim Funder on any Purchase Date, the Custodian shall be required to review such field on the next succeeding Business Day following such Purchase Date to verify that the Interim Funder field is blank.

Annex 4-2

AMERICAN HOME MORTGAGE INVESTMENT CORP.

LIST OF SUBSIDIARIES

As of March 1, 2007

Name	Ownership Percentage		Jurisdiction of Formation	Names under which the Subsidiary Conducts Business
American Home Mortgage Holdings, Inc.	100	%	Delaware	
American Home Mortgage Acceptance, Inc.	100	%	Maryland	AHM Acceptance
American Home Mortgage Corp.	100	%	New York	AHM Financial
				AHM Mortgage American Brokers Conduit American Home Mortgage American Home Mortgage of New York American Home Mortgage Corp of New York American Mortgage CNI Columbia National, Inc. Columbia National Columbia National Mortgage ComNet Mortgage Services First Home Mortgage First Home Mortgage Corp. First Home Mortgage Corp. of Georgia First Home Mortgage Corp. of Illinois First Home Mortgage of Pennsylvania HLB Mortgage mTeam Financial Marina Mortgage MortgageOps MortgageOps.com MortgageSelect MortgageSelect, Inc. MortgageSelect.com, Inc. New York American Home Mortgage Corp. Pacific Crest Mortgage
American Home Mortgage Servicing, Inc.	100	%	Maryland	American Home Mtg Servicing
				AHM Servicing Inc. Columbia National, Inc. Columbia National Incorporated

CNI National Mortgage Co.
Columbia National Mortgage
CNI National

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-121304 of American Home Mortgage Investment Corp. on Form S-3 and Registration Statement No. 333-109899 of American Home Mortgage Holdings, Inc. on Form S-8 of our reports dated March 1, 2007, relating to the consolidated financial statements of American Home Mortgage Investment Corp. and management' s report of the effectiveness of internal control over financial reporting, appearing in this Annual Report on Form 10-K of American Home Mortgage Investment Corp. for the year ended December 31, 2006.

/s/ DELOITTE & TOUCHE LLP

New York, New York

March 1, 2007

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Michael Strauss, certify that:

1. I have reviewed this Annual Report on Form 10-K of American Home Mortgage Investment Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2007

/s/ MICHAEL STRAUSS

Michael Strauss
Chairman,
Chief Executive Officer and
President

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Stephen A. Hozie, certify that:

1. I have reviewed this Annual Report on Form 10-K of American Home Mortgage Investment Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2007

/s/ STEPHEN A. HOZIE

Stephen A. Hozie
Executive Vice President and
Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of American Home Mortgage Investment Corp. (the "Company") for the fiscal year ended December 31, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael Strauss, Chairman, Chief Executive Officer and President of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 1, 2007

/s/ MICHAEL STRAUSS

Michael Strauss
Chairman,
Chief Executive Officer and
President

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of American Home Mortgage Investment Corp. (the "Company") for the fiscal year ended December 31, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stephen A. Hozie, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 1, 2007

/s/ STEPHEN A. HOZIE

Stephen A. Hozie
Executive Vice President and
Chief Financial Officer