

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2022

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: 1-12378

NVR, Inc.

(Exact name of registrant as specified in its charter)

Virginia

(State or other jurisdiction of
incorporation or organization)

54-1394360

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

**11700 Plaza America Drive, Suite 500
Reston, Virginia 20190
(703) 956-4000**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Not Applicable

(Former name, former address, and former fiscal year if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value \$0.01 per share	NVR	New York Stock Exchange

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 whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 August 1, 2022 there were 3,282,665 total shares of common stock outstanding.

NVR, Inc.
FORM 10-Q

TABLE OF CONTENTS

	<u>Page</u>	
<u>PART I</u>	<u>FINANCIAL INFORMATION</u>	<u>1</u>
Item 1.	<u>Condensed Consolidated Financial Statements</u>	1
	<u>Condensed Consolidated Balance Sheets (unaudited)</u>	1
	<u>Condensed Consolidated Statements of Income (unaudited)</u>	3
	<u>Condensed Consolidated Statements of Cash Flows (unaudited)</u>	4
	<u>Notes to Condensed Consolidated Financial Statements (unaudited)</u>	5
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	23
Item 3.	<u>Quantitative and Qualitative Disclosure About Market Risk</u>	38
Item 4.	<u>Controls and Procedures</u>	38
<u>PART II</u>	<u>OTHER INFORMATION</u>	<u>39</u>
Item 1.	<u>Legal Proceedings</u>	39
Item 1A.	<u>Risk Factors</u>	39
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	39
Item 6.	<u>Exhibits</u>	40
	<u>SIGNATURE</u>	41

PART I. FINANCIAL INFORMATION**Item 1. Financial Statements****NVR, Inc.**

Condensed Consolidated Balance Sheets
(in thousands, except share and per share data)
(unaudited)

	<u>June 30, 2022</u>	<u>December 31, 2021</u>
ASSETS		
Homebuilding:		
Cash and cash equivalents	\$ 1,483,445	\$ 2,545,069
Restricted cash	60,695	60,730
Receivables	29,007	18,552
Inventory:		
Lots and housing units, covered under sales agreements with customers	2,138,456	1,777,862
Unsold lots and housing units	177,372	127,434
Land under development	16,274	12,147
Building materials and other	46,643	29,923
	<u>2,378,745</u>	<u>1,947,366</u>
Contract land deposits, net	524,398	497,139
Property, plant and equipment, net	57,397	56,979
Operating lease right-of-use assets	68,323	59,010
Reorganization value in excess of amounts allocable to identifiable assets, net	41,580	41,580
Other assets	233,987	229,018
	<u>4,877,577</u>	<u>5,455,443</u>
Mortgage Banking:		
Cash and cash equivalents	16,158	28,398
Restricted cash	3,403	2,519
Mortgage loans held for sale, net	335,624	302,192
Property and equipment, net	3,296	3,658
Operating lease right-of-use assets	13,405	9,758
Reorganization value in excess of amounts allocable to identifiable assets, net	7,347	7,347
Other assets	30,889	25,160
	<u>410,122</u>	<u>379,032</u>
Total assets	<u>\$ 5,287,699</u>	<u>\$ 5,834,475</u>

See notes to condensed consolidated financial statements.

NVR, Inc.
Condensed Consolidated Balance Sheets (Continued)
(in thousands, except share and per share data)
(unaudited)

	June 30, 2022	December 31, 2021
LIABILITIES AND SHAREHOLDERS' EQUITY		
Homebuilding:		
Accounts payable	\$ 417,771	\$ 336,560
Accrued expenses and other liabilities	388,179	435,860
Customer deposits	439,119	417,463
Operating lease liabilities	73,075	64,128
Senior notes	915,801	1,516,255
	2,233,945	2,770,266
Mortgage Banking:		
Accounts payable and other liabilities	47,868	51,394
Operating lease liabilities	14,220	10,437
	62,088	61,831
Total liabilities	2,296,033	2,832,097
Commitments and contingencies		
Shareholders' equity:		
Common stock, \$0.01 par value; 60,000,000 shares authorized; 20,555,330 shares issued as of both June 30, 2022 and December 31, 2021	206	206
Additional paid-in capital	2,498,123	2,378,191
Deferred compensation trust – 106,697 shares of NVR, Inc. common stock as of both June 30, 2022 and December 31, 2021	(16,710)	(16,710)
Deferred compensation liability	16,710	16,710
Retained earnings	10,907,253	10,047,839
Less treasury stock at cost – 17,271,177 and 17,107,889 shares as of June 30, 2022 and December 31, 2021, respectively	(10,413,916)	(9,423,858)
Total shareholders' equity	2,991,666	3,002,378
Total liabilities and shareholders' equity	\$ 5,287,699	\$ 5,834,475

See notes to condensed consolidated financial statements.

NVR, Inc.
Condensed Consolidated Statements of Income
(in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Homebuilding:				
Revenues	\$ 2,610,062	\$ 2,224,560	\$ 4,919,289	\$ 4,188,271
Other income	3,896	1,632	5,235	3,218
Cost of sales	(1,924,727)	(1,721,673)	(3,576,092)	(3,299,126)
Selling, general and administrative	(132,432)	(113,406)	(261,942)	(234,825)
Operating income	556,799	391,113	1,086,490	657,538
Interest expense	(11,852)	(12,850)	(24,656)	(25,856)
Homebuilding income	544,947	378,263	1,061,834	631,682
Mortgage Banking:				
Mortgage banking fees	48,881	59,038	118,063	136,773
Interest income	2,772	2,209	4,846	4,241
Other income	1,303	988	2,375	1,855
General and administrative	(23,486)	(22,613)	(46,394)	(44,269)
Interest expense	(405)	(420)	(767)	(811)
Mortgage banking income	29,065	39,202	78,123	97,789
Income before taxes	574,012	417,465	1,139,957	729,471
Income tax benefit (expense)	(140,698)	(96,170)	(280,543)	(159,414)
Net income	<u>\$ 433,314</u>	<u>\$ 321,295</u>	<u>\$ 859,414</u>	<u>\$ 570,057</u>
Basic earnings per share	<u>\$ 131.84</u>	<u>\$ 88.69</u>	<u>\$ 257.65</u>	<u>\$ 156.27</u>
Diluted earnings per share	<u>\$ 123.65</u>	<u>\$ 82.45</u>	<u>\$ 240.05</u>	<u>\$ 145.53</u>
Basic weighted average shares outstanding	<u>3,287</u>	<u>3,623</u>	<u>3,336</u>	<u>3,648</u>
Diluted weighted average shares outstanding	<u>3,504</u>	<u>3,897</u>	<u>3,580</u>	<u>3,917</u>

(unaudited)

See notes to condensed consolidated financial statements.

NVR, Inc.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Six Months Ended June 30,	
	2022	2021
Cash flows from operating activities:		
Net income	\$ 859,414	\$ 570,057
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	8,991	10,038
Equity-based compensation expense	31,755	27,850
Contract land deposit recoveries, net	(6,342)	(13,355)
Gain on sale of loans, net	(94,813)	(115,152)
Mortgage loans closed	(3,133,046)	(2,981,630)
Mortgage loans sold and principal payments on mortgage loans held for sale	3,195,784	3,194,279
Distribution of earnings from unconsolidated joint ventures	4,000	5,500
Net change in assets and liabilities:		
Increase in inventory	(431,379)	(264,291)
Increase in contract land deposits	(20,917)	(24,318)
Increase in receivables	(16,394)	(4,327)
Increase in accounts payable and accrued expenses	25,716	7,943
Increase in customer deposits	21,656	124,685
Other, net	2,781	(16,259)
Net cash provided by operating activities	447,206	521,020
Cash flows from investing activities:		
Investments in and advances to unconsolidated joint ventures	(9,222)	(659)
Purchase of property, plant and equipment	(8,751)	(6,620)
Proceeds from the sale of property, plant and equipment	346	657
Net cash used in investing activities	(17,627)	(6,622)
Cash flows from financing activities:		
Purchase of treasury stock	(1,015,703)	(754,366)
Redemption of senior notes	(600,000)	—
Principal payments on finance lease liabilities	(723)	(661)
Proceeds from the exercise of stock options	113,822	95,673
Net cash used in financing activities	(1,502,604)	(659,354)
Net decrease in cash, restricted cash, and cash equivalents	(1,073,025)	(144,956)
Cash, restricted cash, and cash equivalents, beginning of the period	2,636,984	2,809,782
Cash, restricted cash, and cash equivalents, end of the period	\$ 1,563,959	\$ 2,664,826
Supplemental disclosures of cash flow information:		
Interest paid during the period, net of interest capitalized	\$ 32,627	\$ 26,875
Income taxes paid during the period, net of refunds	\$ 291,721	\$ 172,563

See notes to condensed consolidated financial statements.

NVR, Inc.
Notes to Condensed Consolidated Financial Statements
(dollars in thousands, except per share data)
(unaudited)

1. Significant Accounting Policies

Basis of Presentation

The accompanying unaudited, condensed consolidated financial statements include the accounts of NVR, Inc. ("NVR", the "Company", "we", "us" or "our") and its subsidiaries and certain other entities in which the Company is deemed to be the primary beneficiary (see Notes 2 and 3 to the accompanying condensed consolidated financial statements). Intercompany accounts and transactions have been eliminated in consolidation. The statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and with the instructions to Form 10-Q and Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. Because the accompanying condensed consolidated financial statements do not include all of the information and footnotes required by GAAP, they should be read in conjunction with the financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2021. In the opinion of management, all adjustments (consisting only of normal recurring accruals except as otherwise noted herein) considered necessary for a fair presentation have been included. Operating results for the three and six months ended June 30, 2022 are not necessarily indicative of the results that may be expected for the year ending December 31, 2022.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

For the three and six months ended June 30, 2022 and 2021, comprehensive income equaled net income; therefore, a separate statement of comprehensive income is not included in the accompanying condensed consolidated financial statements.

Cash and Cash Equivalents

The beginning-of-period and end-of-period cash, restricted cash, and cash equivalent balances presented on the accompanying condensed consolidated statements of cash flows includes cash related to a consolidated joint venture which is included in homebuilding "Other assets" on the accompanying condensed consolidated balance sheets. The cash related to this consolidated joint venture as of June 30, 2022 and December 31, 2021 was \$258 and \$268, respectively, and as of June 30, 2021 and December 31, 2020 was \$273 and \$269, respectively.

Revenue Recognition

Homebuilding revenue is recognized on the settlement date at the contract sales price, when control is transferred to our customers. Our contract liabilities, which consist of deposits received from customers on homes not settled, were \$439,119 and \$417,463 as of June 30, 2022 and December 31, 2021, respectively. We expect that substantially all of the customer deposits held at December 31, 2021 will be recognized in revenue in 2022. Our contract assets consist of prepaid sales compensation and totaled approximately \$24,400 and \$25,200, as of June 30, 2022 and December 31, 2021, respectively. Prepaid sales compensation is included in homebuilding "Other assets" on the accompanying condensed consolidated balance sheets.

2. Variable Interest Entities ("VIEs")

Fixed Price Finished Lot Purchase Agreements ("LPAs")

We generally do not engage in the land development business. Instead, we typically acquire finished building lots at market prices from various development entities under LPAs. The LPAs require deposits that may be forfeited if we fail to perform under the LPAs. The deposits required under the LPAs are in the form of cash or letters of credit in varying amounts, and typically range up to 10% of the aggregate purchase price of the finished lots.

NVR, Inc.

Notes to Condensed Consolidated Financial Statements
(dollars in thousands, except per share data)
(unaudited)

The deposit placed by us pursuant to the LPA is deemed to be a variable interest in the respective development entities. Those development entities are deemed to be VIEs. Therefore, the development entities with which we enter into LPAs, including the joint venture limited liability corporations discussed below, are evaluated for possible consolidation by us. We have concluded that we are not the primary beneficiary of the development entities with which we enter into LPAs, and therefore, we do not consolidate any of these VIEs.

As of June 30, 2022, we controlled approximately 127,700 lots under LPAs with third parties through deposits in cash and letters of credit totaling approximately \$541,400 and \$8,100, respectively. Our sole legal obligation and economic loss for failure to perform under these LPAs is limited to the amount of the deposit pursuant to the liquidated damage provisions contained in the LPAs and, in very limited circumstances, specific performance obligations. For the three and six months ended June 30, 2022, we recorded a net reversal of approximately \$400 and \$6,300, respectively, related to previously impaired lot deposits based on current market conditions. For the three and six months ended June 30, 2021, we recorded a net reversal of approximately \$7,200 and \$13,400, respectively, related to previously impaired lot deposits. Our contract land deposit asset is shown net of a \$23,516 and \$30,041 impairment reserve at June 30, 2022 and December 31, 2021, respectively.

In addition, we have certain properties under contract with land owners that are expected to yield approximately 23,900 lots, which are not included in the number of total lots controlled. Some of these properties may require rezoning or other approvals to achieve the expected yield. These properties are controlled with deposits in cash totaling approximately \$6,500 as of June 30, 2022, of which approximately \$4,300 is refundable if certain contractual conditions are not met. We generally expect to assign the raw land contracts to a land developer and simultaneously enter into an LPA with the assignee if the project is determined to be feasible.

Our total risk of loss related to contract land deposits is limited to the amount of the deposits pursuant to the liquidated damages provision of the LPAs. As of June 30, 2022 and December 31, 2021, our total risk of loss was as follows:

	June 30, 2022	December 31, 2021
Contract land deposits	\$ 547,914	\$ 527,180
Loss reserve on contract land deposits	(23,516)	(30,041)
Contract land deposits, net	524,398	497,139
Contingent obligations in the form of letters of credit	8,077	10,145
Total risk of loss	\$ 532,475	\$ 507,284

3. Joint Ventures

On a limited basis, we obtain finished lots using joint venture limited liability corporations (“JVs”). The JVs are typically structured such that we are a non-controlling member and are at risk only for the amount we have invested, or have committed to invest, in addition to any deposits placed under LPAs with the joint venture. We are not a borrower, guarantor or obligor on any debt of the JVs, as applicable. We enter into LPAs to purchase lots from these JVs, and as a result have a variable interest in these JVs.

At June 30, 2022, we had an aggregate investment totaling approximately \$30,000 in five JVs that are expected to produce approximately 5,400 finished lots, of which approximately 5,050 lots were controlled by us and the remaining approximately 350 lots were either under contract with unrelated parties or not currently under contract. We had additional funding commitments totaling approximately \$2,000 to one of the JVs at June 30, 2022.

We determined that we are not the primary beneficiary in four of the JVs because we and the other JV partner either share power or the other JV partner has the controlling financial interest. The aggregate investment in unconsolidated JVs was approximately \$30,000 and \$20,300 at June 30, 2022 and December 31, 2021, respectively, and is reported in the homebuilding “Other assets” line item on the accompanying condensed consolidated balance

NVR, Inc.

Notes to Condensed Consolidated Financial Statements
(dollars in thousands, except per share data)
(unaudited)

sheets. None of the unconsolidated JVs had any indicators of impairment as of June 30, 2022. For the remaining JV, we concluded that we are the primary beneficiary because we have the controlling financial interest in the JV. All activities under the consolidated JV have been completed and we have no remaining investment in the JV. As of June 30, 2022, the JV had remaining balances of \$258 in cash and \$232 in accrued expenses, which are included in homebuilding "Other assets" and "Accrued expenses and other liabilities," respectively, in the accompanying condensed consolidated balance sheets.

We recognize income from the JVs as a reduction to the lot cost of the lots purchased from the respective JVs when the homes are settled, based on the expected total profitability and the total number of lots expected to be produced by the respective JVs.

We classify distributions received from unconsolidated JVs using the cumulative earnings approach. As a result, distributions received up to the amount of cumulative earnings recognized by us are reported as distributions of earnings and those in excess of that amount are reported as a distribution of capital. These distributions are classified within the accompanying condensed consolidated statements of cash flows as cash flows from operating activities and investing activities, respectively.

4. Land Under Development

On a limited basis, we directly acquire raw land parcels already zoned for their intended use to develop into finished lots. Land under development includes the land acquisition costs, direct improvement costs, capitalized interest, where applicable, and real estate taxes.

As of June 30, 2022, we owned land parcels with a carrying value of \$16,274 that we intend to develop into approximately 450 finished lots. We have additional funding commitments of approximately \$1,800 under a joint development agreement related to one parcel, a portion of which we expect will be offset by development credits of approximately \$600. None of the raw parcels had any indicators of impairment as of June 30, 2022.

5. Capitalized Interest

We capitalize interest costs to land under development during the active development of finished lots. In addition, we capitalize interest costs on our JV investments while the investments are considered qualified assets pursuant to ASC Topic 835-20 - *Interest*. Capitalized interest is transferred to sold or unsold inventory as the development of finished lots is completed, then charged to cost of sales upon our settlement of homes and the respective lots. Interest incurred in excess of the interest capitalizable based on the level of qualified assets is expensed in the period incurred.

The following table reflects the changes in our capitalized interest during the three and six months ended June 30, 2022 and 2021:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Interest capitalized, beginning of period	\$ 640	\$ 829	\$ 593	\$ 1,025
Interest incurred	12,349	13,291	25,603	26,714
Interest charged to interest expense	(12,257)	(13,270)	(25,423)	(26,667)
Interest charged to cost of sales	(52)	(206)	(93)	(428)
Interest capitalized, end of period	\$ 680	\$ 644	\$ 680	\$ 644

NVR, Inc.
Notes to Condensed Consolidated Financial Statements
(dollars in thousands, except per share data)
(unaudited)

6. Earnings per Share

The following weighted average shares and share equivalents were used to calculate basic and diluted earnings per share ("EPS") for the three and six months ended June 30, 2022 and 2021:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Weighted average number of shares outstanding used to calculate basic EPS	3,286,574	3,622,635	3,335,644	3,647,874
<i>Dilutive securities:</i>				
Stock options and restricted share units	217,730	274,074	244,445	269,230
Weighted average number of shares and share equivalents outstanding used to calculate diluted EPS	3,504,304	3,896,709	3,580,089	3,917,104

The following non-qualified stock options ("Options") and restricted stock units ("RSUs") issued under equity incentive plans were outstanding during the three and six months ended June 30, 2022 and 2021, but were not included in the computation of diluted EPS because the effect would have been anti-dilutive.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Anti-dilutive securities	217,662	18,182	189,988	19,002

NVR, Inc.
Notes to Condensed Consolidated Financial Statements
(dollars in thousands, except per share data)
(unaudited)

7. Equity-Based Compensation

Our equity-based compensation plans provide for the granting of Options and RSUs to key management employees, including executive officers and members of our Board of Directors ("Directors"). The exercise price of Options granted is equal to the closing price of our common stock on the New York Stock Exchange (the "NYSE") on the day prior to the date of grant. Options are granted for a 10-year term and typically vest in separate tranches over periods of 3 to 6 years. RSUs generally vest in separate tranches over periods of 2 to 6 years. Grants to key management employees are generally divided such that vesting for 50% of the grant is contingent solely on continued employment, while vesting for the remaining 50% of the grant is contingent upon both continued employment and the achievement of a performance metric based on our return on capital performance relative to a peer group during a 3-year period specified on the date of grant. Grants to directors generally vest solely on continued service as a Director.

During the second quarter of 2022, we issued 165,456 Options and 16,864 RSUs in a block grant to key management employees and Directors. Block grants are generally made once every four years. Option and RSU grants for the six month period ended June 30, 2022 totaled 168,366 and 17,694, respectively, and were granted under the NVR, Inc. 2014 Equity Incentive Plan (the "2014 Plan") and the NVR, Inc. 2018 Equity Incentive Plan (the "2018 Plan") as follows:

Options Granted	2014 Plan	2018 Plan
Options - service-only (1)	55,415	31,351
Options - performance-based (2)	55,415	26,185
Total Options Granted	110,830	57,536
RSUs Granted		
RSUs - service-only (3)	—	8,870
RSUs - performance-based (4)	—	8,824
Total RSUs Granted	—	17,694

- (1) Of the 86,766 service-only Options granted, 68,466 Options will vest over four years in 25% increments on December 31, 2024, 2025, 2026, and 2027; 16,090 Options will vest over two years in 50% increments on December 31, 2026 and 2027; and the remaining 2,210 Options will vest over two years in 50% increments on December 31, 2024 and 2025. Vesting for the Options is contingent solely upon continued employment or continued service as a Director.
- (2) Of the 81,600 performance-based Options granted, 63,300 will vest over four years in 25% increments on December 31, 2024, 2025, 2026, and 2027; 16,090 Options will vest over two years in 50% increments on December 31, 2026 and 2027; and the remaining 2,210 Options will vest over two years in 50% increments on December 31, 2024 and 2025. Vesting for the performance-based Options is contingent upon both continued employment and the Company's return on capital performance during 2022 through 2024.
- (3) Of the 8,870 service-only RSUs granted, 5,109 will vest over two years in 50% increments on December 31, 2024 and 2025; 3,119 RSUs will vest over four years in 25% increments on December 31, 2024, 2025, 2026, and 2027; and the remaining 642 RSUs will vest over two years in 50% increments on December 31, 2026 and 2027. Vesting for the RSUs is contingent solely upon continued employment.
- (4) Of the 8,824 performance-based RSUs granted, 5,109 will vest over two years in 50% increments on December 31, 2024 and 2025; 3,119 RSUs will vest over four years in 25% increments on December 31, 2024, 2025, 2026, and 2027; and the remaining 596 RSUs will vest over two years in 50% increments on December 31, 2026 and 2027. Vesting for the performance-based RSUs is contingent upon both continued employment and the Company's return on capital performance during 2022 through 2024.

All Options were granted at an exercise price equal to the closing price of the Company's common stock on the day prior to the date of grant, and expire ten years from the date of grant.

NVR, Inc.
Notes to Condensed Consolidated Financial Statements
(dollars in thousands, except per share data)
(unaudited)

The following table provides additional information relative to our equity-based compensation plans for the six months ended June 30, 2022:

	Shares	Weighted Avg. Per Share Exercise Price	Weighted Avg. Remaining Contract Life (years)	Aggregate Intrinsic Value
Stock Options				
Outstanding at December 31, 2021	534,695	\$ 2,424.62		
Granted	168,366	4,487.97		
Exercised	(43,719)	2,598.73		
Forfeited	(11,450)	3,406.42		
Outstanding at June 30, 2022	<u>647,892</u>	\$ 2,931.72	6.1	\$ 788,955
Exercisable at June 30, 2022	<u>297,665</u>	\$ 1,927.47	3.6	\$ 618,152
RSUs				
Outstanding at December 31, 2021	16,564			
Granted	17,694			
Vested	—			
Forfeited	(1,314)			
Outstanding at June 30, 2022	<u>32,944</u>			\$ 131,912
Vested, but not issued at June 30, 2022	<u>—</u>			\$ —

To estimate the grant-date fair value of our Options, we use the Black-Scholes option-pricing model (the “Pricing Model”). The Pricing Model estimates the per share fair value of an option on its date of grant based on the following factors: the Option’s exercise price; the price of the underlying stock on the date of grant; the estimated dividend yield; a risk-free interest rate; the estimated option term; and the expected volatility. For the risk-free interest rate, we use U.S. Treasury STRIPS which mature at approximately the same time as the Option’s expected holding term. For expected volatility, we have concluded that our historical volatility over the Option’s expected holding term provides the most reasonable basis for this estimate.

The fair value of the Options granted during the first six months of 2022 was estimated on the grant date using the Pricing Model, based on the following assumptions:

Estimated option life (years)	5.60
Risk free interest rate (range)	1.17%-3.07%
Expected volatility (range)	24.93%-30.52%
Expected dividend rate	—%
Weighted average grant-date fair value per share of options granted	\$ 1,434.57

The weighted average grant date fair value per share of \$4,509.67 for the RSUs was the closing price of our common stock on the day immediately preceding the date of grant.

Compensation cost for Options and RSUs is recognized on a straight-line basis over the requisite service period for the entire award (from the date of grant through the period of the last separately vesting portion of the grant). For the recognition of equity-based compensation, the Options and RSUs that are subject to a performance condition are treated as a separate award from the “service-only” Options and RSUs, and compensation cost is recognized when it becomes probable that the stated performance target will be achieved. We currently believe that it is probable that the stated performance condition will be satisfied at the target level for all of our Options and

NVR, Inc.
Notes to Condensed Consolidated Financial Statements
(dollars in thousands, except per share data)
(unaudited)

RSUs granted. Compensation cost is recognized within the income statement in the same expense line as the cash compensation paid to the respective employees.

We recognize forfeitures of equity-based awards as a reduction to compensation costs in the period in which they occur. During the three and six months ended June 30, 2022, we recognized \$20,087 and \$31,755 in equity-based compensation costs, respectively. During the three and six months ended June 30, 2021, we recognized \$13,379 and \$27,850 in equity-based compensation costs, respectively.

As of June 30, 2022, the total unrecognized compensation cost for all outstanding Options and RSUs equaled approximately \$406,545. The unrecognized compensation cost will be recognized over each grant's applicable vesting period with the latest vesting date being December 31, 2027. The weighted-average period over which the unrecognized compensation cost will be recorded is equal to approximately 2.8 years.

NVR, Inc.
Notes to Condensed Consolidated Financial Statements
(dollars in thousands, except per share data)
(unaudited)

8. Shareholders' Equity

A summary of changes in shareholders' equity for the three months ended June 30, 2022 is presented below:

	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Deferred Compensation Trust	Deferred Compensation Liability	Total
Balance, March 31, 2022	\$ 206	\$ 2,416,660	\$ 10,473,939	\$ (10,165,206)	\$ (16,710)	\$ 16,710	\$ 2,725,599
Net income	—	—	433,314	—	—	—	433,314
Purchase of common stock for treasury	—	—	—	(266,915)	—	—	(266,915)
Equity-based compensation	—	20,087	—	—	—	—	20,087
Proceeds from Options exercised	—	79,581	—	—	—	—	79,581
Treasury stock issued upon Option exercise	—	(18,205)	—	18,205	—	—	—
Balance, June 30, 2022	<u>\$ 206</u>	<u>\$ 2,498,123</u>	<u>\$ 10,907,253</u>	<u>\$ (10,413,916)</u>	<u>\$ (16,710)</u>	<u>\$ 16,710</u>	<u>\$ 2,991,666</u>

A summary of changes in shareholders' equity for the six months ended June 30, 2022 is presented below:

	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Deferred Compensation Trust	Deferred Compensation Liability	Total
Balance, December 31, 2021	\$ 206	\$ 2,378,191	\$ 10,047,839	\$ (9,423,858)	\$ (16,710)	\$ 16,710	\$ 3,002,378
Net income	—	—	859,414	—	—	—	859,414
Purchase of common stock for treasury	—	—	—	(1,015,703)	—	—	(1,015,703)
Equity-based compensation	—	31,755	—	—	—	—	31,755
Proceeds from Options exercised	—	113,822	—	—	—	—	113,822
Treasury stock issued upon Option exercise	—	(25,645)	—	25,645	—	—	—
Balance, June 30, 2022	<u>\$ 206</u>	<u>\$ 2,498,123</u>	<u>\$ 10,907,253</u>	<u>\$ (10,413,916)</u>	<u>\$ (16,710)</u>	<u>\$ 16,710</u>	<u>\$ 2,991,666</u>

We repurchased 61,078 and 207,132 shares of our outstanding common stock during the three and six months ended June 30, 2022, respectively. We settle Option exercises and vesting of RSUs by issuing shares of treasury stock. We issued 30,396 and 43,719 shares from the treasury account during the three and six months ended June 30, 2022, respectively, in settlement of Option exercises. Shares are relieved from the treasury account based on the weighted average cost basis of treasury shares.

NVR, Inc.
Notes to Condensed Consolidated Financial Statements
(dollars in thousands, except per share data)
(unaudited)

A summary of changes in shareholders' equity for the three months ended June 30, 2021 is presented below:

	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Deferred Compensation Trust	Deferred Compensation Liability	Total
Balance, March 31, 2021	\$ 206	\$ 2,272,006	\$ 9,059,882	\$ (8,285,587)	\$ (16,710)	\$ 16,710	\$ 3,046,507
Net income	—	—	321,295	—	—	—	321,295
Purchase of common stock for treasury	—	—	—	(376,941)	—	—	(376,941)
Equity-based compensation	—	13,379	—	—	—	—	13,379
Proceeds from Options exercised	—	38,048	—	—	—	—	38,048
Treasury stock issued upon Option exercise and RSU vesting	—	(8,869)	—	8,869	—	—	—
Balance, June 30, 2021	<u>\$ 206</u>	<u>\$ 2,314,564</u>	<u>\$ 9,381,177</u>	<u>\$ (8,653,659)</u>	<u>\$ (16,710)</u>	<u>\$ 16,710</u>	<u>\$ 3,042,288</u>

A summary of changes in shareholders' equity for the six months ended June 30, 2021 is presented below:

	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Deferred Compensation Trust	Deferred Compensation Liability	Total
Balance, December 31, 2020	\$ 206	\$ 2,214,426	\$ 8,811,120	\$ (7,922,678)	\$ (16,710)	\$ 16,710	\$ 3,103,074
Net income	—	—	570,057	—	—	—	570,057
Purchase of common stock for treasury	—	—	—	(754,366)	—	—	(754,366)
Equity-based compensation	—	27,850	—	—	—	—	27,850
Proceeds from Options exercised	—	95,673	—	—	—	—	95,673
Treasury stock issued upon Option exercise and RSU vesting	—	(23,385)	—	23,385	—	—	—
Balance, June 30, 2021	<u>\$ 206</u>	<u>\$ 2,314,564</u>	<u>\$ 9,381,177</u>	<u>\$ (8,653,659)</u>	<u>\$ (16,710)</u>	<u>\$ 16,710</u>	<u>\$ 3,042,288</u>

We repurchased 78,452 and 164,975 shares of our outstanding common stock during the three and six months ended June 30, 2021, respectively. We issued 18,033 and 48,588 shares from the treasury account during the three and six months ended June 30, 2021, respectively, in settlement of Option exercises and vesting of RSUs.

9. Product Warranties

We establish warranty and product liability reserves ("Warranty Reserve") to provide for estimated future expenses as a result of construction and product defects, product recalls and litigation incidental to our homebuilding business. Liability estimates are determined based on management's judgment, considering such factors as historical experience, the estimated current cost of corrective action, manufacturers' and subcontractors' participation in sharing the cost of corrective action, consultations with third party experts such as engineers, and discussions with our general counsel and outside counsel retained to handle specific product liability cases.

NVR, Inc.
Notes to Condensed Consolidated Financial Statements
(dollars in thousands, except per share data)
(unaudited)

The following table reflects the changes in our Warranty Reserve during the three and six months ended June 30, 2022 and 2021:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Warranty reserve, beginning of period	\$ 135,341	\$ 124,836	\$ 134,859	\$ 119,638
Provision	24,551	21,760	42,518	44,089
Payments	(21,652)	(19,094)	(39,137)	(36,225)
Warranty reserve, end of period	<u>\$ 138,240</u>	<u>\$ 127,502</u>	<u>\$ 138,240</u>	<u>\$ 127,502</u>

10. Segment Disclosures

Our homebuilding operations are aggregated geographically into four homebuilding reportable segments and our mortgage banking operations are presented as one reportable segment. The homebuilding reportable segments are comprised of operating divisions in the following geographic areas:

<i>Mid Atlantic:</i>	Maryland, Virginia, West Virginia, Delaware and Washington, D.C.
<i>North East:</i>	New Jersey and Eastern Pennsylvania
<i>Mid East:</i>	New York, Ohio, Western Pennsylvania, Indiana and Illinois
<i>South East:</i>	North Carolina, South Carolina, Florida and Tennessee

Homebuilding profit before tax includes all revenues and income generated from the sale of homes, less the cost of homes sold, selling, general and administrative expenses and a corporate capital allocation charge. The corporate capital allocation charge is eliminated in consolidation and is based on the segment's average net assets employed. The corporate capital allocation charged to the operating segment allows the Chief Operating Decision Maker ("CODM") to determine whether the operating segment's results are providing the desired rate of return after covering our cost of capital.

Assets not allocated to the operating segments are not included in either the operating segment's corporate capital allocation charge or the CODM's evaluation of the operating segment's performance. We record charges on contract land deposits when it is determined that it is probable that recovery of the deposit is impaired. For segment reporting purposes, impairments on contract land deposits are generally charged to the operating segment upon the termination of an LPA with the developer, or the restructuring of an LPA resulting in the forfeiture of the deposit. Mortgage banking profit before tax consists of revenues generated from mortgage financing, title insurance and closing services, less the costs of such services and general and administrative costs. Mortgage banking operations are not charged a corporate capital allocation charge.

In addition to the corporate capital allocation and contract land deposit impairments discussed above, the other reconciling items between segment profit and consolidated profit before tax include unallocated corporate overhead (including all management incentive compensation), equity-based compensation expense, consolidation adjustments and external corporate interest expense. Our overhead functions such as accounting, treasury and human resources are centrally performed and these costs are not allocated to our operating segments. Consolidation adjustments consist of such items necessary to convert the reportable segments' results, which are predominantly maintained on a cash basis, to a full accrual basis for external financial statement presentation purposes, and are not allocated to our operating segments. External corporate interest expense primarily consists of interest charges on our 3.95% Senior Notes due 2022 and 3.00% Senior Notes due 2030 (the "Senior Notes"), which are not charged to the operating segments because the charges are included in the corporate capital allocation discussed above.

NVR, Inc.
Notes to Condensed Consolidated Financial Statements
(dollars in thousands, except per share data)
(unaudited)

The following tables present segment revenues, profit and assets with reconciliations to the amounts reported for the consolidated enterprise, where applicable:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Revenues:				
Homebuilding Mid Atlantic	\$ 1,208,312	\$ 1,048,416	\$ 2,350,020	\$ 1,984,556
Homebuilding North East	237,394	193,245	412,945	355,438
Homebuilding Mid East	521,038	478,179	982,442	903,132
Homebuilding South East	643,318	504,720	1,173,882	945,145
Mortgage Banking	48,881	59,038	118,063	136,773
Total consolidated revenues	<u>\$ 2,658,943</u>	<u>\$ 2,283,598</u>	<u>\$ 5,037,352</u>	<u>\$ 4,325,044</u>

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Income before taxes:				
Homebuilding Mid Atlantic	\$ 251,739	\$ 174,481	\$ 501,520	\$ 303,548
Homebuilding North East	41,297	21,510	67,225	36,737
Homebuilding Mid East	82,512	59,887	153,695	108,828
Homebuilding South East	150,822	78,919	264,276	135,584
Mortgage Banking	28,800	40,372	78,906	99,934
Total segment profit before taxes	<u>555,170</u>	<u>375,169</u>	<u>1,065,622</u>	<u>684,631</u>

Reconciling items:				
Contract land deposit recoveries (1)	419	7,178	6,345	13,374
Equity-based compensation expense (2)	(20,087)	(13,379)	(31,755)	(27,850)
Corporate capital allocation (3)	77,512	63,032	147,256	124,583
Unallocated corporate overhead	(32,282)	(33,668)	(77,543)	(73,804)
Consolidation adjustments and other (4)	5,096	31,944	54,603	34,330
Corporate interest expense	(11,816)	(12,811)	(24,571)	(25,793)
Reconciling items sub-total	<u>18,842</u>	<u>42,296</u>	<u>74,335</u>	<u>44,840</u>
Consolidated income before taxes	<u>\$ 574,012</u>	<u>\$ 417,465</u>	<u>\$ 1,139,957</u>	<u>\$ 729,471</u>

- (1) This item represents changes to the contract land deposit impairment reserve, which are not allocated to the reportable segments. See further discussion of lot deposit impairment charges in Note 2.
- (2) The increase in equity-based compensation expense for the three and six months ended June 30, 2022 was primarily attributable to a four year block grant of Options and RSUs in May 2022. See additional discussion of equity-based compensation in Note 7.

NVR, Inc.
Notes to Condensed Consolidated Financial Statements
(dollars in thousands, except per share data)
(unaudited)

- (3) This item represents the elimination of the corporate capital allocation charge included in the respective homebuilding reportable segments. The corporate capital allocation charge is based on the segment's monthly average asset balance, and was as follows for the periods presented:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Corporate capital allocation charge:				
Homebuilding Mid Atlantic	\$ 37,121	\$ 31,135	\$ 71,208	\$ 61,731
Homebuilding North East	8,158	6,457	15,245	12,495
Homebuilding Mid East	12,875	11,066	24,292	21,690
Homebuilding South East	19,358	14,374	36,511	28,667
Total	<u>\$ 77,512</u>	<u>\$ 63,032</u>	<u>\$ 147,256</u>	<u>\$ 124,583</u>

- (4) The change in consolidation adjustments and other for the three and six month periods of 2022 compared to the respective 2021 periods was primarily driven by changes in lumber prices in the respective periods. Our reportable segments' results include the intercompany profits of our production facilities for home packages delivered to our homebuilding divisions. Costs related to homes not yet settled are reversed through the consolidation adjustment and recorded in inventory. These costs are subsequently recorded through the consolidation adjustment when the respective homes are settled. The decrease in the three month period ended June 30, 2022 compared to the same period in 2021 was primarily due to lower lumber prices quarter over quarter. The increase for the six month period ended June 30, 2022 compared to the same period in 2021 was primarily attributable to the overall higher lumber costs year over year driven by higher lumber costs in the first quarter of 2022 compared to the first quarter of 2021.

	June 30, 2022	December 31, 2021
Assets:		
Homebuilding Mid Atlantic	\$ 1,408,484	\$ 1,322,818
Homebuilding North East	286,776	235,048
Homebuilding Mid East	538,877	438,700
Homebuilding South East	780,118	629,198
Mortgage Banking	402,775	371,685
Total segment assets	<u>3,417,030</u>	<u>2,997,449</u>
Reconciling items:		
Cash and cash equivalents	1,483,445	2,545,069
Deferred taxes	139,263	132,894
Intangible assets and goodwill	49,368	49,368
Operating lease right-of-use assets	68,323	59,010
Finance lease right-of-use assets	14,364	14,578
Contract land deposit reserve	(23,516)	(30,041)
Consolidation adjustments and other	139,422	66,148
Reconciling items sub-total	<u>1,870,669</u>	<u>2,837,026</u>
Consolidated assets	<u>\$ 5,287,699</u>	<u>\$ 5,834,475</u>

NVR, Inc.
Notes to Condensed Consolidated Financial Statements
(dollars in thousands, except per share data)
(unaudited)

11. Fair Value

GAAP assigns a fair value hierarchy to the inputs used to measure fair value. Level 1 inputs are quoted prices in active markets for identical assets and liabilities. Level 2 inputs are inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs.

Financial Instruments

The following table presents the estimated fair values and carrying values of our Senior Notes as of June 30, 2022 and December 31, 2021. See Note 12 for a description of the redemption of our 3.95% Senior Notes due 2022. The estimated fair value is based on recent market prices of similar transactions, which is classified as Level 2 within the fair value hierarchy.

	June 30, 2022	December 31, 2021
<i>Estimated Fair Values:</i>		
3.95% Senior Notes due 2022	\$ —	\$ 610,452
3.00% Senior Notes due 2030	774,531	942,192
Total	\$ 774,531	\$ 1,552,644
<i>Carrying Values:</i>		
3.95% Senior Notes due 2022	\$ —	\$ 599,553
3.00% Senior Notes due 2030	915,801	916,702
Total	\$ 915,801	\$ 1,516,255

NVR, Inc.
Notes to Condensed Consolidated Financial Statements
(dollars in thousands, except per share data)
(unaudited)

Except as otherwise noted below, we believe that insignificant differences exist between the carrying value and the fair value of our financial instruments, which consist primarily of cash equivalents, due to their short term nature.

Derivative Instruments and Mortgage Loans Held for Sale

In the normal course of business, our wholly-owned mortgage subsidiary, NVR Mortgage Finance, Inc. ("NVRM"), enters into contractual commitments to extend credit to our homebuyers with fixed expiration dates. The commitments become effective when the borrowers "lock-in" a specified interest rate within time frames established by NVRM. All mortgagors are evaluated for credit worthiness prior to the extension of the commitment. Market risk arises if interest rates move adversely between the time of the "lock-in" of rates by the borrower and the sale date of the loan to a broker/dealer. To mitigate the effect of the interest rate risk inherent in providing rate lock commitments to borrowers, NVRM enters into optional or mandatory delivery forward sale contracts to sell whole loans and mortgage-backed securities to broker/dealers. The forward sales contracts lock in an interest rate and price for the sale of loans similar to the specific rate lock commitments. NVRM does not engage in speculative or trading derivative activities. Both the rate lock commitments to borrowers and the forward sale contracts to broker/dealers are undesignated derivatives and, accordingly, are marked to fair value through earnings. At June 30, 2022, there were rate lock commitments to extend credit to borrowers aggregating \$2,670,889 and open forward delivery contracts aggregating \$2,766,048, which hedge both the rate lock commitments and closed loans held for sale.

The fair value of NVRM's rate lock commitments to borrowers and the related input levels include, as applicable:

- i) the assumed gain/loss of the expected resultant loan sale (Level 2);
- ii) the effects of interest rate movements between the date of the rate lock and the balance sheet date (Level 2); and
- iii) the value of the servicing rights associated with the loan (Level 2).

The assumed gain/loss considers the excess servicing to be received or buydown fees to be paid upon securitization of the loan. The excess servicing and buydown fees are calculated pursuant to contractual terms with investors. To calculate the effects of interest rate movements, NVRM utilizes applicable published mortgage-backed security prices, and multiplies the price movement between the rate lock date and the balance sheet date by the notional loan commitment amount. NVRM sells all of its loans on a servicing released basis, and receives a servicing released premium upon sale. Thus, the value of the servicing rights is included in the fair value measurement and is based upon contractual terms with investors and varies depending on the loan type. NVRM assumes a fallout rate when measuring the fair value of rate lock commitments. Fallout is defined as locked loan commitments for which NVRM does not close a mortgage loan and is based on historical experience.

The fair value of NVRM's forward sales contracts to broker/dealers solely considers the market price movement of the same type of security between the trade date and the balance sheet date (Level 2). The market price changes are multiplied by the notional amount of the forward sales contracts to measure the fair value.

Mortgage loans held for sale are recorded at fair value when closed, and thereafter are carried at the lower of cost or fair value, net of deferred origination costs, until sold. Fair value is measured using Level 2 inputs. As of June 30, 2022, the fair value of loans held for sale of \$335,624 included on the accompanying condensed consolidated balance sheet was decreased by \$11,777 from the aggregate principal balance of \$347,401. As of

NVR, Inc.
Notes to Condensed Consolidated Financial Statements
(dollars in thousands, except per share data)
(unaudited)

December 31, 2021, the fair value of loans held for sale of \$302,192 was increased by \$4,296 from the aggregate principal balance of \$297,896.

The fair value measurement of NVRM's undesignated derivative instruments was as follows:

	June 30, 2022	December 31, 2021
Rate lock commitments:		
Gross assets	\$ 48,491	\$ 15,949
Gross liabilities	38,064	1,790
Net rate lock commitments	<u>\$ 10,427</u>	<u>\$ 14,159</u>
Forward sales contracts:		
Gross assets	\$ 14,323	\$ 708
Gross liabilities	12,166	926
Net forward sales contracts	<u>\$ 2,157</u>	<u>\$ (218)</u>

As of June 30, 2022, the net rate lock commitments and the net forward sales contracts are reported in mortgage banking "Other assets" on the accompanying condensed consolidated balance sheets. As of December 31, 2021, the net rate lock commitments are reported in mortgage banking "Other assets" and the net forward sales contracts are reported in mortgage banking "Accrued expenses and other liabilities".

The fair value measurement as of June 30, 2022 was as follows:

	Notional or Principal Amount	Assumed Gain From Loan Sale	Interest Rate Movement Effect	Servicing Rights Value	Security Price Change	Total Fair Value Measurement
Rate lock commitments	\$ 2,670,889	\$ 8,756	\$ (30,908)	\$ 32,579	\$ —	\$ 10,427
Forward sales contracts	\$ 2,766,048	—	—	—	2,157	2,157
Mortgages held for sale	\$ 347,401	1,336	(17,686)	4,573	—	(11,777)
Total fair value measurement		<u>\$ 10,092</u>	<u>\$ (48,594)</u>	<u>\$ 37,152</u>	<u>\$ 2,157</u>	<u>\$ 807</u>

The total fair value measurement as of December 31, 2021 was \$18,237. NVRM recorded a fair value adjustment to expense of \$27,540 and \$17,430 for the three and six months ended June 30, 2022, respectively. NVRM recorded a fair value adjustment to income of \$1,692 and \$2,240 for the three and six months ended June 30, 2021, respectively. Unrealized gains/losses from the change in the fair value measurements are included in earnings as a component of mortgage banking fees in the accompanying condensed consolidated statements of income. The fair value measurement will be impacted in the future by the change in the value of the servicing rights, interest rate movements, security price fluctuations, and the volume and product mix of NVRM's closed loans and locked loan commitments.

12. Debt

During the second quarter of 2022, we redeemed the outstanding \$600,000 principal amount of 3.95% Senior Notes due September 15, 2022, at par, plus accrued interest.

As of June 30, 2022, we had the following debt instruments outstanding:

3.00% Senior Notes due 2030 ("2030 Senior Notes")

The 2030 Senior Notes have an aggregate principal balance of \$900,000 and mature on May 15, 2030. The 2030 Senior Notes bear interest at 3.00%, payable semi-annually in arrears on May 15 and November 15. The 2030 Senior Notes were issued in three separate issuances, \$600,000 issued at a discount to yield 3.02%, and the two additional issuances totaling \$300,000 issued at a premium to yield 2.00%. The 2030 Senior Notes have been

NVR, Inc.
Notes to Condensed Consolidated Financial Statements
(dollars in thousands, except per share data)
(unaudited)

reflected net of the unamortized discount or premium, as applicable, and the unamortized debt issuance costs in the accompanying condensed consolidated balance sheet.

Credit Agreement

We have an unsecured Credit Agreement (the "Credit Agreement"), which provides for aggregate revolving loan commitments of \$300,000 (the "Facility"). Under the Credit Agreement, we may request increases of up to \$300,000 to the Facility in the form of revolving loan commitments or term loans to the extent that new or existing lenders agree to provide additional revolving loan or term loan commitments. The Credit Agreement provides for a \$100,000 sublimit for the issuance of letters of credit, of which approximately \$14,200 was outstanding at June 30, 2022. The Credit Agreement termination date is February 12, 2026. There was no debt outstanding under the Facility at June 30, 2022.

Repurchase Agreement

NVRM provides for its mortgage origination and other operating activities using cash generated from its operations, borrowings from its parent company, NVR, as well as a revolving mortgage repurchase agreement (the "Repurchase Agreement"), which is non-recourse to NVR. The Repurchase Agreement provides for loan purchases up to \$150,000, subject to certain sub-limits. Amounts outstanding under the Repurchase Agreement are collateralized by the Company's mortgage loans held for sale.

At June 30, 2022, there were no borrowing base limitations reducing the amount available under the Repurchase Agreement. There was no debt outstanding under the Repurchase Agreement at June 30, 2022.

Effective July 20, 2022, NVRM entered into The Second Amended and Restated Master Repurchase Agreement with U.S. Bank National Association, as Agent and a Buyer (the "Amended MRA"), which replaced the Repurchase Agreement in its entirety. The Amended MRA provides for loan purchases up to \$150,000, subject to certain sub-limits. Advances under the Amended MRA bear interest at the secured overnight financing rate published by the Board of Governors of the Federal Reserve System ("SOFR") plus the SOFR Margin of 1.70%, per annum. All other terms and conditions of the Amended MRA are materially consistent with the Repurchase Agreement. The Amended MRA expires on July 19, 2023.

13. Commitments and Contingencies

We are involved in various litigation arising in the ordinary course of business. In the opinion of management, and based on advice of legal counsel, this litigation is not expected to have a material adverse effect on our financial position, results of operations or cash flows. Legal costs incurred in connection with outstanding litigation are expensed as incurred.

14. Leases

We have operating leases for our corporate and division offices, production facilities, model homes, and certain office and production equipment. Additionally, we have finance leases for certain plant equipment and one of our production facilities which are recorded in homebuilding "Property, plant and equipment, net" and "Accrued expenses and other liabilities" on the accompanying condensed consolidated balance sheets. Our finance lease ROU assets and finance lease liabilities were \$14,364 and \$15,413, respectively, as of June 30, 2022, and \$14,578 and \$15,413, respectively, as of December 31, 2021. Our leases have remaining lease terms of up to 18.2 years, some of which include options to extend the lease for up to 20 years, and some of which include options to terminate the lease.

We recognize operating lease expense on a straight-line basis over the lease term. We have elected to use the portfolio approach for certain equipment leases which have similar lease terms and payment schedules. Additionally, for certain equipment we account for the lease and non-lease components as a single lease component. Our sublease income is de minimis.

NVR, Inc.
Notes to Condensed Consolidated Financial Statements
(dollars in thousands, except per share data)
(unaudited)

We have certain leases, primarily the leases of model homes, which have initial lease terms of twelve months or less ("Short-term leases"). We elected to exclude these leases from the recognition requirements under Topic 842, and these leases have not been included in our recognized ROU assets and lease liabilities.

The components of lease expense were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Lease expense				
Operating lease expense	\$ 8,529	\$ 7,911	\$ 16,630	\$ 15,488
Finance lease expense:				
Amortization of ROU assets	473	445	937	888
Interest on lease liabilities	103	108	207	217
Short-term lease expense	6,491	5,861	12,823	11,751
Total lease expense	\$ 15,596	\$ 14,325	\$ 30,597	\$ 28,344

Other information related to leases was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Supplemental Cash Flows Information:				
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	\$ 6,935	\$ 6,878	\$ 14,104	\$ 13,688
Operating cash flows from finance leases	103	108	207	217
Financing cash flows from finance leases	367	331	723	661
ROU assets obtained in exchange for lease obligations:				
Operating leases	\$ 18,073	\$ 16,558	\$ 23,886	\$ 19,571
Finance leases	\$ 451	\$ —	\$ 723	\$ 89

	June 30, 2022	December 31, 2021
Weighted-average remaining lease term (in years):		
Operating leases	6.2	6.3
Finance leases	11.2	11.7
Weighted-average discount rate:		
Operating leases	3.1 %	3.0 %
Finance leases	2.8 %	2.8 %

NVR, Inc.
Notes to Condensed Consolidated Financial Statements
(dollars in thousands, except per share data)
(unaudited)

15. Income Taxes

Our effective tax rate for the three and six months ended June 30, 2022 was 24.5% and 24.6%, respectively, compared to 23.0% and 21.9% for the three and six months ended June 30, 2021, respectively. The increase in the effective tax rate in the three and six month periods of 2022 compared to the same periods in 2021 was primarily attributable to a lower income tax benefit recognized for excess tax benefits from stock option exercises, which totaled \$8,744 and \$17,190 for the three and six months ended June 30, 2022, respectively, and \$11,213 and \$28,590 for the three and six months ended June 30, 2021, respectively.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

(dollars in thousands, except per share data)

Forward-Looking Statements

Some of the statements in this Quarterly Report on Form 10-Q, as well as statements made by us in periodic press releases or other public communications, constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Certain, but not necessarily all, of such forward-looking statements can be identified by the use of forward-looking terminology, such as “believes,” “expects,” “may,” “will,” “should” or “anticipates” or the negative thereof or other comparable terminology. All statements other than of historical facts are forward-looking statements. Forward-looking statements contained in this document may include those regarding market trends, our financial position and financial results, business strategy, the impact of the COVID-19 pandemic on our business and customers, supply chain disruptions, the outcome of pending litigation, investigations or similar contingencies, projected plans and objectives of management for future operations. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results or performance to be materially different from future results, performance or achievements expressed or implied by the forward-looking statements. Such risk factors include, but are not limited to the following: the economic impact of COVID-19 and related supply chain disruption; general economic and business conditions (on both a national and regional level); interest rate changes; access to suitable financing by us and our customers; increased regulation in the mortgage banking industry; the ability of our mortgage banking subsidiary to sell loans it originates into the secondary market; competition; the availability and cost of land and other raw materials used by us in our homebuilding operations; shortages of labor; weather related slow-downs; building moratoriums; governmental regulation; fluctuation and volatility of stock and other financial markets; mortgage financing availability; and other factors over which we have little or no control. We undertake no obligation to update such forward-looking statements except as required by law. For additional information regarding risk factors, see Part II, Item 1A of this Quarterly Report on Form 10-Q and Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

Unless the context otherwise requires, references to “NVR,” “we,” “us,” or “our” include NVR and its consolidated subsidiaries.

Results of Operations for the Three and Six Months Ended June 30, 2022 and 2021

Business Environment and Current Outlook

During the second quarter of 2022, we began to experience a rapid decline in demand for new homes. Home affordability during the second quarter was negatively impacted by rising mortgage interest rates and higher home prices. In addition to affordability issues, current market conditions including a high rate of inflation and the possibility of a recession have contributed to lower consumer confidence levels. We also continue to face higher costs for certain materials and labor as strong demand in prior quarters has resulted in increased construction activity and demand for building materials and contractor labor. These factors along with the ongoing effects of the COVID-19 pandemic have led to supply chain disruptions and longer construction cycle times. We expect to continue to face these disruptions throughout 2022, and we continue to work closely with our suppliers and trade partners to manage these disruptions.

We expect that demand for new homes may continue to be negatively impacted by lower consumer confidence, affordability issues, high inflation and the possibility of a recession. We also expect to continue to face cost pressures related to building materials, labor and land costs, which will impact profit margins based on our ability to manage these costs while balancing sales pace and pricing. Although we are unable to predict the extent to which this will impact our operational and financial performance, we believe that we are well positioned to take advantage of opportunities that may arise from future economic and homebuilding market volatility due to the strength of our balance sheet and our disciplined lot acquisition strategy.

Business

Our primary business is the construction and sale of single-family detached homes, townhomes and condominiums, all of which are primarily constructed on a pre-sold basis. To fully serve customers of our homebuilding operations, we also operate a mortgage banking and title services business. We primarily conduct our operations in mature markets. Additionally, we generally grow our business through market share gains in our existing markets and by expanding into markets contiguous to our current active markets. Our four homebuilding reportable segments consist of the following regions:

<i>Mid Atlantic:</i>	Maryland, Virginia, West Virginia, Delaware and Washington, D.C.
<i>North East:</i>	New Jersey and Eastern Pennsylvania
<i>Mid East:</i>	New York, Ohio, Western Pennsylvania, Indiana and Illinois
<i>South East:</i>	North Carolina, South Carolina, Florida and Tennessee

Our lot acquisition strategy is predicated upon avoiding the financial requirements and risks associated with direct land ownership and development. We generally do not engage in land development (see discussion below of our land development activities). Instead, we typically acquire finished building lots from various third party land developers pursuant to fixed price finished lot purchase agreements (“LPAs”). These LPAs require deposits, typically ranging up to 10% of the aggregate purchase price of the finished lots, in the form of cash or letters of credit that may be forfeited if we fail to perform under the LPA. This strategy has allowed us to maximize inventory turnover, which we believe enables us to minimize market risk and to operate with less capital, thereby enhancing rates of return on equity and total capital.

In addition to constructing homes primarily on a pre-sold basis and utilizing what we believe is a conservative lot acquisition strategy, we focus on obtaining and maintaining a leading market position in each market we serve. This strategy allows us to gain valuable efficiencies and competitive advantages in our markets, which we believe contributes to minimizing the adverse effects of regional economic cycles and provides growth opportunities within these markets. Our continued success is contingent upon our ability to control an adequate supply of finished lots on which to build.

In certain specific strategic circumstances, we deviate from our historical lot acquisition strategy and engage in joint venture arrangements with land developers or directly acquire raw ground already zoned for its intended use for development. Once we acquire control of raw ground, we determine whether to sell the raw parcel to a developer and enter into an LPA with the developer to purchase the finished lots or to hire a developer to develop the land on our behalf. While joint venture arrangements and direct land development activity are not our preferred method of acquiring finished building lots, we may enter into additional transactions in the future on a limited basis where there exists a compelling strategic or prudent financial reason to do so. We expect, however, to continue to acquire substantially all our finished lot inventory using LPAs with forfeitable deposits.

As of June 30, 2022, we controlled approximately 133,200 lots as described below.

Lot Purchase Agreements

We controlled approximately 127,700 lots under LPAs with third parties through deposits in cash and letters of credit totaling approximately \$541,400 and \$8,100, respectively. Included in the number of controlled lots are approximately 4,400 lots for which we have recorded a contract land deposit impairment reserve of approximately \$23,500 as of June 30, 2022.

Joint Venture Limited Liability Corporations (“JVs”)

We had an aggregate investment totaling approximately \$30,000 in five JVs, expected to produce approximately 5,400 lots. Of the lots to be produced by the JVs, approximately 5,050 lots were controlled by us and approximately 350 were either under contract with unrelated parties or currently not under contract. We had additional funding commitments totaling approximately \$2,000 to one of the JVs at June 30, 2022.

Land Under Development

We owned land with a carrying value of approximately \$16,300 that we intend to develop into approximately 450 finished lots. We had additional funding commitments of approximately \$1,800 under a joint development

agreement related to one parcel, a portion of which we expect will be offset by development credits of approximately \$600.

See Notes 2, 3 and 4 to the condensed consolidated financial statements included herein for additional information regarding LPAs, JVs and land under development, respectively.

Raw Land Purchase Agreements

In addition, we have certain properties under contract with land owners that are expected to yield approximately 23,900 lots, which are not included in the number of total lots controlled. Some of these properties may require rezoning or other approvals to achieve the expected yield. As of June 30, 2022, these properties are controlled with deposits in cash totaling approximately \$6,500, of which approximately \$4,300 is refundable if certain contractual conditions are not met. We generally expect to assign the raw land contracts to a land developer and simultaneously enter into an LPA with the assignee if the project is determined to be feasible.

Key Financial Results

Our consolidated revenues for the second quarter of 2022 totaled \$2,658,943, a 16% increase from the second quarter of 2021. Net income for the second quarter ended June 30, 2022 was \$433,314, or \$123.65 per diluted share, increases of 35% and 50% when compared to net income and diluted earnings per share in the second quarter of 2021, respectively. Our homebuilding gross profit margin percentage increased to 26.3% in the second quarter of 2022 from 22.6% in the second quarter of 2021. New orders, net of cancellations ("New Orders") decreased by 16% in the second quarter of 2022 compared to the second quarter of 2021. The average sales price for New Orders in the second quarter of 2022 was \$471.6, an increase of 7% compared to the second quarter of 2021.

Homebuilding Operations

The following table summarizes the results of operations and other data for our homebuilding operations:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Financial Data:				
Revenues	\$ 2,610,062	\$ 2,224,560	\$ 4,919,289	\$ 4,188,271
Cost of sales	\$ 1,924,727	\$ 1,721,673	\$ 3,576,092	\$ 3,299,126
Gross profit margin percentage	26.3 %	22.6 %	27.3 %	21.2 %
Selling, general and administrative expenses	\$ 132,432	\$ 113,406	\$ 261,942	\$ 234,825
Operating Data:				
New orders (units)	4,663	5,521	10,590	11,835
Average new order price	\$ 471.6	\$ 440.2	\$ 468.3	\$ 424.4
Settlements (units)	5,820	5,685	11,034	10,757
Average settlement price	\$ 448.4	\$ 391.3	\$ 445.8	\$ 389.3
Backlog (units)			12,286	12,627
Average backlog price			\$ 473.9	\$ 428.5
New order cancellation rate	14.3 %	8.3 %	12.1 %	9.0 %

Consolidated Homebuilding - Three Months Ended June 30, 2022 and 2021

Homebuilding revenues increased 17% in the second quarter of 2022 compared to the same period in 2021, as a result of a 2% increase in settlements and a 15% increase in the average settlement price. The increase in settlements was attributable to a 5% higher backlog unit balance entering the second quarter of 2022 compared to the same period in 2021, offset partially by a lower backlog turnover rate quarter over quarter attributable in part to the impact of supply chain issues on our construction cycle times. The increase in the average settlement price was

primarily attributable to a 14% higher average sales price of units in backlog entering the second quarter of 2022 compared to the same period of 2021.

Gross profit margin percentage in the second quarter of 2022 increased to 26.3%, from 22.6% in the second quarter of 2021. Gross profit margins were favorably impacted by the increase in the average settlement price attributable to improved pricing power in prior quarters, offset partially by higher material and labor costs.

New Orders decreased 16% while the average sales price of New Orders increased 7% in the second quarter of 2022 compared to the second quarter of 2021. New Orders were negatively impacted by a significant increase in mortgage interest rates during the quarter, which resulted in a decline in affordability and in turn, led to lower absorption rates quarter over quarter. Additionally, New Orders were negatively impacted by an increase in the cancellation rate in the second quarter of 2022 compared to the same period in 2021. The increase in the average sales price of New Orders was primarily attributable to significant price appreciation resulting from strong demand in prior quarters.

Selling, general and administrative ("SG&A") expense in the second quarter of 2022 increased by approximately \$19,000 compared to the second quarter of 2021, but as a percentage of revenue remained flat at 5.1% in each quarter. The increase in SG&A expense was due primarily to a \$10,100 increase in personnel costs attributable to both increased headcount and to a \$7,800 increase in equity-based compensation. The increase in equity-based compensation was due to a block grant of non-qualified stock options ("Options") and restricted share units ("RSUs") in the second quarter of 2022 to key management employees and directors, as further discussed in Note 7 in the accompanying condensed consolidated financial statements.

Consolidated Homebuilding - Six Months Ended June 30, 2022 and 2021

Homebuilding revenues increased 17% in the first six months of 2022 compared to the same period in 2021, as a result of a 3% increase in settlements and a 15% increase in the average settlement price. The increase in settlements was attributable to a 10% higher backlog unit balance entering 2022 compared to the same period in 2021, offset partially by a lower backlog turnover rate year over year attributable in part to the impact of supply chain issues on our construction cycle times. The increase in the average settlement price was primarily attributable to a 15% higher average sales price of units in backlog entering 2022 compared to the same period of 2021.

Gross profit margin percentage in the first six months of 2022 increased to 27.3%, from 21.2% in the first six months of 2021. Gross profit margins were favorably impacted by the increase in the average settlement price attributable to improved pricing power in prior quarters, offset partially by higher material and labor costs year over year.

New Orders decreased 11% while the average sales price of New Orders increased 10% in the first six months of 2022 compared to the same period in 2021. New Orders were negatively impacted by a 6% decrease in the average number of active communities year over year. Additionally, the significant increase in mortgage interest rates during the first six months of 2022 resulted in a decline in affordability and in turn, led to lower absorption rates year over year. The increase in the average sales price of New Orders was primarily attributable to significant price appreciation resulting from strong demand in prior quarters.

SG&A expense in the first six months of 2022 increased by approximately \$27,100 compared to the same period in 2021, but as a percentage of revenue decreased to 5.3% in 2022 from 5.6% in 2021 due to improved leveraging of SG&A costs. The increase in SG&A expense was due primarily to an increase of approximately \$18,200 in personnel costs attributable to both increased headcount and to an increase of approximately \$5,300 in equity-based compensation. As noted in the quarterly SG&A discussion above, the increase in equity-based compensation was due to a block grant of Options and RSUs in the second quarter of 2022.

Our backlog represents homes sold but not yet settled with our customers. As of June 30, 2022, our backlog decreased on a unit basis by 3% to 12,286 units and increased on a dollar basis by 8% to \$5,821,745 when compared to 12,627 units and \$5,410,376, respectively, as of June 30, 2021. The decrease in backlog units was primarily attributable to an 11% decrease in New Orders in the six-month period ended June 30, 2022 compared to the same period in 2021. Backlog dollars were higher due primarily to a 10% increase in the average sales price of New Orders during the six-month period ended June 30, 2022 compared to the same period in 2021.

Our backlog may be impacted by customer cancellations for various reasons that are beyond our control, such as failure to obtain mortgage financing, inability to sell an existing home, job loss, or a variety of other reasons. In any period, a portion of the cancellations that we experience are related to new sales that occurred during the same period, and a portion are related to sales that occurred in prior periods and therefore appeared in the opening backlog for the current period. Calculated as the total of all cancellations during the period as a percentage of gross sales during that same period, our cancellation rate was approximately 12% and 9% in the first six months of 2022 and 2021, respectively. During the most recent four quarters, approximately 3% of a reporting quarter's opening backlog cancelled during the fiscal quarter. We can provide no assurance that our historical cancellation rates are indicative of the actual cancellation rate that may occur during the remainder of 2022 or future years. Other than those units that are cancelled, and subject to potential construction delays resulting from continued supply chain and/or COVID-19 related disruptions, we expect to settle substantially all of our June 30, 2022 backlog within the next twelve months.

The backlog turnover rate is impacted by various factors, including, but not limited to, changes in New Order activity, internal production capacity, external subcontractor capacity, building material supply chain disruptions and other external factors over which we do not exercise control.

Reportable Segments

Homebuilding segment profit includes all revenues and income generated from the sale of homes, less the cost of homes sold, SG&A expenses, and a corporate capital allocation charge determined by corporate management. The corporate capital allocation charge eliminates in consolidation and is based on the segment's average net assets employed. The corporate capital allocation charged to the operating segment allows the Chief Operating Decision Maker to determine whether the operating segment is providing the desired rate of return after covering our cost of capital.

We record charges on contract land deposits when we determine that it is probable that recovery of the deposit is impaired. For segment reporting purposes, impairments on contract land deposits are generally charged to the operating segment upon the termination of an LPA with the developer, or the restructuring of an LPA resulting in the forfeiture of the deposit. We evaluate our entire net contract land deposit portfolio for impairment each quarter. For presentation purposes below, the contract land deposit reserve at June 30, 2022 and December 31, 2021 has been allocated to the respective year's reportable segments to show contract land deposits on a net basis. The net contract land deposit balances below also include approximately \$8,100 and \$10,100 at June 30, 2022 and December 31, 2021, respectively, of letters of credit issued as deposits in lieu of cash.

The following tables summarize certain homebuilding operating activity by reportable segment for the three and six months ended June 30, 2022 and 2021.

Selected Segment Financial Data:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Revenues:				
Mid Atlantic	\$ 1,208,312	\$ 1,048,416	\$ 2,350,020	\$ 1,984,556
North East	237,394	193,245	412,945	355,438
Mid East	521,038	478,179	982,442	903,132
South East	643,318	504,720	1,173,882	945,145
Gross profit margin:				
Mid Atlantic	\$ 323,986	\$ 235,944	\$ 642,200	\$ 427,246
North East	59,162	36,090	100,866	65,037
Mid East	115,849	89,702	217,256	167,206
South East	194,236	112,859	346,335	202,589

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Gross profit margin percentage:				
Mid Atlantic	26.8 %	22.5 %	27.3 %	21.5 %
North East	24.9 %	18.7 %	24.4 %	18.3 %
Mid East	22.2 %	18.8 %	22.1 %	18.5 %
South East	30.2 %	22.4 %	29.5 %	21.4 %

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Segment profit:				
Mid Atlantic	\$ 251,739	\$ 174,481	\$ 501,520	\$ 303,548
North East	41,297	21,510	67,225	36,737
Mid East	82,512	59,887	153,695	108,828
South East	150,822	78,919	264,276	135,584

Operating Activity:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2022		2021		2022		2021	
	Units	Average Price	Units	Average Price	Units	Average Price	Units	Average Price
New orders, net of cancellations:								
Mid Atlantic	1,860	\$ 535.1	2,090	\$ 535.4	4,167	\$ 531.8	4,381	\$ 518.1
North East	441	\$ 503.7	394	\$ 499.3	901	\$ 513.5	834	\$ 486.3
Mid East	1,114	\$ 410.5	1,320	\$ 375.7	2,648	\$ 403.6	3,115	\$ 361.1
South East	1,248	\$ 420.0	1,717	\$ 360.3	2,874	\$ 421.6	3,505	\$ 348.7
Total	4,663	\$ 471.6	5,521	\$ 440.2	10,590	\$ 468.3	11,835	\$ 424.4

	Three Months Ended June 30,				Six Months Ended June 30,			
	2022		2021		2022		2021	
	Units	Average Price	Units	Average Price	Units	Average Price	Units	Average Price
Settlements:								
Mid Atlantic	2,292	\$ 527.1	2,224	\$ 471.4	4,472	\$ 525.5	4,234	\$ 468.7
North East	472	\$ 503.0	433	\$ 446.3	820	\$ 503.6	805	\$ 441.5
Mid East	1,356	\$ 384.2	1,404	\$ 340.6	2,566	\$ 382.8	2,667	\$ 338.6
South East	1,700	\$ 378.4	1,624	\$ 310.7	3,176	\$ 369.6	3,051	\$ 309.8
Total	5,820	\$ 448.4	5,685	\$ 391.3	11,034	\$ 445.8	10,757	\$ 389.3

	As of June 30,			
	2022		2021	
	Units	Average Price	Units	Average Price
Backlog:				
Mid Atlantic	4,613	\$ 541.1	4,626	\$ 517.7
North East	1,050	\$ 519.3	979	\$ 485.7
Mid East	3,109	\$ 399.0	3,322	\$ 364.8
South East	3,514	\$ 438.2	3,700	\$ 359.0
Total	12,286	\$ 473.9	12,627	\$ 428.5

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
<i>New order cancellation rate:</i>				
Mid Atlantic	15.2 %	7.8 %	12.5 %	8.7 %
North East	9.8 %	6.6 %	9.0 %	8.9 %
Mid East	17.0 %	10.4 %	14.1 %	9.3 %
South East	11.7 %	7.5 %	10.5 %	9.2 %

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
<i>Average active communities:</i>				
Mid Atlantic	155	153	153	156
North East	38	32	36	33
Mid East	121	126	125	133
South East	92	109	91	110
Total	406	420	405	432

Homebuilding Inventory:

	June 30, 2022	December 31, 2021
<i>Sold inventory:</i>		
Mid Atlantic	\$ 945,903	\$ 867,892
North East	197,451	154,053
Mid East	425,800	342,011
South East	540,641	439,892
Total (1)	\$ 2,109,795	\$ 1,803,848

	June 30, 2022	December 31, 2021
<i>Unsold lots and housing units inventory:</i>		
Mid Atlantic	\$ 114,633	\$ 87,412
North East	18,007	14,656
Mid East	17,822	12,892
South East	25,488	14,193
Total (1)	\$ 175,950	\$ 129,153

(1) The reconciling items between segment inventory and consolidated inventory include certain consolidation adjustments necessary to convert the reportable segments' results, which are predominantly maintained on a cash basis, to a full accrual basis for external financial statement presentation purposes. These consolidation adjustments are not allocated to our operating segments.

Lots Controlled and Land Deposits:

	June 30, 2022	December 31, 2021
Total lots controlled:		
Mid Atlantic	48,900	47,900
North East	11,600	11,900
Mid East	23,700	23,700
South East	49,000	41,400
Total	133,200	124,900
Contract land deposits, net:		
Mid Atlantic	\$ 247,884	\$ 257,244
North East	56,289	51,257
Mid East	53,815	52,537
South East	174,487	146,246
Total	\$ 532,475	\$ 507,284

Mid Atlantic
Three Months Ended June 30, 2022 and 2021

The Mid Atlantic segment had an approximate \$77,300, or 44%, increase in segment profit in the second quarter of 2022 compared to the second quarter of 2021. The increase in segment profit was driven by an increase in segment revenues of approximately \$159,900, or 15%, coupled with an increase in gross profit margins. Segment revenues increased due to increases in settlements and the average settlement price of 3% and 12%, respectively. The increases in settlements and the average settlement price were primarily attributable to a 6% higher backlog unit balance and a 10% higher average sales price of units in backlog entering the second quarter of 2022 compared to backlog entering the second quarter of 2021. The Mid Atlantic segment's gross profit margin percentage increased to 26.8% in the second quarter of 2022 from 22.5% in the second quarter of 2021. Gross profit margins were favorably impacted primarily by the aforementioned 12% increase in the average settlement price, offset partially by higher material and labor costs quarter over quarter.

Segment New Orders decreased 11% in the second quarter of 2022 compared to the second quarter of 2021. The average sales price of New Orders was flat quarter over quarter. New Orders were negatively impacted by a significant increase in mortgage interest rates during the quarter which resulted in a decline in affordability and in turn, led to lower absorption rates quarter over quarter. Additionally, New Orders were negatively impacted by an increase in the segment's cancellation rate in the second quarter of 2022 compared to the same period in 2021.

Six Months Ended June 30, 2022 and 2021

The Mid Atlantic segment had an approximate \$198,000, or 65%, increase in segment profit in the first six months of 2022 compared to the first six months of 2021. The increase in segment profit was driven by an increase in segment revenues of approximately \$365,500, or 18%, coupled with an increase in gross profit margins. Segment revenues increased due to increases in settlements and the average settlement price of 6% and 12%, respectively. The increases in settlements and the average settlement price were primarily attributable to a 10% higher backlog unit balance and a 14% higher average sales price of units in backlog entering 2022 compared to backlog entering 2021. The Mid Atlantic segment's gross profit margin percentage increased to 27.3% in the first six months of 2022 from 21.5% in the first six months of 2021. Gross profit margins were favorably impacted primarily by the aforementioned 12% increase in the average settlement price, offset partially by higher material and labor costs period over period.

Segment New Orders decreased 5% in the first six months of 2022 compared to the first six months of 2021. The average sales price of New Orders increased 3% in the first six months of 2022 compared to the first six months

of 2021. New Orders were negatively impacted by the significant increase in mortgage interest rates during the first six months of 2022 resulting in a decline in affordability and in turn, led to lower absorption rates year over year. The increase in the average sales price of New Orders was attributable to significant price appreciation resulting from strong demand in prior quarters.

North East

Three Months Ended June 30, 2022 and 2021

The North East segment had an approximate \$19,800, or 92%, increase in segment profit in the second quarter of 2022 compared to the second quarter of 2021, due primarily to an increase in segment revenues of approximately \$44,100, or 23%, coupled with an increase in gross profit margins. Segment revenues increased due to increases in settlements and the average settlement price of 9% and 13%, respectively. The increase in settlements was attributable to a 6% higher backlog unit balance entering the second quarter of 2022 compared to backlog entering the second quarter of 2021, coupled with a higher backlog turnover rate quarter over quarter. The increase in the average settlement price was primarily attributable to a 12% higher average sales price of units in backlog entering the second quarter of 2022 compared to backlog entering the second quarter of 2021. The segment's gross profit margin percentage increased to 24.9% in the second quarter of 2022 from 18.7% in the second quarter of 2021. Gross profit margins were favorably impacted primarily by the aforementioned 13% increase in the average settlement price quarter over quarter, offset partially by higher material and labor costs quarter over quarter.

Segment New Orders and the average sales price of New Orders increased 12% and 1%, respectively, in the second quarter of 2022 compared to the second quarter of 2021. The increase in New Orders was primarily attributable to a 16% increase in the average number of active communities, offset partially by lower absorption rates quarter over quarter.

Six Months Ended June 30, 2022 and 2021

The North East segment had an approximate \$30,500, or 83%, increase in segment profit in the first six months of 2022 compared to the first six months of 2021, due primarily to an increase in segment revenues of approximately \$57,500, or 16%, coupled with an increase in gross profit margins. Segment revenues increased due to increases in settlements and the average settlement price of 2% and 14%, respectively. The increases in settlements and the average settlement price were primarily attributable to a 2% higher backlog unit balance and a 14% higher average sales price of units in backlog entering 2022 compared to backlog entering 2021. The segment's gross profit margin percentage increased to 24.4% in the first six months of 2022 from 18.3% in the first six months of 2021. Gross profit margins were favorably impacted primarily by the aforementioned 14% increase in the average settlement price, offset partially by higher material and labor costs period over period.

Segment New Orders and the average sales price of New Orders increased 8% and 6%, respectively, in the first six months of 2022 compared to the first six months of 2021. The increase in New Orders was primarily attributable to a 7% increase in the average number of active communities quarter over quarter. The increase in the average sales price of New Orders was primarily attributable to significant price appreciation resulting from strong demand in prior quarters.

Mid East

Three Months Ended June 30, 2022 and 2021

The Mid East segment had an approximate \$22,600, or 38%, increase in segment profit in the second quarter of 2022 compared to the second quarter of 2021, due primarily to an increase in segment revenues of approximately \$42,900, or 9%, coupled with an increase in gross profit margins. Segment revenues increased due to a 13% increase in the average settlement price, offset partially by a 3% decrease in settlements. The increase in the average settlement price was primarily attributable to an 11% higher average sales price of units in backlog entering the second quarter of 2022 compared to same period in 2021. The decrease in settlements was attributable to a 4% lower backlog unit balance entering the second quarter of 2022 compared to the same period in 2021. The segment's gross profit margin percentage increased to 22.2% in the second quarter of 2022 from 18.8% in the

second quarter of 2021. Gross profit margins were favorably impacted primarily by the aforementioned 13% increase in the average settlement price, offset partially by higher material and labor costs quarter over quarter.

Segment New Orders decreased 16% in the second quarter of 2022 compared to the second quarter of 2021, while the average sales price of New Orders increased 9%. New Orders were negatively impacted by a significant increase in mortgage interest rates during the quarter which resulted in a decline in affordability and in turn, led to lower absorption rates and an increase in the segment's cancellation rate quarter over quarter. Additionally, New Orders were negatively impacted by a 3% decrease in average number of active communities quarter over quarter. The increase in the average sales price of New Orders was primarily attributable to significant price appreciation resulting from strong demand in prior quarters.

Six Months Ended June 30, 2022 and 2021

The Mid East segment had an approximate \$44,900, or 41%, increase in segment profit in the first six months of 2022 compared to the first six months of 2021, due primarily to an increase in segment revenues of approximately \$79,300, or 9%, coupled with an increase in gross profit margins. Segment revenues increased due to a 13% increase in the average settlement price, offset partially by a 4% decrease in settlements year over year. The increase in the average settlement price was primarily attributable to an 11% higher average sales price of units in backlog entering 2022 compared to backlog entering 2021. The decrease in settlements was attributable to a lower backlog turnover rate due in part to the impact of supply chain issues on our construction cycle times. The segment's gross profit margin percentage increased to 22.1% in the first six months of 2022 from 18.5% in the first six months of 2021. Gross profit margins were favorably impacted primarily by the aforementioned 13% increase in the average settlement price, offset partially by higher material and labor costs period over period.

Segment New Orders decreased 15% in the first six months of 2022 compared to the first six months of 2021, while the average sales price of New Orders increased 12%. New Orders were negatively impacted by a significant increase in mortgage interest rates during the first six months of 2022 which resulted in a decline in affordability and in turn, lower absorption rates and an increase in the segment's cancellation rate year over year. Additionally, New Orders were negatively impacted by a 6% decrease in average number of active communities year over year. The increase in the average sales price of New Orders was primarily attributable to significant price appreciation resulting from strong demand in prior quarters.

South East

Three Months Ended June 30, 2022 and 2021

The South East segment had an approximate \$71,900, or 91%, increase in segment profit in the second quarter of 2022 compared to the second quarter of 2021. The increase in segment profit was primarily driven by an increase in segment revenues of approximately \$138,600, or 27%, coupled with an increase in gross profit margins. The increase in revenues was attributable to a 5% increase in settlements and a 22% increase in the average settlement price quarter over quarter. The increase in settlements was attributable to a 10% higher backlog unit balance entering the second quarter of 2022 compared to the backlog unit balance entering the second quarter of 2021, offset by a lower backlog turnover rate attributable in part to the impact of supply chain issues on our construction cycle times. The increase in the average settlement price was primarily attributable to a 24% higher average sales price of units in backlog entering the second quarter of 2022 compared to backlog entering the second quarter of 2021. The segment's gross profit margin percentage increased to 30.2% in the second quarter of 2022 from 22.4% in the second quarter of 2021. Gross profit margins were favorably impacted primarily by the aforementioned 22% increase in the average settlement price, offset partially by higher material and labor costs quarter over quarter.

Segment New Orders decreased 27% in the second quarter of 2022 compared to the second quarter of 2021, while the average sales price of New Orders increased 17% in the second quarter of 2022. The decrease in New Orders was primarily attributable to a 16% decrease in average number of active communities quarter over quarter. Additionally, New Orders were negatively impacted by a significant increase in mortgage interest rates during the second quarter of 2022 which resulted in a decline in affordability and led to lower absorption rates and an increase in the segment's cancellation rate quarter over quarter. The increase in the average sales price of New Orders was primarily attributable to significant price appreciation resulting from strong demand in prior quarters.

Six Months Ended June 30, 2022 and 2021

The South East segment had an approximate \$128,700, or 95%, increase in segment profit in the first six months of 2022 compared to the first six months of 2021. The increase in segment profit was driven by an increase in segment revenues of approximately \$228,700, or 24%, year over year. Segment revenues increased due to increases in settlements and the average settlement price of 4% and 19%, respectively, year over year. The increase in settlements was attributable to an 18% higher backlog unit balance entering 2022 compared to the backlog unit balance entering 2021, offset partially by a lower backlog turnover rate year over year due in part to the impact of supply chain issues on our construction cycle times. The increase in the average settlement price was primarily attributable to a 22% higher average sales price of units in backlog entering 2022 compared to backlog entering 2021. The segment's gross profit margin percentage increased to 29.5% in the first six months of 2022 from 21.4% in the first six months of 2021. Gross profit margins were favorably impacted by the aforementioned 19% increase in the average settlement price, offset partially by higher material and labor costs period over period.

Segment New Orders decreased 18% in the first six months of 2022 compared to the first six months of 2021, while the average sales price of New Orders increased 21% year over year. The decrease in New Orders was primarily attributable to a 17% decrease in the average number of active communities. The average sales price of New Orders increased 21% in the first six months of 2022 compared to the first six months of 2021 due primarily to significant price appreciation resulting from strong demand in prior quarters.

Homebuilding Segment Reconciliations to Consolidated Homebuilding Operations

In addition to the corporate capital allocation and contract land deposit impairments discussed above, the other reconciling items between homebuilding segment profit and homebuilding consolidated income before tax include unallocated corporate overhead (which includes all management incentive compensation), equity-based compensation expense, consolidation adjustments and external corporate interest expense. Our overhead functions, such as accounting, treasury and human resources, are centrally performed and the costs are not allocated to our operating segments. Consolidation adjustments consist of such items to convert the reportable segments' results, which are predominantly maintained on a cash basis, to a full accrual basis for external financial statement presentation purposes, and are not allocated to our operating segments. External corporate interest expense primarily consists of interest charges on our Senior Notes, and is not charged to the operating segments because the charges are included in the corporate capital allocation discussed above.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Homebuilding consolidated gross profit:				
Mid Atlantic	\$ 323,986	\$ 235,944	\$ 642,200	\$ 427,246
North East	59,162	36,090	100,866	65,037
Mid East	115,849	89,702	217,256	167,206
South East	194,236	112,859	346,335	202,589
Consolidation adjustments and other	(7,898)	28,292	36,540	27,067
Homebuilding consolidated gross profit	\$ 685,335	\$ 502,887	\$ 1,343,197	\$ 889,145

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Homebuilding consolidated income before taxes:				
Mid Atlantic	\$ 251,739	\$ 174,481	\$ 501,520	\$ 303,548
North East	41,297	21,510	67,225	36,737
Mid East	82,512	59,887	153,695	108,828
South East	150,822	78,919	264,276	135,584
Reconciling items:				
Contract land deposit recoveries (1)	419	7,178	6,345	13,374
Equity-based compensation expense (2)	(20,352)	(12,209)	(30,972)	(25,705)
Corporate capital allocation (3)	77,512	63,032	147,256	124,583
Unallocated corporate overhead	(32,282)	(33,668)	(77,543)	(73,804)
Consolidation adjustments and other (4)	5,096	31,944	54,603	34,330
Corporate interest expense	(11,816)	(12,811)	(24,571)	(25,793)
Reconciling items sub-total	18,577	43,466	75,118	46,985
Homebuilding consolidated income before taxes	\$ 544,947	\$ 378,263	\$ 1,061,834	\$ 631,682

- (1) This item represents changes to the contract land deposit impairment reserve, which are not allocated to the reportable segments. See further discussion of lot deposit impairment charges in Note 2 in the accompanying condensed consolidated financial statements.
- (2) The increase in equity-based compensation expense for the three and six-month periods ended June 30, 2022 was primarily attributable to a four-year block grant of Options and RSUs in May 2022. See additional discussion of equity-based compensation in Note 7 in the accompanying condensed consolidated financial statements.
- (3) This item represents the elimination of the corporate capital allocation charge included in the respective homebuilding reportable segments. The corporate capital allocation charge is based on the segment's monthly average asset balance, and is as follows for the periods presented:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Corporate capital allocation charge:				
Mid Atlantic	\$ 37,121	\$ 31,135	\$ 71,208	\$ 61,731
North East	8,158	6,457	15,245	12,495
Mid East	12,875	11,066	24,292	21,690
South East	19,358	14,374	36,511	28,667
Total	\$ 77,512	\$ 63,032	\$ 147,256	\$ 124,583

- (4) The change in consolidation adjustments and other for the three and six month periods of 2022 compared to the respective 2021 periods is primarily driven by changes in lumber prices in the respective periods. Our reportable segments' results include the intercompany profits of our production facilities for home packages delivered to our homebuilding divisions. Costs related to homes not yet settled are reversed through the consolidation adjustment and recorded in inventory. These costs are subsequently recorded through the consolidation adjustment when the respective homes are settled. The decrease in the three month period ended June 30, 2022 compared to the same period in 2021 is primarily due to lower lumber prices quarter over quarter. The increase for the six month period ended June 30, 2022 compared to the same period in 2021 is primarily attributable to the overall higher lumber costs year over year driven by higher lumber costs in the first quarter of 2022 compared to the first quarter of 2021.

Mortgage Banking Segment

Three and Six Months Ended June 30, 2022 and 2021

We conduct our mortgage banking activity through NVR Mortgage Finance, Inc. (“NVRM”), a wholly owned subsidiary. NVRM focuses exclusively on serving the homebuilding segment customer base. NVRM sells all of the mortgage loans it closes to investors in the secondary markets on a servicing-released basis, typically within 30 days from the loan closing. The following table summarizes the results of our mortgage banking operations and certain statistical data for the three and six months ended June 30, 2022 and 2021:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Loan closing volume:				
Total principal	\$ 1,647,972	\$ 1,565,095	\$ 3,132,565	\$ 2,977,974
Loan volume mix:				
Adjustable rate mortgages	10 %	4 %	8 %	2 %
Fixed-rate mortgages	90 %	96 %	92 %	98 %
Operating profit:				
Segment profit	\$ 28,800	\$ 40,372	\$ 78,906	\$ 99,934
Equity-based compensation expense	265	(1,170)	(783)	(2,145)
Mortgage banking income before tax	\$ 29,065	\$ 39,202	\$ 78,123	\$ 97,789
Capture rate:				
	84 %	89 %	85 %	89 %
Mortgage banking fees:				
Net gain on sale of loans	\$ 36,835	\$ 47,602	\$ 94,813	\$ 115,152
Title services	11,997	11,235	23,173	21,232
Servicing fees	49	201	77	389
	\$ 48,881	\$ 59,038	\$ 118,063	\$ 136,773

Loan closing volume for the three and six months ended June 30, 2022 increased by approximately \$82,900, or 5%, and \$154,000, or 5% from the same periods in 2021. The increase in loan closing volume during both the three and six months ended June 30, 2022 was primarily attributable to an 11% increase in the average loan balance for loans closed, resulting from a 15% increase in the homebuilding segment's average home settlement price in each period compared to the same periods in 2021. These increases were partially offset by a 5% decrease in number of loans closed in both periods, which was primarily attributable to the 5% and 4% decreases in the capture rate in the three and six month periods ended June 30, 2022, respectively, compared to the same periods in 2021.

Segment profit for the three and six months ended June 30, 2022 decreased by approximately \$11,600, or 29%, and \$21,000, or 21%, respectively, from the same periods in 2021. These decreases were primarily attributable to decreases of approximately \$10,200, or 17%, and \$18,700, or 14%, respectively, in mortgage banking fees, primarily due to decreases in gains on sales of loans.

Seasonality

We generally have higher New Order activity in the first half of the year and higher home settlements, revenue and net income in the second half of the year. However, our typical seasonal New Order and settlement trends have been affected since 2020 by the pandemic and supply chain disruptions.

Effective Tax Rate

Our effective tax rate for the three and six months ended June 30, 2022 was 24.5% and 24.6%, respectively, compared to 23.0% and 21.9% for the three and six months ended June 30, 2021, respectively. The increase in the effective tax rate in the three and six month periods of 2022 compared to the same periods in 2021 was primarily attributable to the impact of the income tax benefit recognized related to excess tax benefits from stock option exercises totaling \$8,744 and \$17,190 for the three and six months ended June 30, 2022, respectively, and \$11,213 and \$28,590 for the three and six months ended June 30, 2021, respectively.

We expect to experience volatility in our effective tax rate in future quarters as the amount of the excess tax benefit from equity-based awards is dependent on our stock price when awards are exercised as well as on the timing of exercises, which historically has varied from quarter to quarter.

Liquidity and Capital Resources

We fund our operations primarily from our current cash holdings and cash flows generated by operating activities. In addition, we have available a short-term unsecured working capital revolving credit facility and revolving mortgage repurchase facility, as further described below. As of June 30, 2022, we had approximately \$1,500,000 in cash and cash equivalents, approximately \$285,800 in unused committed capacity under our revolving credit facility and \$150,000 in unused committed capacity under our revolving mortgage repurchase facility.

Material Cash Requirements

We believe that our current cash holdings, cash generated from operations, and cash available under our short-term unsecured credit agreement and revolving mortgage repurchase facility, as well as the public debt and equity markets, will be sufficient to satisfy both our short term and long term cash requirements for working capital to support our daily operations and meet commitments under our contractual obligations with third parties. Our material contractual obligations primarily consist of the following:

- (i) Payments due to service our debt and interest on that debt. In June 2022, we used cash holdings to redeem \$600,000 in outstanding 3.95% Senior Notes set to mature in September 2022. The Senior Notes were redeemed at par, plus accrued interest. Future interest payments on our remaining outstanding senior notes total approximately \$212,550, with approximately \$27,000 due within the next twelve months.
- (ii) Payment obligations totaling approximately \$336,000 under existing LPAs for deposits to be paid to land developers, assuming that contractual development milestones are met by the developers and we exercise our option to acquire finished lots under those LPAs. We expect to make the majority of these payments within the next three years.
- (iii) Obligations under operating and finance leases related primarily to office space and our production facilities. See Note 14 of this Form 10-Q for additional discussion of our leases.

In addition to funding growth in our homebuilding and mortgage banking operations, we historically have used a substantial portion of our excess liquidity to repurchase outstanding shares of our common stock in open market and privately negotiated transactions. This ongoing repurchase program assists us in accomplishing our primary objective, creating increases in shareholder value. See Part II, Item 2, Unregistered Sales of Equity Securities and Use of Proceeds, of this Form 10-Q for further discussion of repurchase activity during the second quarter of 2022. For the six months ended June 30, 2022, we repurchased 207,132 shares of our common stock at an aggregate purchase price of \$1,015,703. As of June 30, 2022, we had approximately \$492,300 available under Board approved repurchase authorizations.

Capital Resources

Senior Notes

During the second quarter of 2022, we redeemed the outstanding \$600,000 principal amount of 3.95% Senior Notes due September 15, 2022, at par, plus accrued interest.

As of June 30, 2022, we had a total of \$900,000 in outstanding Senior Notes which mature in May 2030. The Senior Notes are senior unsecured obligations and rank equally in right of payment with any of our existing and future unsecured senior indebtedness, will rank senior in right of payment to any of our future indebtedness that is by its terms expressly subordinated to the Senior Notes and will be effectively subordinated to any of our existing and future secured indebtedness to the extent of the value of the collateral securing such indebtedness. The indenture governing the Senior Notes does not contain any financial covenants; however, it does contain, among other items, and subject to certain exceptions, covenants that restrict our ability to create, incur, assume or guarantee secured debt, enter into sale and leaseback transactions and conditions related to mergers and/or the sale of assets. We were in compliance with all covenants under the Senior Notes at June 30, 2022.

Credit Agreement

We have an unsecured revolving credit agreement (the "Credit Agreement") with a group of lenders which may be used for working capital and general corporate purposes. The Credit Agreement provides for aggregate revolving loan commitments of \$300,000 (the "Facility"). Under the Credit Agreement, we may request increases of up to \$300,000 to the Facility in the form of revolving loan commitments or term loans to the extent that new or existing lenders agree to provide additional revolving loan or term loan commitments. In addition, the Credit Agreement provides for a \$100,000 sublimit for the issuance of letters of credit of which there was approximately \$14,200 outstanding at June 30, 2022. The Credit Agreement termination date is February 12, 2026. There was no debt outstanding under the Facility at June 30, 2022.

Repurchase Agreement

NVRM's revolving mortgage repurchase facility (the "Repurchase Agreement") provides for aggregate borrowings up to \$150,000 and is non-recourse to NVR.

At June 30, 2022, there were no borrowing base limitations reducing the amount available under the Repurchase Agreement. There was no debt outstanding under the Repurchase Agreement at June 30, 2022.

Effective July 20, 2022, NVRM entered into The Second Amended and Restated Master Repurchase Agreement with U.S. Bank National Association, as Agent and a Buyer (the "Amended MRA"), which replaced the Repurchase Agreement in its entirety. The Amended MRA provides for loan purchases up to \$150,000, subject to certain sub-limits. Advances under the Amended MRA bear interest at the secured overnight financing rate published by the Board of Governors of the Federal Reserve System ("SOFR") plus the SOFR Margin of 1.70%, per annum. All other terms and conditions of the Amended MRA are materially consistent with the Repurchase Agreement. The Amended MRA expires on July 19, 2023. See Exhibit 10.1 filed herewith for additional information regarding the Amended MRA.

For additional information regarding the Credit Agreement and Senior Notes, see Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2021.

Cash Flows

For the six months ended June 30, 2022, cash, restricted cash, and cash equivalents decreased by \$1,073,025. Net cash provided by operating activities was \$447,206, due primarily to cash provided by earnings for the six months ended June 30, 2022. Cash was primarily used to fund the increase in inventory of \$431,379, attributable to an increase in units under construction at June 30, 2022 compared to December 31, 2021.

Net cash used in investing activities for the six months ended June 30, 2022 was \$17,627. Cash was used primarily for purchases of property, plant and equipment of \$8,751 and investments in unconsolidated joint ventures totaling \$9,222.

Net cash used in financing activities was \$1,502,604 for the six months ended June 30, 2022. Cash was used to repurchase 207,132 shares of our common stock at an aggregate purchase price of \$1,015,703 under our ongoing

common stock repurchase program, discussed above. In addition, cash was used to redeem the outstanding \$600,000 principal amount of 3.95% Senior Notes due September 15, 2022. Cash was provided from stock option exercise proceeds totaling \$113,822.

Critical Accounting Policies and Estimates

There have been no material changes to our critical accounting policies and estimates as previously disclosed in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2021.

Item 3. Quantitative and Qualitative Disclosure about Market Risk

There have been no material changes in our market risks during the six months ended June 30, 2022. For additional information regarding our market risks, see Part II, Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2021.

Item 4. Controls and Procedures

As of the end of the period covered by this report, an evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Exchange Act Rule 13a-15. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective. There have been no changes in our internal control over financial reporting in the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION**Item 1. Legal Proceedings**

We are involved in various litigation arising in the ordinary course of business. In the opinion of management, and based on advice of legal counsel, this litigation is not expected to have a material adverse effect on our financial position, results of operations or cash flows. Legal costs incurred in connection with outstanding litigation are expensed as incurred.

Item 1A. Risk Factors

There have been no material changes to the risk factors as previously disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2021.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(dollars in thousands, except per share data)

We had two share repurchase authorizations outstanding during the quarter ended June 30, 2022. On February 16, 2022 and May 4, 2022, we publicly announced that our Board of Directors authorized the repurchase of our outstanding common stock in one or more open market and/or privately negotiated transactions, up to an aggregate of \$500,000 per authorization. The repurchase authorizations do not have expiration dates. We repurchased the following shares of our common stock during the second quarter of 2022:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
April 1 - 30, 2022	25,870	\$ 4,503.35	25,870	\$ 142,753
May 1 - 31, 2022	24,119	\$ 4,311.45	24,119	\$ 538,765
June 1 - 30, 2022 (1)	11,089	\$ 4,186.59	11,089	\$ 492,340
Total	61,078	\$ 4,370.06	61,078	

(1) Of the 11,089 shares repurchased in June 2022, 9,192 outstanding shares were repurchased under the February authorization, and the remaining 1,897 outstanding shares were repurchased under the May authorization. The February authorization has been fully utilized as of June 30, 2022.

On August 3, 2022, the Board of Directors approved an additional repurchase authorization of up to an aggregate of \$500,000. The repurchase authorization does not have an expiration date.

Item 6. Exhibits

Exhibit Number	Exhibit Description
10.1	Amendment No. 1 to the Employment Agreement between NVR, Inc. and Paul C. Saville dated May 4, 2022. Filed as Exhibit 10.1 to NVR's Form 8-K filed on May 6, 2022 and incorporated herein by reference.
10.2	Amendment No. 3 to the Employment Agreement between NVR, Inc. and Eugene J. Bredow dated May 4, 2022. Filed as Exhibit 10.2 to NVR's Form 8-K filed on May 6, 2022 and incorporated herein by reference.
10.3	Amendment No. 1 to the Employment Agreement between NVR, Inc. and Daniel D. Malzahn dated May 4, 2022. Filed as Exhibit 10.3 to NVR's Form 8-K filed on May 6, 2022 and incorporated herein by reference.
10.4	Second Amended and Restated Master Repurchase Agreement dated July 20, 2022 between NVR Mortgage Finance, Inc. and U.S. Bank National Association. Filed herewith.
31.1	Certification of NVR's Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. Filed herewith.
31.2	Certification of NVR's Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. Filed herewith.
32	Certification of NVR's Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. Furnished herewith.
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURE

Pursuant to the requirements 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.

NVR, Inc.

Date: August 3, 2022

By: /s/ Daniel D. Malzahn
Daniel D. Malzahn
Senior Vice President, Chief Financial Officer and Treasurer

SECOND AMENDED AND RESTATED
MASTER REPURCHASE AGREEMENT
(for NVR Mortgage Finance, Inc.)

dated as of July 20, 2022

among

U.S. BANK NATIONAL ASSOCIATION,
as Agent and a Buyer,

THE OTHER BUYERS PARTY HERETO

and

NVR MORTGAGE FINANCE, INC., as Seller

CONTENTS

1	APPLICABILITY AND DEFINED TERMS	1
	1.1. Applicability	1
	1.2. Defined Terms	1
	1.3. Other Definitional Provisions	25
	1.4. Divisions	26
2	THE BUYERS' COMMITMENTS	26
	2.1. The Buyers' Commitments to Purchase	26
	2.2. Expiration or Termination of the Commitments	26
	2.3. Optional Reduction or Termination of Buyers' Commitments	26
3	INITIATION; TERMINATION	27
	3.1. Seller Request; Agent Confirmation	27
	3.2. Syndication of Purchases	28
	3.3. Request/Confirmation	28
	3.4. Transaction Termination; Purchase Price Decrease	28
	3.5. Place for Payments of Repurchase Prices	29
	3.6. Withdrawals from and Credits to Operating Account and Settlement Account	29
	3.7. Delivery of Additional Mortgage Loans	29
	3.8. Application of Repurchase Price Payments	29
	3.9. Defaulting Buyers	29
4	TRANSACTION LIMITS AND SUBLIMITS	31
	4.1. Transaction Limits	31
	4.2. Transaction Sublimits	31
5	PRICE DIFFERENTIAL	32
	5.1. Pricing Rate	32
	5.2. Pricing Rate for Default Pricing Rate Purchased Loans	32
	5.3. Price Differential Payment Due Dates	32
6	MARGIN MAINTENANCE	33
	6.1. Margin Deficit	33
	6.2. Margin Call Deadline	33
	6.3. Application of Cash	33
	6.4. Increased Cost	33
	6.5. Capital Adequacy	34
	6.6. Agent's Report	34
	6.7. Term SOFR Unavailability	34
	6.8. Illegality	35
7	TAXES	35
	7.1. Payments to be Free of Taxes; Withholding	35
	7.2. Other Taxes	35
	7.3. Taxes Indemnity.....	35
	7.4. Non-US. Buyers	35
	7.5. Survival	36
	7.6. Treatment of Certain Refunds	36
	7.7. Mitigation Obligations	37

7.8.	Delay in Requests	37
8	INCOME AND ESCROW PAYMENTS; CONTROL	37
8.1.	Income and Escrow Payments	37
8.2.	Income and Escrow Accounts	38
8.3.	Income and Escrow Accounts after Default	38
9	FACILITY FEE; AGENT’S FEE	38
9.1.	Facility Fee; Non-Usage Fee	38
9.2.	Agent’s Fee	39
10	SECURITY INTEREST	39
10.1.	Intent of the Parties	39
10.2.	License	41
11	SUBSTITUTION	41
11.1.	Seller May Substitute Other Mortgage Loans with Notice to and Approval of Agent	41
11.2.	Payment to Accompany Substitution	41
12	PAYMENT AND TRANSFER	41
12.1.	Immediately Available Funds; Notice to Custodian	41
12.2.	Payments to the Agent	41
12.3.	If Payment Not Made When Due	42
12.4.	Payments Valid and Effective	42
12.5.	Pro Rata Distribution of Payments	42
13	SEGREGATION OF DOCUMENTS RELATING TO PURCHASED LOANS	42
14	CONDITIONS PRECEDENT	43
14.1.	Initial Purchase	43
14.2.	Each Purchase	44
15	REPRESENTATIONS, WARRANTIES AND COVENANTS	45
15.1.	Buyers, Agent and Seller Representations	45
15.2.	Additional Seller Representations.....	45
15.3.	Special Representations Relating to the Purchased Loans	50
15.4.	Representations and Warranties Relating to Specific Transactions	50
15.5.	Anti-Corruption Laws; Sanctions	51
15.6.	Survival	51
16	AFFIRMATIVE COVENANTS	51
16.1.	Anti-Money Laundering Compliance	51
16.2.	Anti-Corruption Laws; Sanctions	51
16.3.	Financial Statements	51
16.4.	Financial Statements Will Be Accurate	52
16.5.	Other Reports	53
16.6.	Maintain Existence and Statuses; Conduct of Business	54
16.7.	Compliance with Applicable Laws	54
16.8.	Inspection of Properties and Books; Protection of Seller’s Proprietary Information; Buyers’ Due Diligence of Seller	54
16.9.	Privacy of Customer Information	56
16.10.	Notice of Suits, Etc. and Notice	56
16.11.	Payment of Taxes, Etc.	58

16.12.	Insurance; fidelity bond	58
16.13.	Maintain Lien on Mortgaged Premises	58
16.14.	Subordination of Certain Indebtedness	58
16.15.	Certain Debt to Remain Unsecured	58
16.16.	Promptly Correct Escrow Imbalances	59
16.17.	MERS Covenants	59
16.18.	Special Affirmative Covenants Concerning Purchased Loans	60
16.19.	Coordination with Other Lenders/Repo Purchasers and Their Custodians	60
17	NEGATIVE COVENANTS	61
17.1.	No Merger	61
17.2.	Limitation on Debt and Contingent Indebtedness	61
17.3.	Business	62
17.4.	Liquidations, Dispositions of Substantial Assets	62
17.5.	Loans, Advances, and Investments	62
17.6.	Use of Proceeds	62
17.7.	Transactions with Affiliates	63
17.8.	Liens	63
17.9.	ERISA Plans	63
17.10.	Change of Principal Office; Fiscal Year	63
17.11.	Distributions	64
17.12.	Tangible Net Worth	64
17.13.	Tangible Net Worth Ratio	64
17.14.	Net Income	64
17.15.	Liquidity	64
17.16.	Special Negative Covenants Concerning Purchased Loans	64
17.17.	No Changes in Accounting Practices	64
17.18.	Subordinated Debt	64
17.19.	Tax Payments	64
17.20.	Tax Allocation Agreement	64
17.21.	Other Warehousing and Repurchase Facilities	64
18	EVENTS OF DEFAULT; EVENT OF TERMINATION	64
18.1.	Events of Default	64
18.2.	Transaction Termination	66
18.3.	Termination by the Agent	66
18.4.	Remedies	67
18.5.	Liability for Expenses and Damages	67
18.6.	Liability for Interest	67
18.7.	Other Rights	67
18.8.	Seller's Repurchase Rights	67
18.9.	Sale of Purchased Loans	67
19	SERVICING OF THE PURCHASED LOANS	68
19.1.	Servicing Released Basis	68
19.2.	Servicing and Subservicing	68
19.3.	Escrow Payments	68
19.4.	Escrow and Income after Event of Default	68
19.5.	Servicing Records	69
19.6.	Subservicer Instruction Letter	69
19.7.	Termination of Servicing	69
19.8.	Notice from Seller	69
19.9.	Seller Remains Liable	70
19.10.	Backup Servicer	70

19.11.	Successor Servicer	70
20	PAYMENT OF EXPENSES; INDEMNITY.....	71
20.1.	Expenses	71
20.2.	Indemnity	71
20.3.	Waiver of Consequential Damages, etc	72
21	SINGLE AGREEMENT	72
22	RELATIONSHIPS AMONG THE AGENT AND THE BUYERS	72
22.1.	Agent's Duties	72
22.2.	Limitation on Duty to Disclose	73
22.3.	Actions Requiring All Buyers' Consent	73
22.4.	Actions Requiring Required Buyers' Consent	74
22.5.	Agent's Discretionary Actions	74
22.6.	Buyers' Cooperation	74
22.7.	Buyers' Sharing Arrangement	74
22.8.	Buyers' Acknowledgment	75
22.9.	Agent Market Value Determinations	75
22.10.	Agent's Representations to Buyers	76
22.11.	Agent's Duty of Care, Express Negligence Waiver and Release	76
22.12.	Calculations of Shares of Principal and Other Sums	76
22.13.	Resignation or Removal of the Agent	76
22.14.	Effective Date of Resignation of the Agent	77
22.15.	Successor Agent	77
22.16.	Merger of the Agent	77
22.17.	Participation; Assignment	77
22.18.	Replacement of Buyers	79
22.19.	The Agent and the Buyers are the only Beneficiaries of this Section	80
22.20.	Certain ERISA Matters	80
23	NOTICES AND OTHER COMMUNICATIONS	81
23.1.	Notices	81
23.2.	Electronic Communications	82
23.3.	Change of Address, etc	82
24	MISCELLANEOUS	82
24.1.	Further Assurances.....	82
24.2.	Agent as Attorney in Fact	82
24.3.	Wires to Seller.....	82
24.4.	Wires to Agent	83
24.5.	Receipt; Available Funds	83
24.6.	Setoff	83
24.7.	Payments Set Aside.....	83
24.8.	Electronic Execution of Assignments	83
24.9.	Document Imaging; PDF Signatures; Electronic Signatures	83
24.10.	Accounting	84
25	ENTIRE AGREEMENT; SEVERABILITY	84
26	NON-ASSIGNABILITY; TERMINATION	84
26.1.	Limited Assignment	84
26.2.	Remedies Exception.....	84
26.3.	Agreement Termination	84

27	COUNTERPARTS	85
28	GOVERNING LAW, JURISDICTION AND VENUE	85
29	WAIVER OF JURY TRIAL	85
30	RELATIONSHIP OF THE PARTIES	85
31	NO WAIVERS, ETC	86
32	USE OF EMPLOYEE PLAN ASSETS	86
	32.1. Prohibited Transactions	86
	32.2. Audited Financial Statements Required	86
	32.3. Representations	86
33	INTENT	87
	33.1. Transactions are Repurchase Agreements and Securities Contracts	87
	33.2. Contractual Rights, Etc.	87
	33.3. FDIA	87
	33.4. Master Netting Agreement	87
34	DISCLOSURE RELATING TO CERTAIN FEDERAL PROTECTIONS	87
	34.1. Parties not Protected by SIPA or Insured by FDIC or NCUSIF	87
	34.2. SIPA Does Not Protect Government Securities Broker or Dealer Counterparty	88
	34.3. Transaction Funds Are Not Insured Deposits	88
35	USA PATRIOT ACT NOTIFICATION	88
36	EXISTING MRA	88

SECOND AMENDED AND RESTATED MASTER REPURCHASE AGREEMENT

THIS SECOND AMENDED AND RESTATED MASTER REPURCHASE AGREEMENT is executed as of July 20, 2022 (the “*Effective Date*”), between and among NVR Mortgage Finance, Inc., a Virginia corporation (the “*Seller*”), the Buyers (as defined in Section 1.2) from time to time party hereto, and U.S. Bank National Association, as Agent and representative of itself as a Buyer and the other Buyers (the “*Agent*” and sometimes “*U.S. Bank*”).

RECITALS

A. The Seller, the Agent, U.S. Bank, as a buyer and the other buyers named therein entered into an Amended and Restated Master Repurchase Agreement dated as of August 2, 2011 (as the same has been amended, restated or otherwise modified from time to time, the “*Existing MRA*”); and

B. The parties desire to amend and restate the Existing MRA in its entirety, as set forth herein.

1 Applicability and Defined Terms.

1.1. *Applicability.* From time to time the parties hereto may enter into transactions in which the Seller agrees to transfer to Agent on behalf of the Buyers, Eligible Loans on a servicing released basis against the transfer of funds by Buyers, with a simultaneous agreement by the Buyers to transfer to Seller such Eligible Loans at a date certain or on demand in the event of termination pursuant to Section 18.2 hereof, or if no demand is sooner made, on the Termination Date, against the transfer of funds by Seller. Each such transaction shall be referred to herein as a “*Transaction*” and shall be governed by this Agreement, as hereinafter defined.

The parties hereby specifically declare that it is their intention that this Second Amended and Restated Master Repurchase Agreement (as amended, restated, supplemented or otherwise modified from time to time, the “*Agreement*”, which term includes the preamble above) and the purchases of Eligible Loans made pursuant to it are to be treated as repurchase transactions under Title 11 of the United States Code, as amended (the “*Bankruptcy Code*”), including all rights that accrue to Buyers by virtue of sections 559, 561 and 562 of the Bankruptcy Code. This Agreement also contains lien provisions with respect to the Purchased Loans so that if, contrary to the intent of the parties, any court of competent jurisdiction characterizes any Transaction as a financing, rather than a purchase, under applicable law, including the applicable provisions of the Bankruptcy Code, the Agent is deemed to have a first priority perfected security interest in and to the Purchased Loans to secure the payment and performance of all of the Seller’s Obligations under this Agreement.

The Buyers’ agreement to establish and continue the revolving repurchase facilities are made upon and subject to the terms and conditions of this Agreement. If there is any conflict or inconsistency between any of the terms or provisions of this Agreement and any of the other Repurchase Documents, this Agreement shall govern and control. If there is any conflict between any provision of this Agreement and any later supplement, amendment, restatement or replacement of it, then the latter shall govern and control.

1.2. *Defined Terms.* Except where otherwise specifically stated, capitalized terms used in this Agreement and the other Repurchase Documents have the meanings assigned to them below or elsewhere in this Agreement.

“*Accepted Servicing Practices*” means, with respect to any Mortgage Loan, (i) those mortgage loan servicing standards and procedures in accordance with all applicable state, local and federal

laws, rules and regulations and (ii)(y) the mortgage loan servicing standards and procedures prescribed by Fannie Mae and Freddie Mac, in each case as set forth in the Fannie Mae Servicing Guide or Freddie Mac Servicing Guide, as applicable, and in the directives or applicable publications of such agency, as such may be amended or supplemented from time to time, or (z) with respect to any Mortgage Loans and any matters or circumstances as to which no such standard or procedure applies, the servicing standards, procedures and practices Seller uses with respect to its own assets as of the date of this Agreement, subject to reasonable changes.

“*Additional Covenant*” means any affirmative, negative or financial covenant, or other agreement, term or condition relating to the Seller or any of its Subsidiaries, contained in any mortgage loan repurchase or warehouse loan transaction entered into by the Seller after the Effective Date to which any of the Buyers is not a party and which is more restrictive on the Seller or such Subsidiary or more beneficial to the lender or buyer, as the case may be, under such agreement than the covenants, agreements, terms and conditions relating to the Seller or such Subsidiary contained in this Agreement.

“*Additional Pricing Term*” means any pricing agreement, term or condition contained in any mortgage loan repurchase or warehouse loan transaction to which any of the Buyers is not a party and which is more favorable to the lender or the buyer, as the case may be, under such agreement than the pricing agreements, terms and conditions contained in this Agreement.

“*Additional Purchased Loans*” means Eligible Loans transferred by Seller to Buyers pursuant to, and as defined in, Section 6.1.

“*Adjusted Tangible Net Worth*” means, as of any date, the sum of (a) all assets of the Seller and the Subsidiaries on a Consolidated basis, minus (b) the sum of (i) all Debt and all Contingent Indebtedness of the Seller and the Subsidiaries, (ii) all assets of the Seller and the Subsidiaries which would be classified as intangible assets under GAAP, including, but not limited to, Capitalized Servicing Rights, goodwill (whether representing the excess of cost over book value of assets acquired or otherwise), patents, trademarks, trade names, copyrights, franchises and deferred charges, and (iii) receivables due from Affiliates (other than Subsidiaries).

“*Affiliate*” means and includes, with respect to a specified Person, any other Person:

- (a) that directly or indirectly through one or more intermediaries Controls, is Controlled by or is under common Control with the specified Person (in this definition only, the term “Control” means having the power to set or direct management policies, directly or indirectly);
- (b) that is a director, trustee, partner, member or executive officer of the specified Person or serves in a similar capacity in respect of the specified Person;
- (c) of which the specified Person is a director, trustee, partner, member or executive officer or with respect to which the specified Person serves in a similar capacity and over whom the specified Person, either alone or together with one or more other Persons similarly situated, has Control;
- (d) that, directly or indirectly through one or more intermediaries, is the beneficial owner of ten percent (10%) or more of any class of equity securities — which does not include any MBS — of the specified Person; or
- (e) of which the specified Person is directly or indirectly the owner of ten percent (10%) or more of any class of equity securities of the specified Person.

“Agency” means Ginnie Mae, Fannie Mae or Freddie Mac.

“Agency-Required eNote Legend” means the legend or paragraph required by Fannie Mae or Freddie Mac, as applicable, to be set forth in the text of an eNote, which includes the provisions set forth on Exhibit C to the Custody Agreement, as may be amended from time to time by Fannie Mae or Freddie Mac, as applicable.

“Agent” is defined above.

“Agent’s Fee” is defined in Section 9.2.

“Aggregate Outstanding Purchase Price” means, as of any date, an amount equal to the sum of the Purchase Prices for all Purchased Loans included in all Open Transactions.

“Agreement” is defined in the Recitals.

“Anti-Corruption Laws” means the Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder, and any other anti-corruption law applicable to the Seller and its Subsidiaries.

“Approved Investor” means any Agency and any of the Persons listed on Schedule AI, as it may be supplemented or amended from time to time by agreement of the Seller and the Agent; provided, that (a) persons listed on Schedule AI shall be Approved Investors only with respect to the type(s) of Mortgage Loans for which they are specified as an “Approved Investor” on Schedule AI, and (b) if the Agent shall give written notice to the Seller of the Agent’s disapproval of any Approved Investor(s) named in the notice, the Approved Investor(s) so named shall no longer be (an) Approved Investor(s) from and after the time when the Agent sends that notice to the Seller or such later date as may be specified by the Agent in its sole discretion.

“Approved eNote Investor” means Fannie Mae, Freddie Mac and any Approved Investor designated as such by the Agent.

“Approved Non-Conforming Investor” means any investor approved by the Agent in writing as an Approved Non-Conforming Investor. The Approved Non-Conforming Investors as of the date hereof are identified as such on Schedule AI.

“Authoritative Copy” means, with respect to an eNote, the unique copy of such eNote that is located in the eVault, identified as such by the eVault Provider and subject to the Control of the Agent.

“Authorized Seller Representative” means a representative of the Seller duly designated by all requisite corporate action to execute any certificate, schedule or other document contemplated or required by this Agreement on behalf of the Seller and as its act and deed. The Seller will provide an updated list of Authorized Seller Representatives to the Agent promptly following each addition to or subtraction from such list, and the Agent and the Buyers shall be entitled to rely on each such list until such an updated list is received by the Agent.

“Backup Servicer” means U.S. Bank Home Mortgage, Inc. or any other Person designated by Agent, in its sole discretion, to act as a backup servicer of the Purchased Loans in accordance with Section 19.10.

“Bankruptcy Code” is defined in the Recitals.

“*Basic Papers*” means all of the Loan Papers that must be delivered to the Custodian (in the case of Dry Loans, prior to the related Purchase Date and, in the case of Wet Loans, on or before the fifth (5th) Business Day after the related Purchase Date) in order for any particular Purchased Loan to continue to have Market Value. Schedule BP lists the Basic Papers.

“*Beneficial Ownership Certification*” means a certification regarding beneficial ownership as required by the Beneficial Ownership Regulation.

“*Beneficial Ownership Regulation*” means 31 C.F.R. § 1010.230.

“*Board*” means the Board of Governors of the Federal Reserve System.

“*Business Day*” means any day when both (1) the Agent’s main branch in Minneapolis, Minnesota is open for regular commercial banking business and (2) federal funds wire transfers can be made.

“*Buyer*” means U.S. Bank and each other Person from time to time party to this agreement as a “Buyer”. Persons who are currently Buyers on any day shall be listed as Buyers in Schedule BC in effect for that day.

“*Buyer Affiliate*” means (a) with respect to any Buyer, (i) an Affiliate of such Buyer or (ii) any entity (whether a corporation, partnership, trust or otherwise) that is engaged in making, purchasing, holding or otherwise investing in securities and mortgage reverse repurchase agreements, bank loans and similar financial arrangements in the ordinary course of its business and is administered or managed by such Buyer or an Affiliate of such Buyer and (b) with respect to any Buyer that is a fund which invests in securities and mortgage reverse repurchase agreements, bank loans and similar financial arrangements, any other fund that invests in securities and mortgage reverse repurchase agreements, bank loans and similar financial arrangements and is managed by the same investment advisor as such Buyer or by an Affiliate of such investment advisor.

“*Buyers’ Margin Percentage*” means:

(a) for all Eligible Loans except Mortgage Loans (USBHM), Jumbo Mortgage Loans, Super Jumbo Mortgage Loans, High LTV Mortgage Loans, State Housing Bond Mortgage Loans and Rural Development Guaranteed Housing Loans, ninety-eight percent (98%);

(b) for Mortgage Loans (USBHM), one hundred percent (100%);

(c) for Jumbo Mortgage Loans other than Mortgage Loans (USBHM), ninety-five percent (95%);

(d) for Super Jumbo Mortgage Loans other than Mortgage Loans (USBHM), ninety-three percent (93%);

(e) for High LTV Mortgage Loans and State Housing Bond Mortgage Loans, ninety-seven percent (97%);

(f) for Rural Development Guaranteed Housing Loans other than Mortgage Loans (USBHM), ninety-two percent (92%); and

(g) for Wet Loans, the Buyer’s Margin Percentage for the underlying type of Purchased Loan that would apply if such Purchased Loan were a Dry Loan.

“*Capitalized Servicing Rights*” means for any Person, all rights to service Mortgage Loans which would be capitalized under GAAP (regardless of whether such rights result from asset securitizations, whole loan sales or originations of Mortgage Loans).

“*Cash Equivalents*” means and includes, on any day:

(i) any evidence of debt issued by the United States government or any agency thereof, or guaranteed as to the timely payment of principal and interest by the United States government, and maturing ninety (90) days or less after that day;

(ii) any certificate of deposit, time or demand deposits or banker’s acceptance issued by a commercial bank that either (i) is insured by the Federal Deposit Insurance Corporation or (ii) is a member of the Federal Reserve System and has a combined unimpaired capital and surplus and unimpaired undivided profits of not less than Seven Hundred Fifty Million Dollars (\$750,000,000), and maturing not more than ninety (90) days after that day; and

(iii) money market and cash funds and accounts which are invested in investments of the types described above or in commercial paper maturing no more than 90 days from the date of creation thereof and which is rated at least “A-1” by Standard & Poor’s Corporation or at least “P-1” by Moody’s Investors Service, Inc.

“*Central Elements*” means and includes the value of a substantial part of the Purchased Loans; the prospects for payment of each portion of the Repurchase Price, including both Purchase Price and Price Differential, when due; the validity or enforceability of this Agreement and the other Repurchase Documents and, as to any Person referred to in any reference to the Central Elements, such Person’s and its consolidated Subsidiaries’ property, business operations, financial condition and ability to fulfill and perform its obligations under this Agreement and the other Repurchase Documents to which it is a party, each taken as a whole.

“*Certified Copy*” means a copy of an original Basic Paper or Supplemental Paper accompanied by (or on which there is stamped) a certification by an officer of either a title insurer or an agent of a title insurer (whether a title agency or a closing attorney) or, except where otherwise specified below, by an Authorized Seller Representative or an officer of the Servicer (if other than the Seller) or subservicer of the relevant Mortgage Loan, that such copy is a true copy of the original and (if applicable) that the original has been sent to the appropriate governmental filing office for recording in the jurisdiction where the related Mortgaged Premises are located. Each such certification shall be conclusively deemed to be a representation and warranty by the certifying officer, agent, Authorized Seller Representative or officer of the relevant Servicer or subservicer, as applicable, to the Agent, the Buyers and the Custodian upon which each may rely.

“*Change in Law*” means (a) the adoption of any applicable Law after the Effective Date, (b) any change in any applicable Law or in the interpretation or application thereof by any Governmental Authority after the Effective Date or (c) reasonable compliance by any Buyer (or by any applicable office of any Buyer) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the Effective Date. Without limiting the foregoing, for purposes of Sections 6.5 through 6.7, the term “Change in Law” shall include (i) all requests, rules, guidelines or directives in connection with Dodd-Frank Wall Street Reform and Consumer Protection Act and (ii) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Bank Supervision (or any successor or similar authority) or the United States financial regulatory authorities, regardless of the date adopted, issued, promulgated or implemented.

“*Change of Control*” in respect of the Seller means (a) the occurrence of Parent not owning directly, or indirectly, all of the issued and outstanding ownership interests of the Seller, or (b) any of the following circumstances: (i) any Person or two or more Persons acting in concert acquiring beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934), directly or indirectly, of equity interests of Parent representing 10% or more of the combined voting power of all equity interests of Parent entitled to vote in the election of directors; or (ii) during any period of up to twelve consecutive months, whether commencing before or after the Effective Date, individuals who at the beginning of such twelve-month period were directors of the Parent ceasing for any reason to constitute a majority of the Board of Directors of the Parent (other than by reason of death, disability or scheduled retirement); or (iii) any Person or two or more Persons acting in concert acquiring by contract or otherwise, or entering into a contract or arrangement which upon consummation will result in its or their acquisition of, control over equity interests of the Parent representing 10% or more of the combined voting power of all equity interests of the Parent entitled to vote in the election of directors.

“*Commitment*” means, for each Buyer, its commitment under Section 2.1, subject to reduction as described in Section 2.3, to fund its Funding Share of Transactions, limited to such Buyer’s Committed Sum.

“*Committed Sum*” means, for any day, the maximum total amount a Buyer is committed on that day to fund for the purchase from the Seller of Eligible Loans on a revolving basis pursuant to this Agreement without giving effect to any Transaction, on its terms and subject to its conditions. From the Effective Date of this Agreement through the Termination Date or such other date (if any) when all or any of them is changed by operation of the provisions of any agreement or Law, the Committed Sums for the Buyers are as set forth on Schedule BC, as it may be amended and restated from time to time.

“*Conforming Mortgage Loan*” means a conventional first-priority Single-family Loan that is either (i) VA guaranteed, (ii) FHA insured (including FHA insured Mortgage Loans that are high balance Mortgage Loans with required down payment levels and FHA 203k loans), or (iii) a conventional mortgage loan that fully conforms to all Fannie Mae and Freddie Mac underwriting and other requirements, excluding expanded criteria loans as defined under any Agency program.

“*Consolidated*” refers to the consolidation of any Person, in accordance with GAAP, with its properly consolidated subsidiaries. References herein to a Person’s Consolidated financial statements refer to the consolidated financial statements of such Person and its properly consolidated subsidiaries.

“*Contingent Indebtedness*” of any Person at a particular date means the sum (without duplication) at such date of (a) all obligations of such Person in respect of letters of credit, acceptances, or similar obligations issued or created for the account of such Person, (b) all obligations of such Person under any contract, agreement or understanding of such Person pursuant to which such Person guarantees, or in effect guarantees, any indebtedness or other obligations of any other Person in any matter, whether directly or indirectly, contingently or absolutely, in whole or in part, and (c) all liabilities secured by any Lien on any property owned by such Person, whether or not such Person has assumed or otherwise become liable for the payment thereof, in each case excluding any such liabilities or obligations that constitute Debt.

“*Control*” means, with respect to an eNote, the “control” of such eNote within the meaning of UETA and/or, as applicable, E-Sign. Unless the Agent determines otherwise, any party designated in the MERS eRegistry as the Controller has Control of the eNote.

“*Control Failure*” means with respect to an eNote, (i) the Agent shall not be designated as the Controller of such eNote in the MERS eRegistry by the Controller Status Transfer Deadline, (ii) the

eVault shall have released the Authoritative Copy of an eNote without the prior direction of the Agent, or (iii) if the Custodian initiated any changes on the MERS eRegistry in contravention of the terms of the Custody Agreement.

“*Controller*” means, with respect to an eNote, the party designated in the MERS eRegistry as the “Controller.”

“*Controller Status Transfer Deadline*” means one (1) Business Day after the Purchase Date.

“*Currency Agreement*” means any foreign exchange contract, currency swap agreement, futures contract, option contract, synthetic cap or other similar agreement or arrangement for the purpose of hedging the currency risk associated with the Seller’s and its Subsidiaries’ operations and not for speculative purposes.

“*Custodian*” means U.S. Bank, as Custodian under the Custody Agreement, or any successor custodian under the Custody Agreement acceptable to the Agent.

“*Custodian’s Fees*” are the fees to be paid by the Seller to the Custodian for its services under the Custody Agreement, as provided for in the Custody Agreement or by a separate agreement. Such fees are separate from and in addition to other fees to be paid to the Buyers and the Agent provided for in this Agreement.

“*Custody Agreement*” means the Second Amended and Restated Custody Agreement dated concurrently herewith among the Agent, the Seller and U.S. Bank, as Custodian, as it may be supplemented, amended or restated from time to time.

“*Customer*” means and includes each maker of a Mortgage Note and each cosigner, guarantor, endorser, surety and assumptor thereof, and each mortgagor or grantor under a Mortgage, whether or not such Person has personal liability for its payment of the Mortgage Loan evidenced or secured thereby, in whole or in part.

“*Daily Reset Term SOFR Rate*” means the greater of (a) zero and (b) the one-month forward-looking term rate based on SOFR quoted by the Agent from the Term SOFR Administrator’s Website (or other commercially available source providing such quotations as may be selected by the Agent from time to time), which shall be that one-month Term SOFR rate in effect and reset each New York Banking Day, adjusted for any reserve requirement and any subsequent costs arising from a change in government regulation; provided that if the Term SOFR rate is not published on such New York Banking Day due to a holiday or other circumstance that the Agent deems in its sole discretion to be temporary, the applicable Term SOFR rate shall be the Term SOFR rate last published prior to such New York Banking Day.

“*Daily Simple SOFR*” means a daily rate based on SOFR and determined by the Agent in accordance with the conventions for such rate selected by the Agent.

“*Debt*” means, with respect to any Person, on any day, the sum of the following (without duplication):

- (1) all liabilities of such Person included in Total Liabilities;
- (2) all of that Person’s debt or other obligations for borrowed money or for the deferred purchase price of property or services, except that non-recourse MBS Debt arising out of transactions structured to qualify for GAAP sale treatment shall be excluded;

(3) all of any other Person's debt or other obligations for borrowed money or for the deferred purchase price of property or services in respect of which such Person is liable, contingently or otherwise, to pay or advance money or property as guarantor, surety, endorser or otherwise (excluding such Person's contingent liability as endorser of negotiable instruments for collection in the ordinary course of business), or which such Person has agreed to purchase or otherwise acquire;

(4) the aggregate principal balance, or repurchase price obligation, of that Person under repurchase agreements, reverse repurchase agreements, mortgage warehouse lines of credit, sale/buy-back agreements or like arrangements;

(5) all debt for borrowed money or for the deferred purchase price of property or services secured by a Lien on any property owned or being purchased by that Person (even though that Person has not assumed or otherwise become liable for the payment of such debt); provided that the amount of Indebtedness attributable to non-recourse debt described in this clause (5) shall be lesser of the market value of such property and the outstanding amount of the debt so secured; and;

(6) net payment obligations of that Person in respect of any exchange traded or over the counter derivative transaction, including any Hedge Agreement whether entered into for hedging or speculative purposes;

provided that, for purposes of this Agreement, there shall be excluded from the calculation of Debt for that day both (i) such Person's obligations to pay to another Person any sums collected and held by the subject Person (as loan servicer, escrow agent or collection agent or in a similar capacity) for the account of such other Person, and (ii) Qualified Subordinated Debt.

"*Default*" means the occurrence of any event or existence of any condition that, but for the giving of notice, the lapse of time or both, would constitute an Event of Default.

"*Default Pricing Rate*" means, on any day and with respect to any Transaction, a rate per annum equal to the otherwise applicable Pricing Rate plus two percent (2.0%) per annum.

"*Defaulting Buyer*" means any Buyer, as determined by the Agent, that has (a) failed to fund any portion of its Transactions within one Business Day of the date required to be funded by it hereunder, (b) notified the Seller, the Agent or any Buyer in writing that it does not intend to comply with any of its funding obligations under this Agreement or made a public statement to the effect that it does not intend to comply with its funding obligations (i) under this Agreement or (ii) under other agreements in which it is obligated to extend credit or provide mortgage warehouse financing unless, in the case of this clause (ii), such obligation is the subject of a good faith dispute, (c) failed, within one Business Day after request by the Agent to confirm that it will comply with the terms of this Agreement relating to its obligations to fund prospective Transactions, (d) otherwise failed to pay over to the Agent or any other Buyer any other amount required to be paid by it hereunder within one Business Day of the date when due, unless the subject of a good faith dispute, or (e) (i) become or is insolvent or has a parent company that has become or is insolvent, or (ii) become the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee or custodian appointed for it, or has taken any action in furtherance of, or indicating its consent to, approval of or acquiescence in any such proceeding or appointment or has a parent company that has become the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee or custodian appointed for it, or has taken any action in furtherance of, or indicating its consent to, approval of or acquiescence in any such proceeding or appointment; provided that a Buyer shall not become a Defaulting Buyer solely as a result of (x) the acquisition or maintenance of an ownership interest in such Buyer or a Person controlling such Buyer or (y) the exercise of control over a Buyer or a Person controlling a Buyer, in each case by a Governmental Authority.

“*Delegatee*” means, with respect to an eNote, the party designated in the MERS eRegistry as the “Delegatee” or “Delegatee for Transfers” of the Agent, who in such capacity is authorized by the Agent to perform certain MERS eRegistry transactions on behalf of the Agent, such as a Transfer of Control or a Transfer of Location.

“*Disqualifier*” means any of the circumstances or events affecting Purchased Loans that are described on Schedule DQ.

“*Dry Loan*” means an Eligible Loan originated by the Seller that has been closed, funded and qualifies without exception as an Eligible Loan, including satisfying the requirement that all of its Basic Papers have been delivered (or in the case of an eNote, satisfying the eNote Delivery Requirements) to the Custodian.

“*E-Sign*” means the Federal Electronic Signatures in Global and National Commerce Act, as amended from time to time, and any successor statute, and any regulations promulgated thereunder from time to time.

“*Effective Date*” has the meaning set forth in the first paragraph hereof.

“*Electronic Agent*” means MERSCORP, Inc. or its successor in interest or assigns.

“*Electronic Record*” means “Record” and “Electronic Record,” both as defined in UETA or E-Sign, as applicable, and shall include, but not be limited to, recorded telephone conversations, fax copies or electronic transmissions. With respect to an eMortgage Loan, “Electronic Record” means the related eNote and all other documents comprising the Mortgage Loan Transmission File electronically created and that are stored in an electronic format, if any.

“*Electronic Signature*” has the meaning set forth in E-Sign.

“*Electronic Tracking Agreement*” means a written Electronic Tracking Agreement among the Seller, the Agent, MERS and the Electronic Agent, in form and substance acceptable to the Seller and the Agent, as it may be supplemented, amended, restated or replaced from time to time.

“*Eligible Loans*” is defined on Schedule EL.

“*eMortgage Loan*” means a Mortgage Loan with respect to which there is an eNote and as to which some or all of the other documents comprising the related Basic Papers and Records may be created electronically and not by traditional paper documentation with a pen and ink signature.

“*eNote*” means, with respect to any eMortgage Loan, the electronically created and stored Note for which there is an Authoritative Copy and that is registered on the MERS eRegistry.

“*eNote Delivery Requirement*” has the meaning assigned to such term in Section 3.1(a)(2) hereof.

“*ERISA*” means the Employee Retirement Income Security Act of 1974 and any successor statute, as amended from time to time, and all rules and regulations promulgated under it.

“*ERISA Affiliates*” means all members of the group of corporations and trades or businesses (whether or not incorporated) which, together with the Seller, are treated as a single employer under Section 414 of the Internal Revenue Code.

“*ERISA Plan*” means any pension benefit plan subject to Title IV of ERISA or Section 412 of the Internal Revenue Code maintained or contributed to by the Seller or any ERISA Affiliate with respect to which the Seller has a fixed or contingent liability.

“*Escrow Account*” means the Escrow Account established by the Seller with a bank satisfactory to the Agent under Section 8, into which amounts paid for escrow accumulation under Purchased Loans are paid for purposes of paying taxes, insurance and other appropriate escrow charges.

“*eVault*” means an electronic repository identified by the Agent and established and maintained by an eVault Provider for delivery and storage of eNotes. eNotes held in the eVault shall be registered on, and subject to, the MERS eRegistry.

“*eVault Provider*” means eOriginal, Inc., or its successor in interest or assigns, or such other entity designated by the Agent.

“*Event of Default*” is defined in Section 18.1.

“*Event of Insolvency*” means:

(i) the Seller or a Subsidiary has commenced as debtor any case or proceeding under any bankruptcy, insolvency, reorganization, moratorium, delinquency, arrangement, readjustment of debt, liquidation, dissolution, or similar Law of any jurisdiction whether now or hereafter in effect, or consents to the filing of any petition against it under such Law, or petitions for, causes or consents to the appointment or election of a receiver, conservator, liquidator, trustee, sequestrator, custodian or similar official for the Seller or a Subsidiary or any substantial part of its property, or an order for relief is entered under the Bankruptcy Code; or any of Seller’s, or a Subsidiary’s property is sequestered by court or order; or the convening by the Seller or a Subsidiary of any meeting of creditors for purposes of commencing any such case or proceeding or seeking such an appointment or election;

(ii) the commencement of any such case or proceeding against the Seller or any Subsidiary, or another Person’s seeking an appointment or election of a receiver, conservator, liquidator, trustee, sequestrator, custodian or similar official for the Seller or a Subsidiary or any substantial part of its property, or the filing against the Seller or a Subsidiary of an application for a protective decree under the provisions of SIPA which, in each case, (1) is consented to or not timely contested by Seller or such Subsidiary, (2) results in the entry of an order for relief, such an appointment or election, the issuance of such a protective decree or the entry of an order having a similar effect or (3) is not dismissed within sixty (60) days;

(iii) the making by the Seller or a Subsidiary of a general assignment for the benefit of creditors; or

(iv) the admission by the Seller or a Subsidiary of its inability, or intention not, or the inability of the Seller or a Subsidiary, to pay its debts as they become due.

“*Excluded Taxes*” means, (a) in the case of each Buyer or its applicable funding office and the Agent, taxes imposed on its overall net income, and franchise taxes imposed on it, by the jurisdiction under the laws of which such Buyer or the Agent is incorporated or organized or the jurisdiction in which the Agent’s or such Buyer’s principal executive office or such Buyer’s applicable funding office is located, (b) any branch profits taxes imposed by the United States or any similar tax imposed by any other jurisdiction in which the applicable Buyer is located and (c) in the case of a Non-U.S. Buyer, any withholding tax that is imposed on amounts payable to such Non-U.S. Buyer at the time such Non-U.S. Buyer becomes a party hereto (or designates a new funding office) or is attributable to

such Non-U.S. Buyer's failure or inability (other than as a result of a change in law) to comply with Section 7.4(a), except to the extent that such Non-U.S. Buyer (or its assignor, if any) was entitled, at the time of designation of a new funding office (or assignment), to receive additional amounts from the Seller with respect to such withholding tax pursuant to Section 7.1.

"*Facility Fee*" is defined in Section 9.1.

"*Fannie Mae*" means the Federal National Mortgage Association and any successor.

"*Fee Letter*" means that certain Fee Letter dated as of July 20, 2022, between the Agent and the Seller.

"*Federal Funds Rate*" means, for any day, the greater of (a) zero and (b) the rate per annum calculated by the Federal Reserve Bank of New York based on such day's federal funds transactions by depository institutions (as determined in such manner as the Federal Reserve Bank of New York shall set forth on its public website from time to time) and published on the next succeeding Business Day by the Federal Reserve Bank of New York as the federal funds effective rate or, if such rate is not so published for any day which is a Business Day, the average of the quotations at approximately 10:00 a.m. (Central time) on such day on such transactions received by the Agent from three federal funds brokers of recognized standing selected by the Agent in its sole discretion.

"*Federal Reserve Bank of New York's Website*" means the website of the Federal Reserve Bank of New York at <http://www.newyorkfed.org>, or any successor source.

"*FHA*" means the Federal Housing Administration and any successor.

"*FHA Loans*" means a Mortgage Loan that is fully insured as to principal, interest and expenses by FHA.

"*FICO*" means Fair Isaac Corporation and, where used in this Agreement, refers to the credit scoring system developed by that company or to any other Customer credit scoring system whose use by the Seller (for purposes of this Agreement and the Transactions) has been specifically approved in writing by the Agent.

"*File*" means a file in the possession of the Custodian or its designee (other than the Seller or an Affiliate of the Seller) containing all of the Loan Papers for the relevant type of Mortgage Loan.

"*Financial Statements*" is defined in Section 15.2(f).

"*FIRREA*" means the Financial Institutions Reform Recovery and Enforcement Act of 1989, as amended, and the regulations promulgated thereunder.

"*Freddie Mac*" means the Federal Home Loan Mortgage Corporation and any successor.

"*Funding Account*" means the Seller's non-interest bearing demand deposit account number xxxx-xxxx-4332 maintained with U.S. Bank, into which the Agent may transfer funds (funds paid by the Buyers as Purchase Price) and from which the Agent is authorized to disburse funds to the Seller or its designee (such as its closing agents) for the funding of Transactions. The Funding Account shall be subject to setoff by the Agent for Pro Rata distribution to the Buyers and shall be subject to the control of the Agent.

"*Funding Share*" means, for each Buyer, that proportion of the sum of the original Purchase Prices for the Eligible Loans to be purchased in a Transaction that bears the same ratio to the total amount of such sum as that Buyer's Committed Sum bears to the Maximum Aggregate Commitment.

“GAAP” means, for any day, generally accepted accounting principles, applied on a consistent basis, stated in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants, or in statements and pronouncements of the Financial Accounting Standards Board or in such other statements by another entity or entities as may be approved by a significant segment of the accounting profession, that are applicable to the circumstances for that day. The requirement that such principles be applied on a consistent basis means that the accounting principles observed in a current period shall be comparable in all material respects to those applied in an earlier period, with the exception of changes in application to which the Seller’s independent certified public accountants have agreed and which changes and their effects are summarized in the subject company’s financial statements following such changes.

“Ginnie Mae” means the Government National Mortgage Association and any successor.

“Governmental Authority” means any foreign governmental authority, the United States of America, any state of the United States and any political subdivision of any of the foregoing, and any agency, department, commission, board, bureau, court or other tribunal.

“Hash Value” means, with respect to an eNote, the unique tamper-proof digital signature of such eNote that is stored with MERS.

“Hazard Insurance Policy” means, with respect to each Purchased Loan, the policy of fire and extended coverage insurance required by clause (aa) of the representations and warranties set forth on Schedule 15.3 to be maintained for the related Mortgaged Premises’ improvements (and, if the related Mortgaged Premises are located in a federally-designated special flood area, federal flood insurance issued in accordance with the Flood Disaster Protection Act of 1973, as amended from time to time, or, if repealed, any superseding legislation governing similar insurance coverage, or similar coverage against loss sustained by floods or similar hazards that conforms to the flood insurance requirements prescribed by Fannie Mae guidelines, which may be provided under a separate insurance policy), which insurance may be a blanket mortgage impairment policy maintained by such Purchased Loan’s Servicer.

“Hedge Agreement” means an Interest Rate Protection Agreement, a Currency Agreement or a forward sales agreement entered into in the ordinary course of the Seller’s or any of its Subsidiaries’ businesses to protect the Seller against changes in interest rates or the market value of assets.

“High LTV Mortgage Loan” means a first-priority Single-family Loan that is originated in compliance with, and fully conforms to all Agency Conforming Mortgage Loan underwriting criteria including, but not limited to, the VA Interest Rate Reduction Refinance Loan (“IRRRL”) programs, provided that the loan to value ratio for such Mortgage Loan (a) in the case of a VA or USDA mortgage loan, is over 100% and less than or equal to 103%, including the mortgage insurance, guaranty or funding fees, and (b) otherwise, does not exceed 105%.

“High LTV Mortgage Loans Sublimit” is defined in the table in Section 4.2.

“HUD” means the U.S. Department of Housing and Urban Development and any successor.

“HUD Compare Ratio” means, as of any date of determination, the ratio (expressed as a percentage) of (a) the percentage of the Seller’s FHA Loans that were seriously delinquent or were claim terminated in the first two years after origination of such loans to (b) the percentage of all FHA Loans that were seriously delinquent or were claim terminated in the first two years after origination of such loans nationally for all types of loans and periods of default, determined as set forth on HUD’s Neighborhood Watch/Early Warning System website (<https://entp.hud.gov/sfnw/public/>).

“*In Default*” means that, as to any Mortgage Loan, any Mortgage Note payment or escrow payment is unpaid for thirty (30) days or more after its due date (whether or not the Seller has allowed any grace period or extended the due date thereof by any means) or another material default has occurred and is continuing, including the commencement of foreclosure proceedings or the commencement of a case in bankruptcy for any Customer in respect of such Mortgage Loan.

“*Income*” means, with respect to any Eligible Loan on any day, all payments of principal, interest and other distributions thereon or proceeds thereof paid to the relevant party.

“*Income Account*” means a demand deposit account established by the Seller with a bank satisfactory to the Agent under the provisions of Section 8.

“*Indemnified Liabilities*” is defined in Section 20.2.

“*Indemnified Parties*” is defined in Section 20.2.

“*Interest Rate Protection Agreement*” means, with respect to any or all of the Purchased Loans, any short sale of any U.S. Treasury securities, futures contract, mortgage related security, Eurodollar futures contract, options related contract, interest rate swap, cap or collar agreement or similar arrangement providing for protection against fluctuations in interest rates or the exchange of nominal interest obligations, either generally or under specific contingencies, that is entered into by the Seller and a financial institution and is reasonably acceptable to the Agent.

“*Internal Revenue Code*” means the Internal Revenue Code of 1986 or any subsequent federal income tax law or laws, as amended from time to time.

“*Investor Commitment*” means an unexpired written commitment held by the Seller from an Approved Investor to buy Purchased Loans, and that specifies (a) the type or item(s) of Purchased Loan, (b) a purchase date or purchase deadline date and (c) a purchase price or the criteria by which the purchase price will be determined.

“*Jumbo Mortgage Loan*” means a conventional Mortgage Loan that would otherwise be an Agency Conforming Mortgage Loan (and is not an FHA or VA Mortgage Loan) secured by a first Lien Mortgage except that the original principal amount is more than the maximum Agency loan amount but not more than One Million Dollars (\$1,000,000).

“*Jumbo Mortgage Loans Sublimit*” is defined in the table in Section 4.2.

“*Law*” means any law, statute, code, ordinance, order, rule, regulation, judgment, decree, injunction, franchise, permit, certificate, license, authorization or other determination, direction or requirement (including any of the foregoing which relate to environmental standards or controls, energy regulations and occupational safety and health standards or controls) of any (domestic or foreign) arbitrator, court or other Governmental Authority.

“*Lien*” means any lien, mortgage, deed of trust, pledge, security interest, charge or encumbrance of any kind (including any conditional sale or other title retention agreement, any lease in the nature thereof and any agreement to give any security interest.)

“*Liquidity*” means the sum of Seller’s unencumbered and unrestricted cash and Cash Equivalents (including any amounts held in the Operating Account or Income Account), plus the unused revolving availability under this Agreement, calculated as the lesser of (i) the amount by which the aggregate Purchase Value of all Purchased Loans at such time exceeds the aggregate Purchase Price outstanding for all Open Transactions at such time and (ii) the amount by which the

Maximum Aggregate Commitment exceeds the aggregate Purchase Price outstanding for all Open Transactions at such time.

“*Loan Papers*” means the Mortgage Note and all of the other papers related to the establishment of a Purchased Loan and the creation, perfection and maintenance of its lien and lien priority for such Purchased Loan, including its Basic Papers and its Supplemental Papers and including any papers securing, guaranteeing or otherwise related to or delivered in connection with any Purchased Loan, in a form acceptable to the Agent (including any guaranties, lien priority agreements, security agreements, mortgages, deeds of trust, collateral assignments of the Seller’s interest in underlying obligations or security, subordination agreements, negative pledge agreements, loan agreements and title, mortgage, pool and casualty insurance policies), as any such Loan Paper may be supplemented, amended, restated or replaced from time to time.

“*Loan Records*” means, to the extent related to the Purchased Loans, books, records, ledger cards, files, papers, documents, instruments, certificates, appraisal reports, journals, reports, correspondence, customer lists, information and data that describes, catalogs or lists such information or data, computer printouts, Media, and similar items that at any time evidence or contain information relating to any of the Purchased Loans, and other information and data that is used or useful for managing and administering the Purchased Loans; notwithstanding the foregoing, to the extent any Media contains both data or other information related to the Purchased Loans and data or other information unrelated to the Purchased Loans, upon receipt by the Agent of any and all data, reports or other information related to the Purchased Loans that is stored on or available from such Media, such Media shall no longer be considered a Loan Record.

“*Location*” means, with respect to an eNote, the location of such eNote which is established by reference to the MERS eRegistry.

“*Margin Call*” is defined in Section 6.1(a).

“*Margin Deficit*” is defined in Section 6.1(a).

“*Margin Excess*” is defined in Section 6.1(b).

“*Margin Stock*” has the meaning assigned to that term in Regulation U as in effect from time to time.

“*Market Value*” means what the Agent determines as the market value of any Purchased Loan, using a commercially reasonable methodology that is, in the Agent’s sole discretion, in accordance with standards customarily applicable in the financial industry to third party service providers providing values on comparable assets to be used in connection with the financing of such assets, without reference to Hedge Agreements or takeout commitments. The Agent’s determination of Market Value hereunder shall be conclusive and binding upon the parties, absent manifest error.

“*Maximum Aggregate Commitment*” means the maximum Aggregate Outstanding Purchase Price that is allowed to be outstanding under this Agreement on any day, being the amount set forth in Schedule BC in effect for that day. The Maximum Aggregate Commitment on the Effective Date is One Hundred Fifty Million Dollars (\$150,000,000).

“*MBS*” means a mortgage pass-through security, collateralized mortgage obligation, REMIC or other security that (i) is based on and backed by an underlying pool of Mortgage Loans and (ii) provides for payment by its issuer to its holder of specified principal installments and/or a fixed or floating rate of interest on the unpaid balance and for all prepayments to be passed through to the holder, whether issued in certificated or book-entry form and whether or not issued, guaranteed, insured or bonded by an Agency, an insurance company, a private issuer or any other investor.

“*Media*” means tapes, discs, cards, drives, flash memory or any other kind of physical, electronic or virtual data or information storage media or systems, including without limitation cloud storage systems, and related data processing software (subject to any licensing restrictions).

“*MERS*” means Mortgage Electronic Registration Systems, Inc., a Delaware corporation, or its successors or assigns.

“*MERS Designated Loan*” means a Purchased Loan registered to the Seller on the MERS® System.

“*MERS eRegistry*” means the electronic registry operated by the Electronic Agent that acts as the legal system of record that identifies the Controller, Delegatee and Location of the Authoritative Copy of registered eNotes.

“*MERS Procedures Manual*” means the MERS Procedures Manual, as it may be amended from time to time.

“*MERS® System*” means the Electronic Agent’s mortgage electronic registry system, as more particularly described in the MERS Procedures Manual.

“*Mortgage*” means a mortgage, deed of trust, deed to secure debt, security deed or other mortgage instrument or similar evidence of lien legally effective in the U.S. jurisdiction where the relevant real property is located to create and constitute a valid and enforceable Lien, subject only to Permitted Encumbrances, on the fee simple or long term ground leasehold estate in improved real property.

“*Mortgage Assignment*” means an assignment of a Mortgage, in form sufficient under the Laws of the U.S. jurisdiction where the real property covered by such Mortgage is located to give record notice of the assignment of such Mortgage, perfect the assignment and establish its priority relative to other transactions in respect of the Mortgage assigned (no Mortgage Assignment is required for any Mortgage that has been originated in the name of MERS and registered under the MERS® System).

“*Mortgage Loan*” means any loan evidenced by a Mortgage Note and includes all right, title and interest of the lender or mortgagee of such loan as a holder of both the beneficial and legal title to such loan, including (i) all Loan Papers or other loan documents, files and records of the lender or mortgagee for such loan, (ii) the monthly payments, any prepayments, insurance and other proceeds, (iii) all Servicing Rights related to such loan and (iv) all other rights, interests, benefits, security, proceeds, remedies and claims (including, without limitation, REO) in favor or for the benefit of the lender or mortgagee arising out of or in connection with such loan.

“*Mortgage Loan (USBHM)*” means a Mortgage Loan that is committed to be sold, and is sold, to USBHM under an Investor Commitment.

“*Mortgage Loan Transmission File*” means a file containing all information concerning each Mortgage Loan required by the “*Record Layout*”, as defined and provided for in (and attached as an exhibit to) the Custody Agreement, one of which shall be delivered by the Seller to each of the Custodian and the Agent for each Purchased Loan on its Purchase Date, both by electronic, computer readable transmission in accordance with such *Record Layout* and, in the event such electronic transmission is not possible, by faxing a hard copy thereof to each of the Custodian and the Agent.

“*Mortgage Note*” means a promissory note secured by a Mortgage, including, without limitation, eNotes.

“*Mortgaged Premises*” means the Property securing a Mortgage Loan.

“*Multiemployer Plan*” means any “multiemployer plan”, as defined in Section 4001(a)(3) of ERISA, which is maintained for employees of the Seller or any of the Seller’s Subsidiaries.

“*New York Banking Day*” means any day (other than a Saturday or Sunday) on which commercial banks are open for business in New York, New York.

“*Non-U.S. Buyer*” is defined in Section 7.4.

“*Non-Usage Fee*” is defined in Section 9.1.

“*Notices*” is defined in Section 23.

“*Obligations*” means all of the Seller’s present and future obligations and liabilities under this Agreement or any of the other Repurchase Documents, whether for Repurchase Price, Price Differential, Margin Call, premium, fees, costs, attorneys’ fees or other obligation or liability, and whether absolute or contingent, and all renewals, extensions, modifications and increases of any of them.

“*OFAC*” means the U.S. Department of the Treasury’s Office of Foreign Assets Control, and any successor thereto.

“*Officer’s Certificate*” means a certificate executed on behalf of the Seller or another relevant Person by its (or if it is a partnership, its general partner’s) Board of Directors’ Chairman (or if it is a limited liability company, one of its managers), president, chief financial officer, treasurer, any of its executive vice presidents or senior vice presidents, its company secretary, its controller or such other officer as shall be acceptable to the Agent.

“*Open Transaction*” means a Transaction in which the Buyers have purchased and paid for the related Purchased Loans but the Seller has not repurchased all of them, such that the remaining Purchased Loans not repurchased by the Seller of the subject Transaction would be an Open Transaction.

“*Operating Account*” means the Seller’s non-interest bearing demand deposit account no. xxxx-xxxx-4589 maintained with U.S. Bank, subject to a control agreement in favor of the Agent and from which the Agent is authorized pursuant to Section 3.6 to withdraw funds on any day in an amount equal to the aggregate Repurchase Prices of all Purchased Loans that are Past Due on that day. The Operating Account shall be subject to setoff by the Agent for Pro Rata distribution to the Buyers and, upon the occurrence and during the continuance of a Default or Event of Default, the Agent may also terminate Seller’s right to withdraw, or direct the payment of, funds except funds in excess of those necessary to pay the Obligations in full.

“*Organizational Documents*” means as to any Person other than a natural Person, its articles or certificate of incorporation, organization, limited partnership or other document filed with a Governmental Authority evidencing the organization of such entity and any bylaws, operating agreement or other governance document governing the rights of the holders of the ownership interests in such Person.

“*Other Taxes*” is defined in Section 7.2.

“*Parent*” means NVR, Inc., a Virginia corporation.

“*Parent Subordinated Note*” means the “Amended and Restated Subordinated Note” dated as of July 25, 2011, given by the Seller to the Parent, in the principal amount of \$600,000,000, in form and substance satisfactory to the Agent.

“*Participant*” is defined in Section 22.17(a).

“*Past Due*” means that the Seller has not repurchased the subject Purchased Loan on or before its Repurchase Date.

“*PATRIOT Act*” means the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001, codified as 31 U.S.C. Section 5318)), as amended from time to time, and any successor statute.

“*Permitted Encumbrances*” means, in respect of the Mortgaged Premises securing a Purchased Loan, (i) tax Liens for real property taxes and government-improvement assessments that are not delinquent; (ii) easements and restrictions that do not materially and adversely affect the title to or marketability of such Mortgaged Premises or prohibit or interfere with the use of such Mortgaged Premises as a one-to-four family residential dwelling; (iii) reservations as to oil, gas or mineral rights, provided such rights do not include the right to remove buildings or other material improvements on or near the surface of such Mortgaged Premises or to mine or drill on the surface thereof or otherwise enter the surface for purposes of mining, drilling or exploring for, or producing, transporting or otherwise handling oil, gas or other minerals of any kind; (iv) agreements for the installation, maintenance or repair of public utilities, provided such agreements do not create or evidence Liens on such Mortgaged Premises or authorize or permit any Person to file or acquire claims of Liens against such Mortgaged Premises; and (v) such other exceptions (if any) as are acceptable under relevant Agency guidelines; provided that any encumbrance that is not permitted pursuant to the standards of any relevant Investor Commitment by which the subject Purchased Loan is covered shall not be a Permitted Encumbrance.

“*Permitted Intercompany Payables*” means amounts due to Affiliates of Seller in respect of the Parent Subordinated Note and Permitted Intercompany Transactions.

“*Permitted Intercompany Transactions*” means transactions with Affiliates of Seller (i) which comply in all respects with Section 17.7 and are identified on Schedule 15.2(t), and (ii) with respect to which the aggregate consideration paid by Seller in any month does not exceed the amount of each type of transaction set forth on Schedule 15.2(t).

“*Person*” means and includes natural persons, corporations, limited liability companies, limited partnerships, registered limited liability partnerships, general partnerships, joint stock companies, joint ventures, associations, companies, trusts, banks, trust companies, land trusts, business trusts or other organizations, whether or not legal entities, and governments and agencies and political subdivisions of them.

“*Plan Party*” is defined in Section 32.1.

“*Pre-FAS 133 Net Income*” means the Seller’s after-tax consolidated income, calculated in accordance with GAAP but excluding the effect of the fair value adjustment for derivative instruments and mortgage loans held for sale.

“*Price Differential*” means, with respect to any Transaction hereunder for any day, the aggregate amount obtained by multiplication of the Pricing Rate for each day by the Purchase Price for such Transaction, based on a year of three hundred sixty (360) days 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 date of determination, reduced by any such amount previously paid by the Seller to the Agent (for Pro Rata distribution to the Buyers) with respect to such Transaction.

“*Pricing Rate*” means the Daily Reset Term SOFR Rate plus the SOFR Margin (or, if applicable, the alternate rate determined under Section 6.7) or the Default Pricing Rate, as determined under this Agreement

“*Principal Balance*” means, for any day, the advanced and unpaid principal balance of a Purchased Loan on that day.

“*Privacy Requirements*” means (a) Title V of the Gramm-Leach-Bliley Act, 15 U.S.C. 6801 et seq. (as amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act), (b) the Dodd-Frank Wall Street Reform and Consumer Protection Act, including without limitation 12 U.S.C. 5512, (c) the federal regulations at 12 C.F.R. Part 1016, (d) the Interagency Guidelines Establishing Information Security Standards at 12 C.F.R. Appendix B to Part 30, and (e) any other applicable federal, state and local laws, rules, regulations and orders relating to the privacy and security of Seller’s Customer Information, as such statutes, regulations, guidelines, laws, rules and orders may be amended from time to time.

“*Pro Rata*” means in accordance with the Buyers’ respective ownership interests in the Purchased Loans. On any day, the Buyers will each own an undivided fractional ownership interest in and to each Purchased Loan:

- (i) if the Commitments of the Buyers are outstanding on that day, (x) whose numerator is that Buyer’s Committed Sum for that day and (y) whose denominator is the Maximum Aggregate Commitment for that day; or
- (ii) if the Commitments have expired or have been terminated and have not been reinstated, (x) whose numerator is the aggregate sum of the portions of the Purchase Prices paid by that Buyer in all Transactions outstanding on that day and (y) whose denominator is the aggregate sum of the Purchase Prices paid by all Buyers in all such Transactions outstanding on the day;

subject to adjustment as provided in Section 3.9.

“*Property*” means any interest of a Person in any kind of property, whether real, personal or mixed, tangible or intangible, including the Mortgage Loans.

“*Purchase Date*” means, for any Transaction, the date on which the Seller is to convey the subject Purchased Loans to the Buyers.

“*Purchase Price*” means (i) on the relevant Purchase Date, the price at which the Purchased Loans in a Transaction are sold by the Seller to the Buyers, such price being the Purchased Loans’ initial Purchase Value, and (ii) thereafter, except where the Agent and the Seller agree otherwise, such Purchased Loans’ Purchase Value decreased by the amount of any cash transferred in respect of such Purchased Loans (as determined by the Agent) by the Seller to the Agent pursuant to Sections 3.4 and 6.1 (absent manifest error, the Agent’s determination of for which Transaction(s) cash was transferred by the Seller to the Agent shall be conclusive and binding).

“*Purchase Price Decrease*” means a reduction in the outstanding Purchase Price for Purchased Loans without a termination of a Transaction or portion thereof as described in Section 3.4(d).

“*Purchase Value*” means the lesser of (a) (x) the Buyers' Margin Percentage for a Purchased Loan multiplied by (y) the least of:

- (i) the face principal amount of the related Mortgage Note;
- (ii) the unpaid Principal Balance of such Purchased Loan;
- (iii) the price to be paid for such Purchased Loan under an Investor Commitment or the weighted average price under unused Investor Commitments into which such Purchased Loan is eligible for delivery;
- (iv) the Seller's origination or acquisition price for such Purchased Loan; and
- (v) Market Value of such Purchased Loan as solely determined by the Agent.

and (b) at the discretion of the Agent, ninety-five percent (95%) of the Market Value of such Purchased Loan; provided, that (1) the Purchase Value for Purchased Loans in excess of the sub limits set forth in Section 4.2 shall be zero and, (2) the Purchase Value for any Purchased Loan which is not an Eligible Loan shall be zero.

“*Purchased Loans*” means the Eligible Loans sold by the Seller to the Buyers in Transactions, and any Eligible Loans substituted therefor in accordance with Section 11. The term “Purchased Loans” with respect to any Transaction at any time shall also include Additional Purchased Loans delivered pursuant to Section 6.1.

“*Purchased Loans Curtailment Report*” means a written report from the Seller to the Agent, attached to the compliance certificate in the form of Exhibit B, listing Purchased Loans on which an unscheduled principal payment, prepayment or reduction of more than an amount equal to one regularly scheduled principal and interest installment payment was made in the preceding month, and their resulting new Principal Balances.

“*Purchased Loans Support*” means all property (real or personal) assigned, hypothecated or otherwise securing any Purchased Loans and includes any security agreement or other agreement granting a lien or security interest in such real or personal property, including:

- (1) all Loan Papers, whether now owned or hereafter acquired, related to, and all private mortgage insurance on, any Purchased Loans, and all renewals, extensions, modifications and replacements of any of them;
- (2) all rights, liens, security interests, guarantees, insurance agreements and assignments accruing or to accrue to the benefit of the Seller in respect of any Purchased Loan;
- (3) all of the Seller's rights, powers, privileges, benefits and remedies under each and every paper now or hereafter securing, insuring, guaranteeing or otherwise relating to or delivered in connection with any Purchased Loan, including all guaranties, lien priority agreements, security agreements, deeds of trust, Purchased Loans assignments, subordination agreements, intercreditor agreements, negative pledge agreements, loan agreements, management agreements, development agreements, design professional agreements, payment, performance or completion bonds, title and casualty insurance policies and mortgage guaranty or insurance contracts;
- (4) all of the Seller's rights, to the extent assignable, in, to and under any and all commitments issued by (i) an Agency, any other investor or any Buyer or securities issuer to

guarantee, purchase or invest in any of the Purchased Loans or any MBS based on or backed by any of them or (ii) any broker or investor to purchase any MBS, whether evidenced by book entry or certificate, representing or secured by any interest in any of the Purchased Loans, together with the proceeds arising from or pursuant to any and all such commitments;

(5) all rights under every Hazard Insurance Policy relating to real estate securing a Purchased Loan for the benefit of the creditor of such Purchased Loan, the proceeds of all errors and omissions insurance policies and all rights under any blanket hazard insurance policies to the extent they relate to any Purchased Loan or its security and all hazard insurance or condemnation proceeds paid or payable with respect to any of the Purchased Loans and/or any of the property securing payment of any of the Purchased Loans or covered by any related instrument;

(6) all present and future claims and rights of the Seller to have, demand, receive, recover, obtain and retain payments from, and all proceeds of any nature paid or payable by, any governmental, quasi-governmental or private mortgage guarantor or insurer (including VA, FHA or any other Person) with respect to any of the Purchased Loans; and

all tax, insurance, maintenance fee and other escrow deposits or payments made by the Customers under such Purchased Loans (the Agent and the Buyers acknowledge that the Seller's rights in such deposits are limited to the rights of an escrow agent and such other rights, if any, in and to such deposits as are accorded by the Purchased Loans and related papers) and all monies, accounts, deposit accounts, payment intangibles and general intangibles, however designated or maintained, constituting or representing so-called "completion escrow" funds or "holdbacks", and being Purchased Loans' proceeds recorded as disbursed but that have not been paid over to the seller of the subject Mortgaged Premises (the purchase of which is financed by such Purchased Loan), but that are instead being held by the Seller or by a third party escrow agent pending completion of specified improvements or landscaping requirements for such Mortgaged Premises.

"*Qualified Subordinated Debt*" means Debt of the Seller to any Person which has been approved by the Agent and the Required Buyers, (i) the papers evidencing, securing, governing or otherwise related to which Debt impose covenants and conditions on the debtor under them that are no more restrictive or onerous than the covenants and conditions imposed on the Seller by this Agreement, (ii) that is subordinated to the Obligations pursuant to a currently effective and irrevocable Subordination Agreement, including standstill and blockage provisions, approved by the Agent and the Required Buyers, (iii) the principal of which is not due and payable before ninety (90) days after the date specified in clause (i) of the definition of "Termination Date" and (iv) which does not permit funds to be reborrowed after repayment.

"*Recourse Servicing*" means Servicing Rights under a Servicing Agreement with respect to which the Servicer is obligated to repurchase or indemnify the holder of the related Mortgage Loans in respect of defaults on such Mortgage Loans at any time during the term of such Mortgage Loans.

"*Register*" is defined in Section 22.17(c).

"*Regulation T*" means Regulation T promulgated by the Board of Governors of the Federal Reserve System, 12 C.F.R. Part 220, or any other regulation when promulgated to replace the prior Regulation T and having substantially the same function.

"*Regulation U*" means Regulation U promulgated by the Board of Governors of the Federal Reserve System, 12 C.F.R. Part 221, or any other regulation when promulgated to replace the prior Regulation U and having substantially the same function.

“*REO*” means real property improved by a one-, two-, three- or four-family residence, owned following judicial or nonjudicial foreclosure (or conveyance by deed in lieu of foreclosure) of a Mortgage securing a Single-family Loan.

“*Repurchase Date*” means the date on which Seller is to repurchase Purchased Loans from the Buyers, being the earlier of (i) the date when an Approved Investor is to purchase such Purchased Loans, and (ii) any date determined by application of the provisions of Section 3.4 or 18.

“*Repurchase Documents*” means and includes this Agreement, the Custody Agreement, any financing statements or other papers now or hereafter authorized, executed or issued pursuant to this Agreement, and any renewal, extension, rearrangement, increase, supplement, modification or restatement of any of them.

“*Repurchase Price*” means the price at which Purchased Loans are to be resold by the Buyers to the Seller upon termination of a Transaction (including Transactions terminable upon demand), which will be determined in each case as the sum of (x) the Purchase Price and (y) the Price Differential as of the date of such determination.

“*Request/Confirmation*” means letters substantially in the form of Exhibit A, delivered pursuant to Section 3.1 and their related Mortgage Transmission Files.

“*Required Buyers*” means, for any day, Buyers (a) whose Commitments comprise at least sixty-six and two-thirds percent (66-2/3%) of the Maximum Aggregate Commitment under this Agreement, or (b) who own at least sixty-six and two-thirds percent (66-2/3%) of the Purchased Loans owned by the Buyers on that day if on or before that day the Commitments have expired or have been terminated and have not been reinstated; provided that at any time when there are three or fewer Buyers party to this Agreement, “Required Buyers” shall mean two Buyers (or if there is only one Buyer, that Buyer).

“*Rural Development Guaranteed Housing Loans*” means Mortgage Loans that are guaranteed or provided under the USDA Rural Development program.

“*Rural Development Housing Loans Sublimit*” is defined in the table in Section 4.2.

“*Sanctions*” means sanctions administered or enforced from time to time by the U.S. government, including those administered by OFAC, the U.S. Department of State, the United Nations Security Council, the European Union, Her Majesty’s Treasury or other relevant sanctions authority.

“*Securities Custody Agreement*” means the Custody and Control Agreement dated as of November 13, 2012, among the Agent, the Seller, and U.S. Bank, as custodian, as amended, restated, supplemented, or otherwise modified from time to time.

“*Seller’s Customer*” means any natural person who has applied to the Seller for a financial product or service, has obtained any financial product or service from the Seller or has a Mortgage Loan that is serviced or subserviced by the Seller.

“*Seller’s Customer Information*” means any information or records in any form (written, electronic or otherwise) containing a Seller’s Customer’s personal information or identity, including such Seller’s Customer’s name, address, telephone number, loan number, loan payment history, delinquency status, insurance carrier or payment information, tax amount or payment information and the fact that such Seller’s Customer has a relationship with the Seller.

“*Servicer*” means, initially the Seller, and upon termination of the Seller’s right to service the Purchase Loans pursuant to the provisions of Section 19.7, the Backup Servicer or such other Person (including the Agent) as the Agent may appoint as Servicer.

“*Servicing Agent*” means, with respect to an eNote, the Person identified in the field entitled “Servicing Agent” in the MERS eRegistry.

“*Servicing Agreement*” means, with respect to any Person, the arrangement, whether or not in writing, pursuant to which that Person acts as servicer of Mortgage Loans, whether owned by that Person or by others.

“*Servicing Functions*” means, with respect to the servicing of Mortgage Loans, the collection of payments for the reduction of principal and application of interest, collection of amounts held or to be held in escrow for payment of taxes, insurance and other escrow items and payment of such taxes and insurance from amounts so collected, foreclosure services, and all other actions required to conform with Accepted Servicing Practices.

“*Servicing Rights*” means the rights and obligations to administer and service a Mortgage Loan, including, without limitation, the rights and obligations to: ensure the taxes and insurance are paid, provide foreclosure services, provide full escrow administration and perform any other obligations required by any owner of a Mortgage Loan, collect the payments for the reduction of principal and application of interest, and manage and remit collected payments.

“*Settlement Account*” means the Seller’s non-interest bearing demand deposit account number xxxx-xxxx-4357 maintained with U.S. Bank, to be used for (a) the Agent’s and the Buyers’ deposits of Purchase Price payments for Purchased Loans (b) any principal payments received by the Agent or the Custodian (other than regular principal and interest payments) on any Purchased Loans; (c) the Agent’s deposit of Repurchase Price payments received from the Seller or from an Approved Investor for the Seller’s account for distribution to the Buyers, (d) proceeds of the sale of any MBS deposited pursuant to the Securities Custody Agreement, and (e) only if and when (i) no Default has occurred unless it has been either cured by the Seller or waived in writing by the Agent (acting with the requisite consent of the Buyers as provided in this Agreement) and (ii) no Event of Default has occurred unless the Agent has declared in writing that it has been cured or waived, transfer to the Operating Account of proceeds of sales or other dispositions of Purchased Loans to an Approved Investor in excess (if any) of the Repurchase Price of such Purchased Loan. The Settlement Account is (and shall continuously constitute) collateral for the Obligations. The Settlement Account shall be subject to setoff by the Agent for Pro Rata distribution to the Buyers. The Settlement Account shall be a blocked account from which the Seller shall have no right to directly withdraw funds, but instead such funds may be withdrawn or paid out only against the order of an authorized officer of the Agent (acting with the requisite consent of the Buyers as provided herein), although under the circumstances described in clause (e) of the preceding sentence and subject to the conditions specified in that clause, the Agent shall use diligent and reasonable efforts to cause amounts in excess of the applicable Repurchase Prices that are deposited to the Settlement Account (i) before 2:00 p.m. on a Business Day to be transferred to the Operating Account on that same Business Day or on the Business Day thereafter when the Agent next determines the Buyers’ Pro Rata shares of such Purchase Price payment amounts or Repurchase Prices received and (ii) after 2:00 p.m. on a Business Day to be transferred to the Operating Account on the Business Day thereafter when the Agent next determines the Buyers’ Pro Rata shares of such Purchase Price payment amounts or Repurchase Prices received.

“*Single-family Loan*” means a Mortgage Loan that is secured by a Mortgage covering real property improved by a one-, two-, three- or four-family residence.

“*SIPA*” means the Securities Investors Protection Act of 1970, 15 U.S.C. §78a *et. seq.*, as amended.

“*SOFR*” means the secured overnight financing rate which is published by the Board or any committee convened by the Board and available at www.newyorkfed.org.

“*SOFR Margin*” means 1.70%.

“*Solvent*” means, for any Person, that (a) the fair market value of its assets exceeds its liabilities, (b) it has sufficient cash flow to enable it to pay its debts as they mature, and (c) it does not have unreasonably small capital to conduct its business.

“*State Housing Bond Mortgage Loan*” means a Single-family residential Mortgage Loan secured by a first Lien against the related Mortgaged Property that is eligible for sale to an Approved Investor in conjunction with a state or municipal housing bond program with proceeds from bonds that have already been issued.

“*State Housing Bond Mortgage Loan Sublimit*” is defined in [Section 4.2\(c\)](#).

“*Statement Date*” means December 31, 2021.

“*Statement Date Financial Statements*” is defined in [Section 15.2\(f\)](#).

“*Sublimit*” means one or more (as the context requires) of the sublimits described in [Section 4.2](#).

“*Subordination Agreement*” means a written subordination agreement in form and substance satisfactory to and approved by the Agent and the Required Buyers that subordinates (x) all present and future debts and obligations owing by the Seller to the Person signing such subordination agreement to (y) the Obligations, in both right of payment and lien priority, including standstill and blockage provisions approved by the Agent and the Required Buyers.

“*Subservicer*” means any entity permitted by Agent to act as a subservicer of the Servicer who shall perform Servicing Functions under a Subservicer Instruction Letter.

“*Subservicer Instruction Letter*” means an instruction letter to a Subservicer in form and substance agreed to by Seller and Agent.

“*Subsidiary*” means any corporation, association or other business entity (including a trust) in which any Person (directly or through one or more other Subsidiaries or other types of intermediaries), owns or controls:

(a) more than fifty percent (50%) of the total voting power or shares of stock entitled to vote in the election of its directors, managers or trustees; or

(b) more than ninety percent (90%) of the total assets and more than ninety percent (90%) of the total equity through the ownership of capital stock (which may be non-voting) or a similar device or indicia of equity ownership.

“*Super Jumbo Mortgage Loan*” means a conventional Mortgage Loan that would otherwise be an Agency Conforming Mortgage Loan (and is not an FHA or VA Mortgage Loan) secured by a first Lien Mortgage except that the original principal amount is greater than One Million Dollars (\$1,000,000) but not more than Two Million Dollars (\$2,000,000).

“*Supplemental Papers*” means the Loan Papers for a particular Loan other than its Basic Papers.

“*Tax Allocation Agreement*” means that certain Second Amended and Restated Tax Allocation Agreement dated as of December 14, 1999, among the Parent, Seller and certain Affiliates of Seller, a true and correct copy of which has been furnished to the Agent.

“*Taxes*” means any and all present or future taxes, duties, levies, imposts, deductions, charges or withholdings, and any and all liabilities with respect to the foregoing, but excluding Excluded Taxes and Other Taxes.

“*Term SOFR*” means a forward-looking term rate based on SOFR and recommended by the Board.

“*Term SOFR Administrator’s Website*” means the website or any successor source for Term SOFR identified by CME Group Benchmark Administration Ltd. (or a successor administrator of Term SOFR). As of the Effective Date, the current website is: <https://www.cmegroup.com/market-data/cme-group-benchmark-administration/term-sofr>

“*Term SOFR Tranche*” means a portion of the outstanding Purchase Price on Open Transactions on which the Pricing Rate is determined by reference to the Daily Reset Term SOFR Rate.

“*Termination Date*” means the earlier of (i) July 19, 2023, and (ii) the date when the Buyers’ Commitments are terminated pursuant to this Agreement, by order of any Governmental Authority or by operation of law.

“*Total Liabilities*” means all liabilities of the Seller and its Subsidiaries, including nonrecourse debt, and also including all contingent liabilities and obligations (including Recourse Servicing, recourse sale and other recourse obligations, and guaranty, indemnity and mortgage loan repurchase obligations), in each case as are reflected on the Seller’s consolidated balance sheet as liabilities in accordance with GAAP; but excluding Qualified Subordinated Debt.

“*Trade Settlement Account*” means the Account, as defined in the Securities Custody Agreement.

“*Transaction*” is defined in the Recitals.

“*Transfer of Control*” means, with respect to an eNote, a MERS eRegistry transfer transaction used to request a change to the current Controller of such eNote.

“*Transfer of Location*” means, with respect to an eNote, a MERS eRegistry transfer transaction used to request a change to the current Location of such eNote.

“*Transferable Record*” means an Electronic Record under E-Sign and UETA that (i) would be a note under the Uniform Commercial Code if the Electronic Record were in writing, (ii) the issuer of the Electronic Record has expressly agreed is a “transferable record”, and (iii) for purposes of E-Sign, relates to a loan secured by real property.

“*UCC*” means the Uniform Commercial Code or similar Laws of the applicable jurisdiction, as amended from time to time.

“*UETA*” means the Uniform Electronic Transactions Act as in effect in the State of New York, as amended from time to time, and any successor statute, and any regulations promulgated thereunder from time to time.

“*USBHM*” means the U.S. Bank Home Mortgage division of the Agent.

“*USDA*” means the United States Department of Agriculture.

“*VA*” means the Department of Veterans Affairs and any successor.

“*Wet Loan*” means a Purchased Loan originated and owned by the Seller immediately prior to being purchased by the Buyers:

(a) that has been closed on or prior to the Business Day on which the Purchase Price is paid therefor, by a title agency or closing attorney, and that would qualify as an Eligible Loan except that some or all of its Basic Papers are in transit to, but have not yet been received by, the Custodian so as to satisfy all requirements to permit the Seller to sell it pursuant to this Agreement without restriction;

(b) that the Seller reasonably expects to fully qualify as an Eligible Loan when the original Basic Papers have been received by the Custodian;

(c) as to which the Seller actually and reasonably expects that such full qualification can and will be achieved on or before five (5) Business Days after the relevant Purchase Date;

(d) as to which no portion of the principal amount has been or will be funded by any person other than the Seller and the Buyers; and

(e) for which the Seller has delivered to the Custodian a Mortgage Loan Transmission File on or before the Purchase Date, submission of which shall constitute the Seller’s certification that a complete File as to such Purchased Loan, including the Basic Papers, exists and that such File is in the possession of either the title agent or closing attorney that closed such Purchased Loan, the Seller or that such File has been or will be shipped to the Custodian.

Each Wet Loan that satisfies the foregoing requirements shall be an Eligible Loan subject to the condition subsequent of physical delivery of its Mortgage Note, Mortgage and all other Basic Papers, to the Custodian on or before five (5) Business Days after the relevant Purchase Date. Each Wet Loan sold by the Seller shall be irrevocably deemed purchased by the Buyers and shall automatically become a Purchased Loan effective on the date of the related Transaction, and the Seller shall take all steps necessary or appropriate to cause the sale to the Buyers and delivery to the Custodian of such Wet Loan and its Basic Papers to be completed, perfected and continued in all respects, including causing the original promissory note evidencing such Purchased Loan to be physically delivered to the Custodian within five (5) Business Days after the relevant Purchase Date, and, if requested by the Buyer, to give written notice to any title agent, closing attorney or other Person in possession of the Basic Papers for such Purchased Loan of the Buyers’ purchase of such Purchased Loan. Upon the Custodian’s receipt of the Basic Papers relative to a Wet Loan such Purchased Loan shall no longer be considered a Wet Loan.

“*Wet Loans Sublimit*” is defined in [Section 4.2](#).

1.3. *Other Definitional Provisions.* Accounting terms not otherwise defined shall have the meanings given them under GAAP.

(a) Defined terms may be used in the singular or the plural, as the context requires.

(b) Except where otherwise specified, all times of day used in the Repurchase Documents are local (U.S. Central Time Zone) times in Minneapolis, Minnesota.

(c) Unless the context plainly otherwise requires (e.g., if preceded by the word “not”), wherever the word “including” or a similar word is used in the Repurchase

Documents, it shall be read as if it were written, “including by way of example but without in any way limiting the generality of the foregoing concept or description”.

(d) Unless the context plainly otherwise requires, wherever the term “Agent” is used in this Agreement (excluding Section 22), it shall be read as if it were written “the Agent (as agent and representative of the Buyers)”.

1.4. *Divisions.* For all purposes under the Repurchase Documents, in connection with any division or plan of division under Delaware law (or any comparable event under a different jurisdiction’s laws): (a) if any asset, right, obligation or liability of any Person becomes the asset, right, obligation or liability of a different Person, then it shall be deemed to have been transferred from the original Person to the subsequent Person, and (b) if any new Person comes into existence, such new Person shall be deemed to have been organized on the first date of its existence by the holders of its equity interests at such time.

2 The Buyers’ Commitments.

2.1. *The Buyers’ Commitments to Purchase.* Subject to the terms and conditions of this Agreement and provided no Default or Event of Default has occurred that the Agent has not declared in writing to have been cured or waived (or, if one has occurred and not been so declared cured or waived, if all of the Buyers, in their sole discretion and with or without waiving such Default or Event of Default, have elected in writing that Transactions under this Agreement shall continue nonetheless), the Buyers agree to make revolving purchases of Eligible Loans on a servicing released basis through the Termination Date, so long as the Aggregate Outstanding Purchase Price does not exceed the Maximum Aggregate Commitment and so long as each Buyer’s Committed Sum is not exceeded. The Buyers’ respective Committed Sums and the Maximum Aggregate Commitment are set forth on Schedule BC in effect at the relevant time, as it may have been amended or restated pursuant to this Agreement. The fractions to be applied to determine the respective Funding Shares of the Buyers for any day are their respective Committed Sums divided by the Maximum Aggregate Commitment for that day. Each Buyer shall be obligated to fund only that Buyer’s own Funding Share of any Transaction requested, and no Buyer shall be obligated to the Seller or any other Buyer to fund a greater share of any Transaction. No Buyer shall be excused from funding its applicable Funding Share of any Transaction merely because any other Buyer has failed or refused to fund its relevant Funding Share of that or any other Transaction. If any Buyer fails to fund its Funding Share of any Transaction, the Agent (in its sole and absolute discretion) may choose to fund the amount that such Defaulting Buyer failed or refused to fund, or the Agent as a Buyer and the other Buyers who are willing to do so shall have the right (but no obligation) to do so in the proportion that the Committed Sum of each bears to the total Committed Sums of all Buyers that have funded (or are funding) their own Funding Shares of that Transaction and that are willing to fund part of the Funding Share of such Defaulting Buyer. Should the Agent and/or any other Buyer(s) fund any or all of the Defaulting Buyer’s Funding Share of any Transaction, then the Defaulting Buyer shall have the obligation to deliver such amount to the Agent (for distribution to the Buyer(s) who funded it) in immediately available funds on the next Business Day. Regardless of whether the other Buyers fund the Funding Share of the Defaulting Buyer, the respective ownership interests of the Buyers in the Transaction shall be adjusted as provided in the definition of “Pro Rata”. The obligations of Buyers hereunder are several and not joint.

2.2. *Expiration or Termination of the Commitments.* Unless extended in writing or terminated earlier in accordance with this Agreement, the Buyers’ Commitments shall automatically expire at the close of business on the Termination Date, without any requirement for notice or any other action by the Agent, any of the Buyers or any other Person.

2.3. *Optional Reduction or Termination of Buyers’ Commitments.* The Seller may, at any time, without premium or penalty, upon not less than ten (10) Business Days prior written notice to

the Agent, reduce or terminate the Maximum Aggregate Commitment, ratably, with any such reduction in a minimum aggregate amount for all the Buyers of Five Million Dollars (\$5,000,000), or, if more, in an integral multiple of Five Million Dollars (\$5,000,000); provided, however, that (i) the Seller may reduce the Maximum Aggregate Commitment no more than once each calendar quarter, (ii) at no time may the Aggregate Outstanding Purchase Price exceed the Maximum Aggregate Commitment after giving effect to any such reduction and, (iii) unless terminated in full, the Maximum Aggregate Commitment shall not be reduced to less than Twenty-Five Million Dollars (\$25,000,000). Upon termination of the Buyers' Commitments pursuant to this Section 2, the Seller shall pay to the Agent for the ratable benefit of the Buyers the full amount of all outstanding Obligations under the Repurchase Documents.

3 Initiation; Termination

3.1. Seller Request; Agent Confirmation.

(a)

(1) Any request to enter into a Transaction shall be made by notice to the Agent at the initiation of the Seller. To request a Transaction, the Seller shall provide the Agent and Custodian with a Mortgage Loan Transmission File for each of the Eligible Loans subject to the Transaction by electronic transmission.

(2) With respect to any eMortgage Loan, Seller shall cause (i) the Authoritative Copy of the related eNote to be a Transferable Record and held in the eVault as a secure electronic file, (ii) the Controller status of the related eNote to be transferred to Agent by the Controller Status Transfer Deadline, (iii) the Delegatee status of the related eNote to be transferred to the Custodian by the Controller Status Transfer Deadline, in each case on the MERS eRegistry, (iv) the Location status of the related eNote to be transferred to the Custodian's eVault, and (v) the Servicing Agent status of the related eNote to remain blank (collectively, the "eNote Delivery Requirements"). In addition, all Basic Papers that are Electronic Records must be delivered to the Agent electronically, and all other Basic Papers must be delivered as otherwise required by this Agreement.

(b) Seller shall deliver a Request/Confirmation substantially in the form of Exhibit A to the Agent no later than 4:00 p.m. on the day Seller submits each Mortgage Loan Transmission File.

(c) Provided that the conditions set forth in this Section 3 and Section 14 have been satisfied or waived by the Agent with the requisite consent of the Buyers, the Agent shall transfer the sum of the Purchase Prices for each Transaction to the Funding Account and disburse the sum of the Purchase Prices for the Transaction to the Seller or its designee(s) for their account. Any Transaction for which the Mortgage Loan Transmission File is received prior to 3:00 p.m. on a Business Day shall be funded on the same Business Day; any Transaction for which the Mortgage Loan Transmission File is received after 3:00 p.m. shall be funded on the next Business Day.

(d) Notwithstanding anything to the contrary in this Agreement, the Custody Agreement, or any of the exhibits and schedules hereto or thereto, in no event shall funds for the purchase of any Mortgage Loan be disbursed directly to the Seller; rather, (i) funds for the purchase of Mortgage Loans originated by any Seller shall be disbursed to the applicable title agent or attorney through which such Mortgage Loans are closed and (ii) funds for the purchase of Mortgage Loans originated by a correspondent lender or other third party shall be disbursed only to such originator and only if the Basic Papers delivered to the Custodian were

accompanied by a bailee letter from the originator that included wire transfer instructions; provided, however, that Margin Excess may be remitted directly to the Seller in accordance with Section 6.1(b).

(e) If the Seller submits a Mortgage Loan Transmission File to the Agent and the Custodian and with respect to any eMortgage Loan, and does not transfer the Location of the corresponding eNote to the Custodian's eVault and Controller status of the eNote to the Agent as required under Section 3(a)(2) on or before the Controller Status Transfer Deadline, (i) the Buyers shall have no obligation to fund such Transaction, and (ii) such eMortgage Loan shall have zero Purchase Value.

3.2. *Syndication of Purchases.* When a Request/Confirmation is received by the Agent for a Transaction, the Agent shall give notice by fax or, at the Agent's discretion, e-mail backed up by fax, to each Buyer of the requested Transaction and that Buyer's Funding Share thereof, by 3:00 p.m. on the Business Day when the requested Transaction is to be funded by the Buyers, and each Buyer shall cause its Funding Share to be transferred to the Agent in accordance with the Agent's instructions, so that the Agent receives such Funding Share in immediately available funds within two (2) hours after receiving such notice and in any case by 4:00 p.m. on such Business Day. Provided that the conditions set forth in Section 14.2 have been satisfied or waived with the requisite consent of the Buyers as provided herein, the Agent shall transfer the sum of the Purchase Prices for the Transaction to the Funding Account and disburse the sum of the Purchase Prices for the Transaction to the Seller or to its designee(s) for their account.

3.3. *Request/Confirmation.* Each Request/Confirmation shall identify the Agent and the Seller and set forth:

- (a) the Purchase Date applicable to the relevant Transaction;
- (b) for each of the Eligible Loans to be sold, the Purchase Price; and
- (c) any additional terms or conditions of the Transaction mutually agreeable to the Agent and the Seller.

Each Request/Confirmation shall be binding on the parties, unless written notice of objection is given by the objecting party to the other party within one (1) Business Day after the Agent has received the completed Request/Confirmation from the Seller. In the event of any conflict between the terms of a Request/Confirmation and this Agreement, this Agreement shall prevail.

3.4. *Transaction Termination; Purchase Price Decrease.*

(a) *Automatic Termination.* Each Transaction, or applicable portion thereof, will automatically terminate on the earlier of (x) the date or dates when the subject Purchased Loans are purchased by Approved Investor(s) and (y) the Termination Date. Upon any such automatic termination, the Seller or its designee shall immediately repurchase the Purchased Loans in accordance with this Section 3.

(b) *Repurchase After a Disqualifier.* If any Disqualifier occurs in respect of a Purchased Loan and such Disqualifier results in a Margin Deficit, the Seller shall immediately, without the need for prior notice or demand by the Agent, transfer cash, Additional Purchased Loans or a combination of cash and Additional Purchased Loans to the Agent in an amount sufficient to eliminate such Margin Deficit in accordance with Section 6.1. Thereafter, the Repurchase Price of such Purchased Loan will be deemed to be zero and the Seller may at any time repurchase such Purchased Loan pursuant to Section 3.4(c).

(c) *How Terminations will be Effected.* Termination of every Transaction will be effected by (x) the Buyers' reconveyance to the Seller or its designee of the Purchased Loans, servicing released, and payment of any Income in respect thereof received by the Agent and not previously either paid to the Seller or applied as a credit to the Seller's Obligations, against (y) payment of the Repurchase Price in immediately available funds to the account referred to in Section 3.5 by 2:00 p.m. on the Repurchase Date, so that the Agent receives the Repurchase Price (for Pro Rata distribution to the Buyers) in immediately available funds on that same Business Day; provided that the portion of the Repurchase Price attributable to accrued and unpaid Price Differential for the Repurchased Loan shall be due and payable on the ninth (9th) calendar day of each month; provided further that all accrued and unpaid Price Differential shall be due and payable on the Termination Date.

(d) *Purchase Price Decrease.* The Seller may effectuate a Purchase Price Decrease on any Business Day by delivery to the Agent in immediately available funds of an amount specified by the Seller as a Purchase Price Decrease on that Business Day. No Purchased Loans shall be, or be deemed to be, repurchased in connection with a Purchase Price Decrease.

3.5. *Place for Payments of Repurchase Prices.* All Repurchase Price payments shall be paid to the Settlement Account.

3.6. *Withdrawals from and Credits to Operating Account and Settlement Account.* If the Seller fails for any reason to repurchase any one or more Purchased Loans on the relevant Repurchase Date, to pay any Price Differential or fees when due or to satisfy any Margin Call in the manner and by the time specified in Sections 3.4, 3.5, 5.3, 6.1, and 9.1, or for any regularly scheduled payments of the foregoing, the Agent is hereby specifically and irrevocably authorized to withdraw funds from the Operating Account, the Settlement Account (or any other account other than an escrow account) in an amount equal to the sum of the Repurchase Prices of all Purchased Loans that are Past Due, or, as applicable, or the amount of such regularly scheduled payment, plus any accrued, unpaid Price Differential or fees, plus Margin Deficit (if applicable), on that day and cause application of such funds withdrawn to the payment of the Repurchase Prices of such Purchased Loans, Price Differential or fees, and Margin Deficit (if applicable) in such order and manner as the Agent may elect and if funds in the Operating Account or the Settlement Account are insufficient to pay the Repurchase Prices of all such Purchased Loans, the Seller shall pay the amount due hereunder on demand by wire to the Settlement Account.

3.7. *Delivery of Additional Mortgage Loans.* Seller may from time to time deliver to the Agent Mortgage Loans that are also Eligible Loans without entering into a new Transaction by providing to the Agent the documents required under Section 3.1 with respect to such Mortgage Loans. The Seller and Buyers agree that such Mortgage Loans delivered pursuant to this Section 3.7 shall be treated as Purchased Loans subject to the existing Transactions hereunder from the date of such delivery.

3.8. *Application of Repurchase Price Payments.* Upon receipt by the Agent of amounts paid or prepaid as Purchase Price Decreases or Repurchase Price (except upon the exercise of remedies provided in Section 18) the Agent shall apply amounts so received to the payment of all Obligations which are then due, and if the amount so received is insufficient to pay all such Obligations, (i) first to any reimbursement due under Section 20.1 and (ii) second to partial payment of Obligations then due or as otherwise agreed by the Buyers.

3.9. *Defaulting Buyers.* Notwithstanding any provision of this Agreement to the contrary, if any Buyer becomes a Defaulting Buyer, then the following provisions shall apply for so long as such Buyer is a Defaulting Buyer:

(a) Facility Fees and Non-usage Fees shall cease to accrue on the unfunded portion of the Commitment of such Defaulting Buyer pursuant to Section 9.1;

(b) The Commitment of and the outstanding Purchase Prices paid by such Defaulting Buyer shall not be included in determining whether all Buyers or the Required Buyers have taken or may take any action hereunder (including any consent to any amendment or waiver pursuant to Section 22.4), provided that any waiver, amendment, modification or action requiring the consent of all Buyers (including without limitation, any waiver, amendment, modification or action under Section 22.3 hereof), and any waiver, amendment, modification or action (other than actions under this Section 3.9) which affects such Defaulting Buyer differently than other affected Buyers shall require the consent of such Defaulting Buyer;

(c) The respective ownership interests of both (i) the Defaulting Buyer and (ii) the Buyer (or Buyers) that funded the Defaulting Buyer's Funding Share(s) of any Transaction shall be proportionately decreased and increased, respectively, to the same extent as if their respective Committed Sums were changed in direct proportion to the unreimbursed balance outstanding from time to time thereafter of the amount so funded;

(d) If no other Buyer funds any of the Defaulting Buyer's Funding Share, then the Pro Rata ownership interests of the Buyers in the Purchased Loans shall be changed, so that each Buyer's Pro Rata ownership interest in the Purchased Loans is equal to the ratio of (i) the sum of the portions of the Purchase Prices paid by that Buyer in all Open Transactions on that day to (ii) the total of the Purchase Prices paid by all Buyers in all Open Transactions on that day, but the Defaulting Buyer's share of all subsequent distributions of any Repurchase Price and Margin Deficit payments shall be paid to the other Buyers, pro rata among them in the ratio that the Pro Rata ownership interest in the Purchased Loans owned by each bears to the aggregate Pro Rata ownership interests in the Purchased Loans of all such other Buyers, and the Buyers' respective Pro Rata ownership interests in the Purchased Loans shall be readjusted after each such payment, until their Pro Rata ownership interests are restored to what they were before any Defaulting Buyer failed to fund. Notwithstanding any such changes in the Buyers' Pro Rata ownership interests in any Purchased Loan due to any Buyer's failure to fund its Funding Share(s) of any Transaction, such failure to fund shall not diminish (nor shall it increase except at a Buyer's election pursuant to Section 2.1 hereof) any Buyer's Funding Share(s) for subsequent Transactions.

(e) Any amount payable to such Defaulting Buyer hereunder (whether on account of Repurchase Price, Price Differential, fees or otherwise and including any amount that would otherwise be payable to such Defaulting Buyer pursuant to Section 20.2 but excluding Section 6.4) shall, in lieu of being distributed to such Defaulting Buyer, be retained by the Agent in a segregated account and, subject to any applicable requirements of law, be applied at such time or times as may be determined by the Agent (i) first, to the payment of any amounts due and owing by such Defaulting Buyer to the Agent hereunder, (ii) second, to the funding of any Transaction in respect of which such Defaulting Buyer has failed to fund its portion thereof as required by this Agreement, as determined by the Agent, (iii) third, if so determined by the Agent and the Seller, held in such account as cash collateral for future funding obligations of the Defaulting Buyer under this Agreement, (iv) fourth, pro rata, to the payment of any amounts owing to the Seller or the Buyers as a result of any judgment of a court of competent jurisdiction obtained by any Seller or any Buyer against such Defaulting Buyer as a result of such Defaulting Buyer's breach of its obligations under this Agreement, and (v) fifth, to such Defaulting Buyer or as otherwise directed by a court of competent jurisdiction; provided, that if such payment is (x) a Purchase Price Decrease and (y) made at a time when the conditions set forth in Section 14.2 are satisfied, such payment shall be applied solely to reduce the Purchase Prices owed to all Buyers that are not Defaulting Buyers Pro

Rata prior to being applied to any Purchase Prices owed to, any Defaulting Buyer. Notwithstanding anything to the contrary herein, as between the Seller and any Defaulting Buyer, if any payment made by the Seller that would otherwise be payable to a Defaulting Buyer is retained by the Agent and applied as provided in this Section 3.9(e), the Seller's Obligations to such Defaulting Buyer shall be deemed satisfied to the extent of such payment and the Defaulting Buyer shall not be entitled to ask for or receive any additional amounts (including without limitation, Price Differential) from Seller with respect to such payment.

In the event that the Agent and the Seller all agree that a Defaulting Buyer has adequately remedied all matters that caused such Buyer to be a Defaulting Buyer, then such Buyer shall purchase from the other Buyers at par a portion of the Open Transactions as the Agent shall determine may be necessary in order for such Buyer to participate in such Open Transactions in accordance with its Pro Rata share.

Nothing contained in the foregoing shall be deemed to constitute a waiver by the Seller of any of its rights or remedies (whether in equity or law) against any Buyer which fails to fund any Transaction hereunder at the time or in the amount required to be funded under the terms of this Agreement.

4 Transaction Limits and Sublimits.

4.1. *Transaction Limits.* Each Transaction shall be subject to the limitation that no purchase will be made if at the time of or after such purchase, the Aggregate Outstanding Purchase Price exceeds or would exceed the Maximum Aggregate Commitment.

4.2. *Transaction Sublimits.* The following sublimits shall also be applicable to the Transactions hereunder such that after giving effect to any proposed Transaction and after giving effect to any repurchase, addition or substitution of any Mortgage Loan hereunder, the following shall be true (subject, in each case, to the Agent's discretionary authority under Section 22.5):

- (a) The outstanding Purchase Prices of Conforming Mortgage Loans may be as much as one hundred percent (100%) of the Maximum Aggregate Commitment.
- (b) The outstanding Purchase Prices of all Purchased Loans that are Wet Loans shall not exceed (x) seventy-five percent (75%) of the Maximum Aggregate Commitment on any of the first five and last five Business Days of any month or (y) forty percent (40%) of the Maximum Aggregate Commitment on any other day (the "Wet Loans Sublimit").
- (c) The outstanding Purchase Prices of all Purchased Loans that are of the type listed in the first column of the following table shall not exceed the percentage of the Maximum Aggregate Commitment listed in the second column of the table (the name of the Sublimit is set forth in the third column); provided, that such sublimits shall not apply to any Mortgage Loan (USBHM):

Type of Purchased Loan	Maximum Percentage of Maximum Aggregate Commitment	Name of Sublimit
High LTV Mortgage Loans	15%	“High LTV Mortgage Loans Sublimit”
Super Jumbo Mortgage Loans	10%	“Super Jumbo Mortgage Loans Sublimit”
Jumbo Mortgage Loans and Super Jumbo Mortgage Loans, collectively	25%	“Jumbo Mortgage Loans Sublimit”
Rural Development Guaranteed Housing Loans	50%	“Rural Development Guaranteed Housing Loans Sublimit”
State Housing Bond Mortgage Loan	25%	“State Housing Bond Mortgage Loan Sublimit”

5 Price Differential.

5.1. *Pricing Rate.* Subject to the following rules, and as contemplated in the definition of “Pricing Rate”, the Pricing Rate to be applied to the Purchase Prices of Purchased Loans to determine the Price Differential in all Open Transactions or Tranches as to which the Price Differential is to be determined by reference to SOFR, on any day when no Event of Default has occurred and is continuing, shall be the Daily Reset Term SOFR Rate plus the SOFR Margin applicable from time to time (in each case computed annually).

5.2. *Pricing Rate for Default Pricing Rate Purchased Loans.* Notwithstanding any contrary or inconsistent provision of this Section 5, the Pricing Rate to be multiplied by the Purchase Prices of all Purchased Loans shall be the Default Pricing Rate from (and including) (a) the day immediately following the Repurchase Date for each such Past Due Purchased Loan and until (but excluding) the date on which such Past Due Purchased Loan is repurchased by transfer to the Agent (for Pro Rata distribution to the Buyers) of its full Repurchase Price in immediately available funds; and (b) the date designated by the Agent to the Seller after the occurrence and during the continuance of an Event of Default under Section 18.1.

5.3. *Price Differential Payment Due Dates.* Price Differential on each Open Transaction accrued and unpaid to the end of each month before the Termination Date shall be due and payable on the ninth (9th) day of each month (or if such day is not a Business Day, on the next Business Day thereafter), whether or not such Transaction is still an Open Transaction on such payment due date; provided that (a) all accrued and unpaid Price Differential on all Transactions shall be due on the

Termination Date, and (b) all Pricing Differential calculated at the Default Pricing Rate shall be due on demand.

6 Margin Maintenance.

6.1. *Margin Deficit.*

(a) If at any time the aggregate Purchase Value of all Purchased Loans subject to all Transactions hereunder is less than the aggregate Repurchase Price (excluding Price Differential, minus cash transfers previously made from Seller to the Agent in response to previous Margin Calls, if any, for all such Transactions (a “*Margin Deficit*”), then by notice to the Seller (a “*Margin Call*”), the Agent shall, require the Seller to transfer (for the account of the Buyers) to the Agent or the Custodian, as appropriate either (at the Seller’s option) cash or additional Eligible Loans reasonably acceptable to the Agent (“*Additional Purchased Loans*”), or a combination of cash and Additional Purchased Loans, so that the cash and the aggregate Purchase Value of the Purchased Loans, including any such Additional Purchased Loans, will thereupon at least equal the then aggregate Repurchase Price (excluding Price Differential). The Agent will recalculate the Purchase Value of all or a portion of the Purchased Loans (i) at the times it deems appropriate in its sole discretion and (ii) within one Business Day after receiving a reasonable request, in writing (which may be in the form of e-mail sent to the Agent), for such recalculation from the Required Buyers.

(b) On any Business Day on which the Purchase Value of the Purchased Loans subject to Transactions exceeds the then outstanding aggregate Repurchase Price of all Transactions (a “*Margin Excess*”), so long as no Default or Event of Default has occurred and is continuing or will result therefrom, the Agent shall, upon receipt of written request from the Seller, remit cash or release Purchased Loans as requested by Seller, in either case, in an amount equal to the lesser of (i) the amount requested by the Seller and (ii) such Margin Excess, subject always to the other limitations of this Agreement. If cash is to be remitted the Agent shall treat the receipt of the written request of Seller under this Section 6.1(b) as if it were a request for a Transaction. To the extent the Agent remits cash to the Seller, such cash shall be (y) additional Purchase Price with respect to the Transactions, and (z) subject in all respects to the provisions and limitations of this Agreement. Each Buyer shall fund its Pro Rata share of such additional Purchase Price as if the remission of such Margin Excess were the initiation of a Transaction hereunder.

6.2. *Margin Call Deadline.* If the Agent delivers a Margin Call to the Seller at or before 12:00 p.m. on any Business Day, then the Seller shall transfer cash and/or Additional Purchased Loans as provided in Section 6.1 on the same Business Day. If the Agent delivers a Margin Call to the Seller after 12:00 p.m. on any Business Day, then the Seller shall transfer cash and/or Additional Purchased Loans by no later than 12:00 p.m. on the next following Business Day.

6.3. *Application of Cash.* Any cash transferred to the Agent (for Pro Rata distribution to the Buyers) pursuant to this Section 6 shall be applied by the Buyers on receipt from the Agent which shall occur on the date received from the Seller or the next Business Day if received after 3:00 p.m.

6.4. *Increased Cost.* If any Change in Law subsequent to the Effective Date:

(a) 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 a Buyer which is not otherwise included in the determination of SOFR hereunder; or

(b) shall impose on a 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 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 Seller shall promptly pay the Agent (for distribution to such Buyer) such additional amount or amounts as calculated by such Buyer in good faith as will compensate such Buyer for such increased cost or reduced amount receivable.

6.5. *Capital Adequacy.* If any Buyer shall have determined that any Change in Law applicable to such Buyer or any corporation controlling such Buyer subsequent to the Effective Date shall have the effect of reducing the rate of return on the 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 Seller shall promptly pay to the Agent (for distribution to such Buyer) such additional amount or amounts as will compensate such Buyer or such corporation for such reduction.

6.6. *Agent's Report.* In the discretion of the Agent if it reasonably determines that market conditions warrant (except that the Agent shall have no obligation to make such determination more frequently than once per day), the Agent may: (1) determine the aggregate Market Values for the Purchased Loans (which may include the Purchase Value of any Mortgage Loans purchased on that day) by summing the values of the individual Purchased Loans as reported on (and recorded by the Agent from) the Mortgage Loan Transmission Files and Purchased Loans Curtailment Reports, valuing at zero Purchased Loans for which the Agent has current actual knowledge that a Disqualifier exists; (2) issue a statement of the value of the Purchased Loans as so determined; and (3) provide a copy of such statement to the Seller and each Buyer, provided that, if the Agent has not provided such a statement to the Seller and each Buyer at least one time in a calendar month, the Agent shall provide to the Seller and each Buyer such report no later than the last Business Day of each month.

6.7. *Term SOFR Unavailability.* If the Agent has determined in its sole discretion that (i) the administrator of Term SOFR, or any relevant agency or authority for such administrator, of Term SOFR (or any substitute index which replaces Term SOFR (Term SOFR or such replacement, the "Benchmark")) has announced that such Benchmark will no longer be provided, (ii) any relevant agency or authority has announced that such Benchmark is no longer representative, or (iii) any similar circumstance exists such that such Benchmark has become permanently unavailable or ceased to exist, the Agent will (x) replace such Benchmark with a replacement rate or (y) if any such circumstance applies to fewer than all tenors of such Benchmark used for determining an interest period hereunder, discontinue the availability of the affected interest periods. In the case of Term SOFR, such replacement rate will be Daily Simple SOFR. In the case of a replacement rate other than Term SOFR, the Agent may add a spread adjustment selected by the Agent, taking into consideration any selection or recommendation of a replacement rate by any relevant agency or authority, and evolving or prevailing market practice. In connection with the selection and implementation of any such replacement rate, the Agent may make any technical, administrative or operational changes that the Agent decides may be appropriate to reflect the adoption and implementation of such replacement rate. Without limitation of the foregoing, in the case of a transition to Daily Simple SOFR, the Agent will remove any option to select another rate that may change or is reset on a daily basis, including, without limitation, the Agent's prime rate. The Agent does not warrant or accept any responsibility for the administration or submission of, or any other matter related to, Term SOFR or with respect to any alternative or successor rate thereto, or replacement rate thereof, including without limitation whether any such alternative, successor or replacement rate will have the same value as, or be economically equivalent to, Term SOFR.

6.8. *Illegality.* If any Buyer determines that any Law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for any Buyer or its applicable lending office to make, maintain, or fund Transactions whose interest is determined by reference to the Daily Reset Term SOFR Rate, or to determine or charge interest rates based upon the Daily Reset Term SOFR Rate, or any Governmental Authority has imposed material restrictions on the authority of such Buyer to purchase or sell, or to take deposits of, dollars in the applicable interbank market, then, upon notice thereof by such Buyer to the Seller (through the Agent), any obligation of such Buyer to make Term SOFR Tranches shall be suspended. If any Buyer determines that it may not lawfully continue to maintain any Term SOFR Tranches, all of the affected Tranches shall be automatically converted as of the date of such Buyer's notice to bear interest at a rate equal to the Federal Funds Rate plus 0.50% plus the SOFR Margin and, in such event, the Seller will thereafter be entitled to designate subsequent Tranches to bear interest at the Federal Funds Rate plus 0.50% plus the SOFR Margin.

7 Taxes.

7.1. *Payments to be Free of Taxes; Withholding.* All payments by the Seller to or for the account of any Buyer or the Agent hereunder shall be made free and clear of and without deduction for any and all Taxes. If the Seller shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder to any Buyer or the Agent, (a) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 7.1) such Buyer or the Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (b) the Seller shall make such deductions, (c) the Seller shall pay the full amount deducted to the relevant authority in accordance with applicable law and (d) the Seller shall furnish to the Agent the original copy of a receipt evidencing payment thereof within 30 days after such payment is made.

7.2. *Other Taxes.* In addition, the Seller hereby agrees 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 Agreement or any other Repurchase Document or from the execution, delivery or registration of, any performance under, or otherwise with respect to, this Agreement or any other Repurchase Documents (collectively, "*Other Taxes*").

7.3. *Taxes Indemnity.* The Seller hereby agrees to indemnify the Buyers and the Agent for, and to hold each of them harmless against, the full amount of Taxes and Other Taxes, and the full amount of Taxes of any kind imposed by any jurisdiction on amounts payable under this Section 7 imposed on or paid by the Buyers or the Agent and any liability (including penalties, additions to tax, interest and expenses) arising therefrom or with respect thereto. The indemnity by the Seller provided for in this Section 7.3 shall apply and be made whether or not the Taxes or Other Taxes for which indemnification hereunder is sought have been correctly or legally asserted. Amounts payable by the Seller under the indemnity set forth in this Section 7.3 shall be paid within ten (10) days from the date on which the Agent makes written demand therefor.

7.4. *Non-US. Buyers.*

(a) Each Buyer that is not incorporated under the laws of the United States of America or a state thereof (each a "*Non-U.S. Buyer*") agrees that it will, not more than ten Business Days after the date of this Agreement, (i) deliver to the Agent two duly completed copies of United States Internal Revenue Service Form W-8BEN or W-8ECI, certifying in either case that such Buyer is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes, and (ii) deliver to the Agent a United States Internal Revenue Form W-8 or W-9, as the case may be, and certify that it is entitled to an exemption from United States backup withholding tax. Each Non-U.S. Buyer further undertakes to deliver to each of the Seller and the Agent (x) renewals or additional copies of such form (or any successor form) on or before the date that such form

expires or becomes obsolete, and (y) after the occurrence of any event requiring a change in the most recent forms so delivered by it, such additional forms or amendments thereto as may be reasonably requested by the Seller or the Agent. All forms or amendments described in the preceding sentence shall provide evidence that such Buyer is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes, unless an event (including without limitation any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required which renders all such forms inapplicable or which would prevent such Buyer from duly completing and delivering any such form or amendment with respect to it and such Buyer advises the Seller and the Agent that it is not capable of receiving payments without any deduction or withholding of United States federal income tax..

(b) [reserved]

(c) For any period during which a Non-U.S. Buyer has failed to provide the Seller with an appropriate form pursuant to Section 7.4(a) (unless such failure is due to a change in treaty, law or regulation, or any change in the interpretation or administration thereof by any governmental authority, occurring subsequent to the date on which a form originally was required to be provided), such Non-U.S. Buyer shall not be entitled to additional amounts under Section 7.1 or indemnification under Section 7.2 with respect to Taxes imposed by the United States; provided that, should a Non-U.S. Buyer which is otherwise exempt from or subject to a reduced rate of withholding tax become subject to Taxes because of its failure to deliver a form required under clause (iv), above, the Seller shall take such steps as such Non-U.S. Buyer shall reasonably request to assist such Non-U.S. Buyer to recover such Taxes.

(d) Any Buyer that is entitled to an exemption from or reduction of withholding tax with respect to payments under this Agreement or any Note pursuant to the law of any relevant jurisdiction or any treaty shall deliver to the Seller (with a copy to the Agent), at the time or times prescribed by applicable law, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate.

(e) If the U.S. Internal Revenue Service or any other governmental authority of the United States or any other country or any political subdivision thereof asserts a claim that the Agent did not properly withhold tax from amounts paid to or for the account of any Buyer (because the appropriate form was not delivered or properly completed, because such Buyer failed to notify the Agent of a change in circumstances which rendered its exemption from withholding ineffective, or for any other reason), such Buyer shall indemnify the Agent fully for all amounts paid, directly or indirectly, by the Agent as tax, withholding therefor, or otherwise, including penalties and interest, and including taxes imposed by any jurisdiction on amounts payable to the Agent under this subsection, together with all costs and expenses related thereto (including attorneys fees and time charges of attorneys for the Agent, which attorneys may be employees of the Agent). The obligations of the Buyers under this Section 7.4 shall survive the payment of the Obligations and termination of this Agreement.

7.5. *Survival.* Without prejudice to the survival of any other agreement of the Seller hereunder, the agreements and obligations of the Seller contained in this Section 7 shall survive the termination of this Agreement. Nothing contained in this Section 7 shall require any Buyer to make available any of its tax returns or any other information that it deems to be confidential or proprietary.

7.6. *Treatment of Certain Refunds.* If the Agent or any Buyer determines, in its sole discretion, that it has received a refund of any Taxes or Other Taxes as to which it has been indemnified by the Seller or with respect to which the Seller has paid additional amounts pursuant to this Section 7, it shall pay to the Seller an amount equal to such refund (but only to the extent of

indemnity payments made, or additional amounts paid, by the Seller under this Section 7 with respect to the Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of the Agent or such Buyer, as the case may be, and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund), provided that the Seller upon request of the Agent or such Buyer, agrees to repay the amount paid over to the Seller (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Agent or such Buyer in the event the Agent or such Buyer is required to repay such refund to such Governmental Authority. This paragraph shall not be construed to require the Agent or any Buyer to make available its tax returns (or any other information relating to its taxes that it deems confidential) to the Seller or any other Person.

7.7. *Mitigation Obligations* . If any Buyer requests compensation under Sections 6.4, 7.1 or 7.2 or requires the Seller to pay any additional amount to any Buyer or any Governmental Authority for the account of any Buyer pursuant to Sections 6.4, 7.1 or 7.2, then such Buyer shall use reasonable efforts to designate a different office for funding or booking its share of Transactions hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Buyer, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Sections 6.4, 7.1 or 7.2, as the case may be, in the future and (ii) would not subject such Buyer to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Buyer. The Seller hereby agrees to pay all reasonable costs and expenses incurred by any Buyer in connection with any such designation or assignment.

7.8. *Delay in Requests* . Failure or delay on the part of any Buyer or the Agent to demand compensation pursuant to this Section 7, Section 6.4 or Section 6.5 shall not constitute a waiver of such Buyer's or the Agent's right to demand such compensation, provided that the Seller shall not be required to compensate a Buyer or the Agent pursuant to this Section for any increased costs incurred or reductions suffered more than nine months prior to the date that such Buyer or the Agent, as the case may be, notifies the Seller of the Change in Law giving rise to such increased costs or reductions and of such Buyer's or the Agent's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the nine-month period referred to above shall be extended to include the period of retroactive effect thereof).

8 Income and Escrow Payments; Control.

8.1. *Income and Escrow Payments*. Notwithstanding that the Buyers, the Agent and the Seller intend that the Transactions be sales to the Buyers of the Purchased Loans, where a particular Transaction's term extends over an Income payment date on the Purchased Loans subject to that Transaction, all payments and distributions, whether in cash or in kind, made on or with respect to the Purchased Loans shall be paid directly to the Seller or its designee by the relevant Customer, and the Agent (and the Buyers) shall have no obligation to collect or apply any Income to prevent or reduce any Margin Deficit, unless the Seller (i) arranges for such Income to be paid to the Agent (for Pro Rata distribution to the Buyers), (ii) requests that the Agent apply such Income when received against the Seller's Margin Deficit(s) and (iii) concurrently transfers to the Agent either (x) cash or (y) at the Agent's option and with the Agent's written approval, Additional Purchased Loans, sufficient to eliminate such Margin Deficit. Amounts paid to the Seller by the relevant Customer shall be deposited by the Seller into the Income Account within two (2) Business Days of receipt by Seller and, as to amounts so paid to the Seller for escrow payments, into the Escrow Account. The Income Account and the Escrow Account shall be maintained by the Seller with a bank satisfactory to the Agent. The Income Account and Escrow Account may be interest bearing accounts if allowed or required by applicable law. At all times prior to a Default or Event of Default, the Seller may have full use of all Income and amounts on deposit in the Income Account, subject to the provisions of Section 8.2.

8.2. *Income and Escrow Accounts.* Prior to the initial Transaction hereunder the Seller shall establish the Income Account and the Escrow Account. At the Agent's request (and no later than 10 days after such request) Seller shall cause the bank holding such accounts to enter into a control agreement with the Agent providing that upon notice from the Agent (which notice shall be given only upon the occurrence of a Default or Event of Default) no further withdrawals or payment orders from the Seller shall be honored and only payment and withdrawal orders from the Agent or its designee shall be honored. Prior to the occurrence of a Default or Event of Default and so long as Seller is also the Servicer, Seller shall make payments from the Escrow Account of all appropriate amounts payable with respect to each Purchased Loan for taxes, insurance and other purposes for which the funds are paid into the Escrow Account. Subject to Section 8.3, amounts on deposit in the Income Account shall be used by the Seller to pay its fees as Servicer while it serves in such capacity, and may be used to pay to the Agent amounts due under this Agreement for Margin Deficit or Price Differential and for any other lawful purpose.

8.3. *Income and Escrow Accounts after Default.* Upon the occurrence and during the continuation of a Default or Event of Default, the Seller shall have no right to direct withdrawal or application of funds in the Income Account and the Escrow Account unless authorized to do so in writing by the Agent. The Agent may cause all amounts on deposit in the Income Account to be paid to it or its designee for application as provided in Section 18.4. The Agent or its designee shall direct payments from the Escrow Account for the purposes for which such funds are deposited into the Escrow Account and shall comply with all Laws applicable to the operation of the Income Account and the Escrow Account, including any Agency guidelines with respect thereto.

9 Facility Fee; Agent's Fee.

9.1. *Facility Fee; Non-Usage Fee.* The Seller agrees to pay to the Agent (for Pro Rata distribution to the Buyers) a facility fee (the "*Facility Fee*") in an amount equal to one-hundred twenty-five one-thousandths of one percent (0.125%) per annum of the Maximum Aggregate Commitment for the period from the Effective Date to the Termination Date, computed for each calendar month or portion thereof from the Effective Date until the date this Agreement terminates in accordance with its terms. If the average Aggregate Outstanding Purchase Price is less than fifty percent (50%) of the average Maximum Aggregate Commitment for any month, the Seller further agrees to pay to the Agent (for pro rata distribution to the Buyers) a non-usage fee (the "*Non-usage Fee*") in an amount determined by applying a rate of fifteen one-hundredths of one percent (0.15%) per annum to the average daily amount by which the Maximum Aggregate Commitment exceeds the average Aggregate Outstanding Purchase Price for such month, such fee computed for each calendar month or portion thereof from the Effective Date to the date this Agreement terminates in accordance with its terms. The Facility Fee and the Non-Usage Fee shall be due and payable on the ninth (9th) day of each month (or if such day is not a Business Day, on the next Business Day thereafter); provided that all accrued and unpaid Facility Fees and Non-Usage Fees shall be due on the Termination Date. The Facility Fee and the Non-Usage Fee shall be calculated based on a year of three hundred sixty (360) days. If the Maximum Aggregate Commitment shall be increased or decreased from time to time either pursuant to a provision of this Agreement or by separate agreement between the Buyers and the Seller (excluding, however, any decrease occurring as a result of or following the occurrence of a Default or an Event of Default, in respect of which no adjustment of the Facility Fee and the Non-Usage Fee shall be required), the amount of the Facility Fee and the calculation of the Non-Usage Fee shall be adjusted as of the date of such change. The Facility Fee and the Non-Usage Fee are compensation to the Buyers for committing to make funds available for revolving purchases of Eligible Loans on the terms and subject to the conditions of this Agreement, and are not compensation for the use or forbearance or detention of money. Each calculation by the Agent of the amount of the Facility Fee and the Non-Usage Fee shall be conclusive and binding absent manifest error.

9.2. *Agent's Fee.* The Seller agrees to pay to the Agent the agency fee described in the Fee Letter, if any (the "*Agent's Fees*"), on the dates and in the amounts specified therein.

10 Security Interest.

10.1. *Intent of the Parties.* The parties intend that all Transactions hereunder be sales and purchases (other than for accounting and tax purposes) and not loans; nonetheless, *as a security agreement under the UCC* and as a security agreement or other arrangement or other credit enhancement related to this Agreement and transactions hereunder as provided for in Section 101(47)(A)(v) of the Bankruptcy Code, the Seller hereby pledges to the Agent for the benefit of the Buyers as security for the performance by the Seller of the Obligations and hereby grants, assigns and pledges to the Agent for the benefit of the Buyers a fully perfected first priority security interest in all of the Purchased Loans and all Income and proceeds from the Purchased Loans, including all of the property, rights and other items described in the definition of "Mortgage Loan" in Section 1.2 for each such Purchased Loan and all rights to have, receive and retain the return or refund of funds transferred from any account with the Agent to any title company, title agent, escrow agent or other Person for the purpose of originating or funding a Mortgage Loan that did not close (for any reason) and that would have been a Purchased Loan if it had closed (all funds so transferred continuously remain the property of the Agent and the Buyers until disbursed by such agent to or for the account of the related Customer upon the closing of his or her Mortgage Loan), and in all of the following property:

- (a) With respect to the Purchased Loans.
 - (1) all Purchased Loans Support;
 - (2) all of the Seller's right, title and interest in all Mortgaged Premises related to the Purchased Loans
 - (3) all rights to deliver Purchased Loans to investors and other purchasers and all proceeds resulting from the disposition of Purchased Loans pursuant thereto, including the Seller's right and entitlement to receive the entire purchase price paid for Purchased Loans sold;
 - (4) all Hedge Agreements relating to or constituting any and all of the foregoing or relating to the Obligations, including all rights to payment arising under such Hedge Agreements;
 - (5) all Servicing Rights in respect of any of the Purchased Loans; and
 - (6) all of the Seller's rights now or hereafter existing in, to or under any MBS secured by, created from or representing any interest in any of the Purchased Loans, whether now owned or hereafter acquired by the Seller, and whether such MBS are evidenced by book entry or certificate (Agent's ownership interest and security interest in each MBS created from, based on or backed by Purchased Loans shall automatically exist in, attach to, cover and affect all of the Seller's right, title and interest in that MBS when issued and its proceeds and the Agent's ownership interest and security interest in the Purchased Loans from which such MBS was so created shall automatically terminate and be released when such MBS is issued, subject to automatic reinstatement if such issuance is voided or set aside by any court of competent jurisdiction), all right to the payment of monies and non-cash distributions on account of any of such MBS and all new, substituted and additional securities at any time issued with respect thereto;

(b) Related Accounts, Payment Intangibles, General Intangibles

(1) all accounts, payment intangibles, general intangibles, instruments, documents (including documents of title), chattel paper, contract rights and proceeds, whether now or hereafter existing (including all of the Seller's present and future rights to have and receive interest and other compensation, whether or not yet accrued, earned, due or payable), under or arising out of or relating to the Purchased Loans;

(2) all instruments, documents or writings evidencing any such accounts, payment intangibles, general intangibles or proceeds or evidencing any monetary obligation under, or security interest in, any of the Purchased Loans, all other papers delivered to the Agent or the Custodian, and all other rights transferred to the Agent, in respect of any of the Purchased Loans, including, without limitation, the right to collect, have and receive all insurance proceeds (including, but not limited to, casualty insurance, mortgage insurance, pool insurance and title insurance proceeds) and condemnation awards or payments in lieu of condemnation which may be or become payable in respect of the Mortgaged Premises securing or intended to secure any Purchased Loan, and other personal property of whatever kind relating to any of the Purchased Loans, in each case whether now existing or hereafter arising, accruing or acquired;

(3) all security for or claims against others in respect of the Purchased Loans; and

(4) all proceeds and rights to proceeds of any sale or other disposition of any or all of the Purchased Loans;

(c) *Settlement Account, Operating Account and other accounts.* The Settlement Account, the Operating Account, the Funding Account, the Income Account, the Escrow Account, the Trade Settlement Account and all cash and all securities and other property from time to time on deposit in each such account;

(d) *Loan Records.* all Loan Records;

(e) *Other Rights.* all rights to have and receive any of the Purchased Loans described above, all accessions or additions to and substitutions for any of such Purchased Loans, together with all renewals and replacements of any of such Purchased Loans, all other rights and interests now owned or hereafter acquired by the Debtor/Seller in, under or relating to any of such Purchased Loans or referred to above and all proceeds of any of such Purchased Loans; and

(f) *Proceeds.* all proceeds of all the foregoing.

The Seller agrees to do such things as applicable Law requires to maintain the security interest of the Agent in all of the Purchased Loans with respect to all such Transactions and all Income and proceeds from the Purchased Loans that are the subject matter of such Transactions and all of the other collateral described above in this Section 10.1 as a perfected first priority Lien at all times. The Seller hereby authorizes the Agent to file any financing or continuation statements under the applicable UCC to perfect or continue such security interest in any and all applicable filing offices. The Seller shall pay all customary fees and expenses associated with perfecting such security interest including the costs of filing financing and continuation statements under the UCC and recording assignments of Mortgages as and when required by the Agent in its reasonable discretion.

10.2. *License*. The Seller hereby grants to the Agent for the benefit of the Buyers the nonexclusive right to use (in common with the Seller and any other secured party that has a valid and enforceable license therein and that agrees that its license is similarly nonexclusive) the Seller's operating systems to manage and administer the Purchased Loans and any of the related data and information described above, or that otherwise relates to the Purchased Loans, together with the Media on which the same are stored and the Seller's rights to access the same, whether exclusive or nonexclusive, to the extent that such access rights may lawfully be transferred or used by the Seller's permittees, and any computer programs that are owned by the Seller (or licensed to the Seller under licenses that may lawfully be transferred or used by the Seller's permittees) and that are used or useful to access, organize, input, read, print or otherwise output and otherwise handle or use such information and data; provided that the foregoing license is limited to use by the Agent only after an Event of Default; provided, further, that to the extent any Media contains both data or other information related to the Purchased Loans and data or other information unrelated to the Purchased Loans, upon receipt by the Agent of any and all data, reports or other information related to the Purchased Loans that is stored on or available from such Media, the foregoing license shall no longer apply to such Media.

11 Substitution.

11.1. *Seller May Substitute Other Mortgage Loans with Notice to and Approval of Agent*. So long as no Event of Default has occurred and is continuing and no Margin Deficit exists or occurs as a consequence thereof, subject to agreement with and acceptance by, and upon notice to, the Agent, the Seller may substitute Mortgage Loans substantially similar to the Purchased Loans for any Purchased Loans. If the Seller gives notice to the Agent at or before 12:00 noon on a Business Day, the Agent may elect, by the close of business on the Business Day notice is received or by the close of the next Business Day if notice is given after 12:00 noon on such day, not to accept such substitution. If such substitution is accepted by the Agent, such substitution shall be made by the Seller's transfer to Agent of such other Mortgage Loans on a servicing released basis and the Agent's transfer to the Seller of such Purchased Loans, and after such substitution, the substituted Mortgage Loans shall be deemed to be Purchased Loans. If the Agent elects not to accept such substitution, the Seller shall offer the Agent and the Buyers the right to terminate the related Transaction.

11.2. *Payment to Accompany Substitution*. If the Seller exercises its right to substitute or terminate under this Section 11, the Seller shall be obligated to pay to the Agent (for Pro Rata distribution to the Buyers) by the close of the Business Day of such substitution or termination, as the case may be, an amount equal to the sum of (x) actual cost (including all customary fees, expenses and commissions) to the Agent and the Buyers of (i) entering into replacement Transactions; (ii) entering into or terminating hedge transactions and/or (iii) terminating Transactions or substituting securities in like transactions with third parties in connection with or as a result of such substitution or termination, and (y) to the extent the Agent determines not to enter into replacement Transactions, the loss incurred by the Agent and the Buyers directly arising or resulting from such substitution or termination. The foregoing amounts shall be solely determined and calculated by the Agent and the applicable Buyers in good faith.

12 Payment and Transfer.

12.1. *Immediately Available Funds; Notice to Custodian*. All transfers of funds hereunder shall be in immediately available funds. All Eligible Loans transferred by one party hereto to any other party shall be transferred by notice to the Custodian to the effect that the Custodian is then holding for the benefit of the transferee the related documents and assignment forms delivered to it under the Custody Agreement.

12.2. *Payments to the Agent*. Except as otherwise specifically provided in this Agreement, all payments required by this Agreement or the other Repurchase Documents to be made to the Agent

shall be paid to the Agent by no later than 2:00 p.m. on the day when due (funds received after the applicable deadline shall be conclusively deemed received on the next following Business Day unless the Agent shall agree otherwise) and without set-off, counterclaim or deduction, in lawful money of the United States of America in immediately available funds as provided in Section 24.4, or at such other place as the Agent shall designate from time to time. Whenever any payment to be made under this Agreement or any of the other Repurchase Documents shall be stated to be due on a day that is not a Business Day, the due date for that payment shall be automatically extended to the next day that is a Business Day, and (if applicable) Price Differential at the applicable rate (determined in accordance with this Agreement) shall continue to accrue during the period of such extension. Unless the Agent shall agree otherwise, funds received by the Agent after 2:00 p.m. on a Business Day shall be deemed for all purposes to have been paid by the Seller on the next succeeding Business Day.

12.3. *If Payment Not Made When Due.* If and to the extent any payment is not made when due under this Agreement or any of the other Repurchase Documents, the Seller authorizes the Agent and each Buyer (for the Pro Rata account and benefit of all of the Buyers) then or at any time thereafter to charge any amounts so due and unpaid against any or all of the Seller's accounts with the Agent or any of the Buyers; provided that such right to charge the Seller's accounts shall not apply to any escrow, trust or other deposit accounts designated as being held by the Seller on behalf of third party owners of the escrowed funds other than Affiliates of the Seller. The Agent agrees to use reasonable efforts to promptly advise the Seller of any charge made pursuant to this Section, but its failure to do so will not affect the validity or collectibility of such charge. Neither the Agent nor any Buyer shall have any obligation to charge any Seller account, merely the right to do so.

12.4. *Payments Valid and Effective.* Each payment received by the Agent in accordance with this Agreement is valid and effective to satisfy and discharge the Seller's liability under the Repurchase Documents to the extent of the payment.

12.5. *Pro Rata Distribution of Payments.* The Agent shall distribute all payments of Repurchase Price (whether voluntary or involuntary and from whatever source) received to the Buyers Pro Rata with their respective ownership interests in the Purchased Loans promptly upon receipt. The distribution from the Agent to each Buyer shall be made by the Agent's initiating a federal funds wire transfer in immediately available funds directly to such Buyer or to such account at another financial institution as is designated from time to time by such Buyer in writing.

13 Segregation of Documents Relating to Purchased Loans.

All documents relating to Purchased Loans in the possession of the Seller or its designee (including its agent, or any subservicer) shall be segregated from other documents and securities in its or its designee's possession and shall be identified as being owned by the Buyers and held by the Agent on behalf of the Buyers (which shall be referenced in the relevant books and records as "U.S. Bank National Association, Agent") and subject to this Agreement. Segregation may be accomplished by appropriate identification of ownership on the books and records of the holder of such documents, including MERS, a documents custodian, a financial or securities intermediary or a clearing corporation. All of Seller's interest in the Purchased Loans shall pass to the Buyers on the Purchase Date and nothing in this Agreement shall preclude the Agent and the Buyers, in each case with the Buyers' consent, from engaging with others in repurchase transactions with the Purchased Loans or otherwise selling, transferring, or pledging or hypothecating, the Purchased Loans, but no such transaction shall relieve the Buyers of their obligations to transfer Purchased Loans to the Seller pursuant to Section 3 or 18, or of the Agent's obligation to credit or pay Income to, or apply Income to the obligations of, the Seller pursuant to Section 8.

14 Conditions Precedent.

14.1. *Initial Purchase.* The effectiveness of this Agreement is subject to the fulfillment of the following conditions precedent:

(a) on the Effective Date, the Agent shall have received (or be satisfied that it will receive by such deadline as the Agent shall specify) the following, all of which must be satisfactory in form and content to the Agent:

(1) this Agreement duly executed by the parties;

(2) a current UCC search report of a UCC filings search in the office of the Secretary of State of the Commonwealth of Virginia and such other searches or evidence as the Agent may require to confirm the Agent's first-priority Lien on the Purchase Loans;

(3) the Custody Agreement duly executed by the Agent, the Seller and the Custodian;

(4) a copy of the corporate resolution (or equivalent thereof) of Seller authorizing the execution, delivery and performance of the Repurchase Documents, certified as of the Effective Date by the Secretary or an Assistant Secretary of Seller;

(5) an incumbency certificate showing the names and titles and bearing the signatures of the officers of Seller authorized to execute the Repurchase Documents, certified as of the Effective Date by the Secretary or an Assistant Secretary of Seller;

(6) a copy of the bylaws of Seller, certified as of the Effective Date by the Secretary or an Assistant Secretary of Seller;

(7) a copy of the Articles of Incorporation of Seller with all amendments thereto, certified by the appropriate governmental official of the jurisdiction of its incorporation as of a date acceptable to the Agent in its sole discretion;

(8) a certificate of good standing (or the equivalent thereof) for Seller in the jurisdiction of its incorporation, certified by the appropriate governmental officials as of a date acceptable to the Agent in its sole discretion;

(9) payment to the Agent or the Custodian, as applicable, of the Facility Fee, the Agent's Fee, if any, the Custodian's Fee and all other fees and expenses (including the disbursements and reasonable fees of the Agent's attorneys) of the Agent and the Buyers payable by Seller pursuant to Section 9 accrued and billed for to the Effective Date;

(10) an Officer's Certificate for the Seller dated the initial Purchase Date and certifying truthfully that, (i) after giving effect to the Transaction to occur on that Purchase Date, no Default or Event of Default will exist, (ii) all of the representations and warranties made by the Seller in the Repurchase Documents are true and correct as of the Effective Date and (iii) there has been no material adverse change since the Statement Date in any of the Central Elements in respect of the Seller or any of its Subsidiaries;

(11) the Fee Letter, duly executed by the parties;

(12) [Reserved]; and

(13) a certificate of the Secretary or Assistant Secretary of Seller of Seller certifying that no amendments have been made to the Tax Allocation Agreement since August 5, 2008 and to the Parent Subordinated Note since July 25, 2011, or if any such amendments have been made, certifying as to true and complete copies thereof.

(b) The Electronic Tracking Agreement executed as of August 5, 2008, shall remain in full force and effect.

(c) The Seller shall have delivered to the Agent all evidence of errors and omissions insurance and fidelity bond coverage required or requested under the Existing MRA.

(d) All directors and officers of the Seller and all Affiliates of the Seller (except, with respect to the Parent Subordinated Note, the Parent), to whom or which the Seller is indebted either for borrowed money or for any other obligation of Fifty Thousand Dollars (\$50,000) or more as of the date of this Agreement, excluding salary, bonus or other compensation obligations, shall have caused such Debt to be Qualified Subordinated Debt, by executing and causing to be delivered to the Agent a Subordination Agreement and taking all other steps, if any, required to cause such Debt to be Qualified Subordinated Debt, and the corporate secretary of the Seller shall have certified each such Subordination Agreement executed to satisfy the requirements of this Section 14.1(d) to be true, complete and in full force and effect as of the date of the initial purchase.

14.2. *Each Purchase.* The obligations of the Buyers (and the Agent on the Buyers' behalf) to make any purchase under this Agreement are also subject to the satisfaction, as of each Purchase Date, of the following additional conditions precedent:

(a) The Seller shall have delivered to the Custodian the related Mortgage Loan Transmission Files for the new Mortgage Loans to be purchased.

(b) Unless the requested Transaction is for the purchase of only Wet Loans, the Custodian shall have issued its Custodian's Exception Report (as defined in the Custody Agreement) relating to the Purchased Loans then owned by the Buyers. The Agent agrees that, for so long as it is the Custodian, it will not unreasonably withhold or delay issuing any such Custodian's Exception Report.

(c) The representations and warranties of the Seller contained in this Agreement and the other Repurchase Documents shall be true and correct in all material respects as if made on and as of each Purchase Date unless specifically stated to relate to an earlier date.

(d) The Seller shall have performed all agreements to be performed by it under this Agreement, the Custody Agreement and all other Repurchase Documents, as well as under all Investor Commitments that the Seller has represented to the Agent and the Buyers cover any of the Purchased Loans, and after the requested Transaction shall have been executed, no Default or Event of Default will exist that the Agent has not declared in writing to have been waived or cured, nor will any default exist under any such Investor Commitments.

(e) The Seller shall not have incurred any liabilities (whether or not in the ordinary course of business) that adversely and materially affect any of the Central Elements in respect of the Seller or any of its Subsidiaries since the dates of the Seller's Financial Statements most recently theretofore delivered to the Buyers.

(f) The Seller shall have paid the Facility Fee, the Non-Usage Fee and the Agent's Fee, if any, then due and payable in accordance with Section 9.1 and Section 9.2 and the Custodian's Fee pursuant to the Custody Agreement.

(g) Prior to the execution of the requested Transaction, no Default or Event of Default shall have occurred or will occur after giving effect to such Transaction, that the Agent has not declared in writing to have been waived or cured.

(h) The requested Transaction will not result in the violation of any applicable Law.

(i) The Agent shall have received such other documents, if any, as shall be reasonably required by the Agent.

(j) No Margin Deficit exists or will exist after giving effect to such Transaction.

(k) Such Transaction shall occur on or before the Termination Date.

(l) After giving effect to such Transaction, none of the sublimits set forth in Section 4.2 shall be exceeded.

(m) For any Transaction involving a Wet Loan, (i) unless the closing title agency or attorney has previously signed an agreement with the Agent acknowledging funds received from the Agent for the purchase of such Wet Loan are held by such title agency or attorney in trust for and as the property of the Agent until such Wet Loan is closed and purchased by the Agent for the benefit of the Buyers and that any such funds so received shall be returned to the Agent for the benefit of the Buyers if the Mortgage Loan that is proposed to be so purchased as a Wet Loan does not close on the proposed Purchase Date, (ii) the Seller shall have delivered to such closing title agency or attorney an instruction letter stating that funds received from the Agent for the purchase of such Wet Loan are held by such title agency or attorney in trust for and as the property of the Agent until such Wet Loan is closed and purchased by the Agent for the benefit of the Buyers and that any such funds so received shall be returned to the Agent for the benefit of the Buyers if the Mortgage Loan that is proposed to be so purchased as a Wet Loan does not close on the proposed Purchase Date

15 Representations, Warranties and Covenants.

15.1. *Buyers, Agent and Seller Representations.* The Buyers, the Agent and Seller each represents and warrants, and shall on and as of the Purchase Date of any Transaction be deemed to represent and warrant, to the others that:

(a) it is duly authorized to execute and deliver this Agreement, to enter into the Transactions and to perform its obligations hereunder and has taken all necessary action to authorize such execution, delivery and performance;

(b) it will engage in such Transactions as principal (or, in the case of the Agent, and in respect of any other party if agreed in writing in advance of any Transaction by the other parties hereto, as agent for a disclosed principal);

(c) the person signing this Agreement on its behalf is duly authorized to do so on its behalf (or on behalf of any such disclosed principal);

(d) it has obtained all authorizations of any governmental body required in connection with this Agreement and the Transactions and such authorizations are in full force and effect; and

(e) the execution, delivery and performance of this Agreement and the Transactions hereunder will not violate any law, ordinance, charter, by-law or rule applicable to it or any agreement by which it is bound or by which any of its assets are affected.

15.2. *Additional Seller Representations.* With regard to:

(i) Purchased Loans, on and as of the Purchase Date of any Transaction;

(ii) Eligible Loans substituted pursuant to Section 11, on and as of the date of their substitution; and

(iii) Additional Purchased Loans submitted pursuant to Section 6.1, on and as of the date of their transfer to the Custodian

the Seller hereby represents and warrants to the Buyers and the Agent, as follows:

(a) *Documents Genuine.* The documents delivered or disclosed by the Seller to the Agent or the Buyers pursuant to this Agreement or the Custody Agreement are either original documents or genuine and true copies thereof.

(b) *No Securities to be Acquired with Purchased Loan Sale Proceeds.* None of the Purchase Price for any Eligible Loan will be used either directly or indirectly to acquire any security, as that term is defined in Regulation T, and the Seller has not taken any action that might cause any Transaction to violate any regulation of the Federal Reserve Board.

(c) *Organization; Good Standing; Subsidiaries.* The Seller is a corporation duly incorporated, validly existing and in good standing under the laws of the Commonwealth of Virginia, and each of the Seller's Subsidiaries is a corporation, partnership or limited liability company duly formed, validly existing and in good standing under the laws of the jurisdiction of its incorporation, formation or organization. The Seller has furnished to the Agent a true and complete copy of its Organizational Documents as in effect as of the date of this Agreement, including all amendments thereto, and agrees to furnish to the Agent a true and complete copy of any amendment adopted after the Effective Date promptly after it is adopted. The Seller and its Subsidiaries each has the full legal power and authority to own its properties and to carry on its business as currently conducted and each is duly qualified to do business as a limited partnership or foreign corporation or (in the case of any limited liability company Subsidiaries) limited liability company and in good standing in each jurisdiction in which the ownership of its property or the transaction of its business makes such qualification necessary, except in jurisdictions, if any, where a failure to be qualified, licensed or in good standing could not reasonably be expected to have a material adverse effect on any of the Central Elements in respect of the Seller or any of its Subsidiaries. The Seller does not have any Subsidiaries except as set forth on Exhibit C or as have been disclosed by the Seller to the Agent in writing after the Effective Date. Exhibit C states the name of each such Subsidiary as of the Effective Date, place of organization, each state in which it is qualified as a foreign entity and the percentage ownership of the capital stock or other indicia of equity of each such Subsidiary by the Seller.

(d) *Authorization and Enforceability.* The Seller has the power and authority to execute, deliver and perform this Agreement, the Custody Agreement and all other Repurchase Documents to which it is a party or in which it joins or has joined. The execution,

delivery and performance by the Seller of this Agreement, the Custody Agreement and all other Repurchase Documents to which it is a party have each been duly and validly authorized by all necessary corporate action on the part of the Seller (none of which has been modified or rescinded, and all of which are in full force and effect) and do not and will not (i) conflict with or violate any Law, (ii) conflict with or violate the Organizational Documents of the Seller, (iii) conflict with or result in a breach of or constitute a default under any agreement, instrument or indenture binding on the Seller or (iv) require any consent under any such agreement, instrument or indenture, where the conflict, violation, breach, default or nonconsent could reasonably be expected to have a material adverse effect on any of the Central Elements in respect of the Seller or any of its Subsidiaries, or result in the creation of any Lien upon any property or assets of the Seller, or result in or permit the acceleration of any debt of the Seller pursuant to any agreement, instrument or indenture to which the Seller is a party or by which the Seller or its property may be bound or affected. This Agreement, the Custody Agreement and all other Repurchase Documents constitute the legal, valid, and binding obligations of the Seller enforceable in accordance with their respective terms, except as limited by bankruptcy, insolvency or other such laws affecting the enforcement of creditors' rights generally.

(e) *Approvals.* Neither the execution and delivery of this Agreement, the Custody Agreement and all other Repurchase Documents nor the performance of the Seller's obligations under such Repurchase Documents requires any license, consent, approval or other action of any state or federal agency or governmental or regulatory authority other than (i) those that have been obtained or will be obtained by the time required and which remain in full force and effect, (ii) those for which the Seller's failure to obtain them could not reasonably be expected to have a material adverse effect on any of the Central Elements in respect of the Seller or any of its Subsidiaries and (iii) the filing of any financing statements.

(f) *Financial Condition.* The consolidated balance sheet of the Seller (and, to the extent applicable, the Seller's consolidated Subsidiaries) and the related statements of income, changes in stockholders' equity cash flows and Mortgage Loan production ("*Financial Statements*") for the fiscal year ended on the Statement Date (the "*Statement Date Financial Statements*") heretofore furnished to the Agent and the Buyers, fairly present the financial condition of the Seller (and Seller's consolidated Subsidiaries) as of the Statement Date and the results of their operations for the fiscal period ended on the Statement Date. On the Statement Date, the Seller did not have either any known material obligations, liabilities or indebtedness (including material contingent and indirect liabilities and obligations and forward or long-term commitments), other than the contingent liabilities (if any) set forth on Schedule 15.2(f) and contingent liability on endorsements of negotiable instruments for deposit or collection in the ordinary course of business, which are not disclosed by the Statement Date Financial Statements or reserved against in them, in each case in accordance with GAAP, or that have not been otherwise disclosed to the Buyers in writing. Each of the Seller and each of its Subsidiaries is Solvent, and since the Statement Date, (i) there has been no material adverse change in any of the Central Elements in respect of the Seller or any of its Subsidiaries, nor is the Seller aware of any state of facts which (with or without notice, the lapse of time or both) would or could reasonably be expected to result in any such material adverse change, and (ii) there have been no unrealized or anticipated losses from any loans, advances or other commitments of the Seller that have resulted in a material adverse change in the Central Elements in respect of the Seller or any of its Subsidiaries, except for the material adverse changes and losses (if any) that are summarized in Schedule 15.2(f).

(g) *Litigation.* Except as disclosed on Schedule 15.2(g) or except as disclosed in the Statement Date Financial Statements or the most recent Financial Statements furnished to the Agent and the Buyers (whichever is more current), there are no actions, claims, suits or proceedings pending, or to the knowledge of the Seller, threatened or reasonably anticipated

against or affecting the Seller or any of its Subsidiaries in any court, before any other Governmental Authority or before any arbitrator or in any other dispute resolution forum which could reasonably be expected to result in a material adverse effect on any of the Central Elements in respect of the Seller or any of its Subsidiaries.

(h) *Licensing.* The Seller, and any subservicer of its Mortgage Loans are duly registered as mortgage lenders and servicers in each state in which Mortgage Loans have been or are from time to time originated, to the extent such registration is required by any applicable Law, except where the failure to register could not reasonably be expected to result in a material adverse effect on any of the Central Elements in respect of the Seller or any of its Subsidiaries or such subservicer.

(i) *Compliance with Applicable Laws.* Neither the Seller nor any of its Subsidiaries is in violation of any provision of any law, or any judgment, award, rule, regulation, order, decree, writ or injunction of any court, other Governmental Authority or public regulatory body that could reasonably be expected to have a material adverse effect on any of the Central Elements in respect of the Seller or any of its Subsidiaries.

(j) *Regulation U.* The Seller is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying Margin Stock, and no part of the proceeds of any Transactions directly or indirectly made available to or received by the Seller or for its account will be used, directly or indirectly, for the purpose of purchasing or carrying any Margin Stock or to extend credit to others for the purpose of purchasing or carrying any Margin Stock or for the purpose of reducing or retiring any debt which was originally incurred to purchase or carry any Margin Stock or to extend credit to others for the purpose of purchasing or carrying any Margin Stock or which would constitute this transaction a “purpose credit” within the meaning of Regulation U, as now or hereafter in effect.

(k) *Investment Company Act.* The Seller is not required to be registered as an “investment company” within the meaning of the Investment Company Act of 1940, as amended.

(l) *Payment of Taxes.* All material tax returns required to be filed by the Seller and each Subsidiary in any jurisdiction have been filed or extended and all taxes, assessments, fees and other governmental charges upon the Seller and each Subsidiary 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 the books of the Seller or such Subsidiary. Neither the Seller nor any Subsidiary has any knowledge of any proposed tax assessment against the Seller or any Subsidiary, the imposition of which could reasonably be expected to result in a material adverse effect upon any of the Central Elements.

(m) *Custody Agreement.* The Custody Agreement is or when executed will be currently in full force and effect with respect to the Seller and the Seller is or when executed will be in compliance with all of its obligations, covenants or conditions contained in the Custody Agreement.

(n) *Agreements.* Neither the Seller nor any of its Subsidiaries is a party to any agreement, instrument or indenture or subject to any restriction, in each case materially and adversely affecting any of the Central Elements in respect of the Seller or any of its Subsidiaries except as disclosed in (i) the Statement Date Financial Statements, or (ii) Schedule 15.2(f). Neither the Seller nor any Subsidiary is in default in the performance, observance or fulfillment of any of its obligations, covenants or conditions contained in any

agreement, instrument or indenture that could reasonably be expected to have a material adverse effect on any of the Central Elements in respect of the Seller or any of its Subsidiaries. No holder of the Seller's or any such Subsidiary's debt or other obligations has given notice of any asserted default that could reasonably be expected to have a material adverse effect on any of the Central Elements in respect of the Seller or any of its Subsidiaries. No liquidation or dissolution of the Seller is pending or, to the Seller's knowledge, threatened and no liquidation or dissolution of any Subsidiary is pending or threatened that could reasonably be expected to have a material adverse effect on any of the Central Elements in respect of the Seller or any of its Subsidiaries. No receivership, insolvency, bankruptcy, reorganization or other similar proceedings relative to the Seller or any of its properties is pending, or to the Seller's knowledge, threatened. No receivership, insolvency, bankruptcy, reorganization or other similar proceedings relative to any Subsidiary of the Seller or any of its properties is pending, or to the Seller's knowledge, threatened that could reasonably be expected to have a material adverse effect on any of the Central Elements in respect of the Seller or any of its Subsidiaries.

(o) *Title to Properties.* The Seller and each of its Subsidiaries has good, valid, insurable (in the case of real property) and marketable title to all of its material Properties and assets (whether real or personal, tangible or intangible) that are reflected on or referred to in the Financial Statements most recently furnished to the Agent, except for such properties and assets as have been disposed of since the date of such current Financial Statements either in the ordinary course of business or because they were no longer used or useful in the conduct of its business, and all such Properties and assets are free and clear of all Liens except for (i) the lien of current (nondelinquent) real and personal property taxes and assessments, (ii) covenants, conditions and restrictions, rights of way, easements and other matters to which like properties are commonly subject that do not materially interfere with the use of the property as it is currently being used and (iii) such other Liens, if any, as are disclosed in such Financial Statements or on Schedule 15.2(o) and (iv) Permitted Encumbrances.

(p) *The Seller's Address.* The Seller's chief executive office and principal place of business are at 11700 Plaza America Drive, Suite 500, Reston, VA 20190, or at such other address as shall have been set forth in a written notice to the Agent given subsequent to the Effective Date and at least ten (10) Business Days before such notice's effective date.

(q) *ERISA.* The Seller does not maintain any ERISA Plans and shall not adopt or agree to maintain or contribute to an ERISA Plan. The Seller shall promptly notify Agent and each Buyer in writing in the event an ERISA Affiliate adopts an ERISA Plan. The Seller is not an employer under any Multiemployer Plan or any other Plan subject to Title IV of ERISA.

(r) *Commissions.* Neither Seller nor any of its Affiliates have dealt with any broker, investment banker, agent or other person, except for the Agent and the Buyers, who may be entitled to any commissions or compensation in connection with the sale of Purchased Loans pursuant to this Agreement.

(s) *Full Disclosure.* Each material fact or condition relating to the Repurchase Documents and the Central Elements has been disclosed in writing to the Agent. All information previously furnished by the Seller and its Subsidiaries to the Agent in connection with the Repurchase Documents was and all information furnished in the future by the Seller and its Subsidiaries to the Agent or Buyers will be true and accurate in all material respects or based on reasonable estimates on the date the information is stated or certified. To the best knowledge of the Seller, neither the financial statements referred to in Section 15.2(f), nor any Request/Confirmation, market analysis report, officer's certificate or any other report or statement delivered by the Seller and its Subsidiaries to the Agent in connection with this

Agreement, contains any untrue statement of material fact. The information included in the most recently delivered Beneficial Ownership Certification is true and correct in all respects.

(t) *Material Agreements with Affiliates.* Except as set forth on Schedule 15.2(t), as of the Effective Date, Seller is not party to any material agreement, whether written or oral, with the Parent or any other Affiliate of Seller, other than the arrangement between the Parent and the Seller pursuant to which the Parent provides centralized payroll, accounts payable and accounting services to the Seller. As used in the preceding sentence, “material agreement” includes any agreement in which the fair value of the consideration paid or performance due any party exceeds \$100,000 and “with the Parent or any other Affiliate of Seller” includes any direct or indirect agreement with the Parent or any other Affiliate of Seller.

15.3. *Special Representations Relating to the Purchased Loans.* The representations and warranties concerning each Purchased Loan, as set forth on Schedule 15.3 hereto, are incorporated herein.

15.4. *Representations and Warranties Relating to Specific Transactions.* At the time each Request/Confirmation is provided to the Agent, Buyers and/or Custodian, the following are true with respect to each of the Mortgage Loans listed on the Mortgage Loan Transmission Files attached to such Request/Confirmation or submitted in connection with such Request/Confirmation:

- (a) the Basic Papers have been or will be executed and delivered by all appropriate Persons;
- (b) the Seller is electronically communicating to the Custodian a complete Mortgage Loan Transmission File, and the information stated for such Mortgage Loan in such standard Mortgage Loan Transmission File is correct and complete in accordance with the Record Layout;
- (c) such Mortgage Loan has been (or will be) originated, closed, funded and (if applicable) negotiated and assigned to the Seller;
- (d) for each such Mortgage Loan being offered as a Dry Loan, the Basic Papers are being concurrently delivered to the Custodian;
- (e) for each Mortgage Loan being offered as a Wet Loan, the complete File for such Mortgage Loan, including all Basic Papers and all Supplemental Papers, is or will be in the possession of either that Mortgage Loan’s closer, or the Seller, its Basic Papers are in the process of being delivered to the Custodian and such Basic Papers will be delivered to the Custodian on or before five (5) Business Days after the Purchase Date specified above;
- (f) no Default or Event of Default has occurred and is continuing and there has been no material adverse change in any of the Central Elements in respect of the Seller or any of its Subsidiaries since the date of the Seller’s most recent annual audited Financial Statements that have been delivered to the Agent and the Buyers;
- (g) all items that the Seller is required to furnish to the Buyers, the Agent or the Custodian in connection with the requested Transaction and otherwise have been delivered, or will be delivered before the Purchase Date specified in the applicable Request/Confirmation, in all respects as required by this Agreement and the other Repurchase Documents. All documentation described or referred to in the Mortgage Loan Transmission File submitted to the Agent in connection with the applicable Request/Confirmation conforms in all respects with all applicable requirements of this Agreement and the other Repurchase Documents; and

(h) none of the Purchased Loans (including, but not limited to, the Purchased Loans identified in the applicable Request/Confirmation) has been sold to any Person other than the Buyers, is pledged to any Person other than Agent, for the benefit of itself and the Buyers, or supports any borrowing or repurchase agreement funding other than purchases under this Agreement.

15.5. *Anti-Corruption Laws; Sanctions.* The Seller, its Subsidiaries and their respective directors, officers, and employees and, to the knowledge of the Seller, the agents of the Seller and its Subsidiaries are in compliance with Anti-Corruption Laws and all applicable Sanctions in all material respects. The Seller and its Subsidiaries have implemented and maintain in effect policies and procedures designed to ensure compliance with Anti-Corruption Laws and applicable Sanctions. None of the Seller, any of its Subsidiaries or any director, officer, employee, agent, or affiliate of the Seller or any of its Subsidiaries is an individual or entity that is, or is 50% or more owned (individually or in the aggregate, directly or indirectly) or controlled by individuals or entities (including any agency, political subdivision or instrumentality of any government) that are (a) the target of any Sanctions or (b) located, organized or resident in a country or territory that is the subject of Sanctions (currently Crimea, Cuba, Iran, North Korea and Syria).

15.6. *Survival.* All representations and warranties by the Seller shall survive delivery of the Repurchase Documents and the sales of the Purchased Loans, and any investigation at any time made by or on behalf of the Buyers or the Agent shall not diminish any Buyer's or the Agent's right to rely on them.

16 Affirmative Covenants.

The Seller agrees that, for so long as the Commitments are outstanding or either (i) there are any Purchased Loans that have not been repurchased by the Seller or (ii) any of the Seller's Obligations remain to be paid or performed under this Agreement or any of the other Repurchase Documents:

16.1. *Anti-Money Laundering Compliance.* The Seller will, and will cause each Subsidiary to, provide such information and take such actions as are reasonably requested by the Agent or any Buyer in order to assist the Agent and the Buyers in maintaining compliance with anti-money laundering laws and regulations.

16.2. *Anti-Corruption Laws; Sanctions.* The Seller will not, directly or indirectly, use the proceeds of the Transactions, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other Person, (a) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws or (b)(i) to fund any activities or business of or with any Person, or in any country or territory, that, at the time of such funding, is the subject of Sanctions, or (ii) in any other manner that would result in a violation of Sanctions by any Person (including any Person participating in the Transactions, whether as Agent, Arranger, Buyer, underwriter, advisor, investor, or otherwise).

16.3. *Financial Statements.* The Seller will deliver to the Agent who will post the same for viewing by all Buyers on a secure internet site within one Business Day of receipt:

(a) As soon as available and in any event within thirty (30) days after the end of each month (including each quarter end and year end month), Financial Statements for the Seller and its Subsidiaries for the month just ended, all in reasonable detail, and certified by its chief financial officer that, such Financial Statements were prepared in accordance with GAAP and present fairly in all material respects the Seller's and its consolidated Subsidiaries' financial condition as of the date thereof and the results of their operations for the period

covered, subject, however, to adjustments required by FAS-91 and FAS-133 and normal year-end audit adjustments and the omission of notes to the Financial Statements.

(b) As soon as available and in any event within ninety (90) days after the close of each of its fiscal years, audited consolidated and unaudited consolidating Financial Statements for the Seller and its consolidated Subsidiaries for such year, and the related balance sheet as at the end of such year (setting forth in comparative form the corresponding figures as of the end of and for the preceding fiscal year), all in reasonable detail, prepared in accordance with GAAP and with all notes, and accompanied by:

(1) a report and clean and unqualified opinion of a firm of independent certified public accountants of recognized standing selected by the Seller and reasonably acceptable to the Agent (as of the Effective Date, KPMG is acceptable to the Agent), stating that such accountants have audited such Financial Statements in accordance with generally accepted auditing standards and that, in their opinion, such Financial Statements present fairly, in all material respects, the consolidated financial condition of the Seller and its consolidated Subsidiaries as of the date thereof and the consolidated results of its operations and cash flows for the periods covered thereby in conformity with GAAP;

(2) any management letters, management reports or other supplementary comments or reports delivered in conjunction with the report and opinion in Section 16.3(b)(1) by such accountants to management or the board of directors of the Seller; and

(3) a certificate signed by the chief executive officer or President of the Seller and the chief financial officer of the Parent stating that said Financial Statements are fairly stated in all material respects.

The Seller also agrees to provide to the Agent and the Buyers such other information related to such annual reports or concerning the Seller's finances or operations as the Agent or any Buyer may from time to time reasonably request.

(c) *Chief Financial Officer's Certificate.* Together with each of the monthly and annual Financial Statements required by Section 16.3(a) and (b) above, a certificate of the Seller's chief financial officer in the form of Exhibit B, among other things, (i) setting forth in reasonable detail all calculations necessary to show (A) whether the Seller is in compliance with the requirements of Sections 17.12, 17.13, 17.14, and 17.15 of this Agreement or, if the Seller is not in compliance, showing the extent of noncompliance and specifying the period of noncompliance and what actions the Seller proposes to take with respect thereto, and (B) the HUD Compare Ratio as of the last day of the applicable period, and (ii) stating that the terms of this Agreement have been reviewed by such officer or under his or her supervision, that he or she has made or caused to be made under his or her supervision a review in reasonable detail of the transactions and the condition of the Seller during the accounting period covered by such Financial Statements and that such review does not disclose the existence during or at the end of such accounting period and that such chief financial officer does not have knowledge of the existence as of the date of such certificate of any Event of Default or Default or, if any Event of Default or Default existed or exists, specifying the nature and period of its existence and what action the Seller has taken, is taking, and proposes to take with respect to it.

16.4. *Financial Statements Will Be Accurate.* The Seller agrees that all Financial Statements and reports of auditors furnished to the Agent and the Buyers will be prepared in accordance with GAAP, applied on a basis consistent with that applied in preparing the Statement Date Financial

Statements as at the date thereof and for the period then ended, subject, however for Financial Statements other than year-end statements to year-end audit adjustments and the omission of footnotes.

16.5. *Other Reports.* The Seller will promptly furnish to the Agent from time to time information regarding the business and affairs of the Seller, including the items listed below and such other information as the Agent may from time to time reasonably request. The Agent shall request (a) such information as it deems appropriate in its sole discretion and (b) information for which it receives a reasonable request, in writing (which may be in the form of e-mail sent to the Agent), from any Buyer, within one Business Day after receipt of such Buyer's request therefor. Each report required must be signed by a duly authorized officer of the Seller, and the Agent and the Buyers will have no responsibility to verify or track any of the items referenced or conclusions stated in such reports or to verify the authority of its signer:

(a) A report of Purchased Loans prepaid in full, on or before one (1) Business Day after prepayment of any one or more Purchased Loans is reported to the Seller internally or by any Servicer or the Seller's subservicer (and the Seller, as applicable, will require each such Servicer and subservicer to promptly make such reports to the Seller, as applicable).

(b) Monthly with the certificate required by Section 16.3(c), a report attached to Exhibit B summarizing (i) notices received by the Seller requesting or demanding that the Seller repurchase (or pay indemnity or other compensation in respect of) Mortgage Loans previously sold or otherwise disposed of by the Seller to any investor or other Person pursuant to any express or implied repurchase or indemnity obligation (whether absolute or contingent and whether or not the Seller is contesting or intends to contest such request or demand) and (ii) actual repurchase and indemnity payments made by Seller to any Person.

(c) Monthly with the certificate required under Section 16.3(c), a Purchased Loans Curtailment Report.

(d) Upon request, a detailed report showing for each Mortgage Loan, the type of Mortgage Loan, the principal balance, the coupon rate, the origination date, the Approved Investor and the price at which such Approved Investor has committed to purchase such Mortgage Loan.

(e) Monthly, a summary of the Seller's other repurchase, reverse repurchase or asset warehousing facilities. Such report shall be in form and format reasonably acceptable to the requesting party and include the total amount available, amount outstanding and maturity date of each of such facilities, the counterparties and whether such facilities are committed or uncommitted.

(f) As soon as available and in any event no later than the first Business Day of the following week, the Seller's internally generated "marketing position report" and summary showing the Seller's pipeline and inventory and, with respect to each Investor Commitment, the type, expiration date, price, interest rate and/or required yield, and the original amount or aggregate thereof and the portions thereof that have been utilized and the portions thereof that remain available, together with a calculation of the "weighted average price" of all Investor Commitments as of the end of such week.

(g) Such other reports by the Seller in respect of the Purchased Loans, in such detail and at such times as the Agent or any Buyer in its reasonable discretion may request at any time or from time to time.

(h) As soon as available and in any event within one day after filing or posting on-line, notice of (i) all press releases issued by the Parent or any of its Subsidiaries, (ii) all regular or periodic financial reports, and copies of all extraordinary or non-routine filings, if any, that shall be filed with the U.S. Securities and Exchange Commission or any successor agency by or on behalf of the Parent or any of its Subsidiaries (including Single-purpose Finance Subsidiaries) and (iii) all such filings relating to any securities that are or are to be based on, backed by or created from any Purchased Loans and which filings are made by or in respect of the Parent or any of its Subsidiaries.

(i) Upon request of the Agent, a Beneficial Ownership Certification, and (ii) any change in the information provided in the Beneficial Ownership Certification that would result in a change to the list of beneficial owners identified in parts (c) or (d) of such certification.

16.6. *Maintain Existence and Statuses; Conduct of Business.* The Seller agrees to preserve and maintain its existence in good standing and all of its rights, privileges, licenses and franchises necessary or desirable in the normal conduct of its business except where the failure to maintain such rights, privileges, licenses or franchises could not reasonably be expected to have a material adverse effect on any of the Central Elements in respect of the Seller or any of its Subsidiaries, and the Seller will continue in the residential mortgage lending business as its principal and core business.

16.7. *Compliance with Applicable Laws.* The Seller and its Subsidiaries will comply with all applicable Laws, the breach of which could reasonably be expected to materially adversely affect any of the Central Elements with respect to the Seller and its Subsidiaries, taken as a whole, except where contested in good faith. The Seller will, and will cause each Subsidiary to, (a) comply in all material respects with all Laws, orders, writs, judgments, injunctions, decrees or awards to which it may be subject including, without limitation, all Anti-Corruption Laws and applicable Sanctions and (b) perform in all material respects its obligations under material agreements to which it is a party. The Seller will maintain in effect and enforce policies and procedures designed to ensure compliance by the Seller, its Subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions. The Seller will not use or allow any tenants or subtenants to use, or permit any Subsidiary to use or allow any tenants or subtenants to use, its Property for any business activity that violates any applicable federal or state law or that supports a business that violates any applicable federal or state law.

16.8. *Inspection of Properties and Books; Protection of Seller's Proprietary Information; Buyers' Due Diligence of Seller.*

(a) The Seller agrees to permit the Agent and the Buyers, subject to the provisions of Section 16.9, to perform continuing loan level due diligence reviews with respect to the Purchased Loans, for purposes of verifying compliance with the representations, warranties and specifications made in this Agreement or otherwise, and the Seller agrees that upon reasonable prior notice to the Seller (which shall not be less than five days, provided that no Default or Event of Default has occurred and is continuing), the Agent, any Buyer or their authorized representatives will be permitted timely and reasonable access to examine, inspect, and make copies and extracts of, the related mortgage loan files and any and all documents, records, agreements, instruments or information relating to such Purchased Loans in the possession or under the control of the Seller, any Servicer or the Custodian. The Seller also shall make available to the Agent and the Buyers a knowledgeable financial or accounting officer for the purpose of answering questions respecting the mortgage loan files and the Purchased Loans. Without limiting the generality of the foregoing, the Seller acknowledges that the Buyers may purchase Eligible Loans from the Seller based solely upon the information provided by the Seller to the Agent in the Mortgage Loan Transmission File and the representations, warranties and covenants contained in this Agreement, and that the Agent and the Buyers, at their option, have the right at any time with reasonable prior notice to

conduct a partial or complete due diligence review on some or all of the Purchased Loans prior to or following their purchase in a Transaction, including ordering new credit reports and new appraisals on any property securing any Purchased Loan and otherwise re-generating the information used to originate such Purchased Loan. Notwithstanding any provision to the contrary herein regarding reasonable prior notice, if an Event of Default in respect of the Seller shall have occurred and be continuing, then the Agent and the Buyers, upon notice to the Seller, shall have the right to immediate access and review of the Seller and the loan information contemplated in this Section 16.8(a), provided that to the extent that the Seller does not have possession of such loan information, the Seller shall cause the applicable Servicer or subservicer to provide the Agent and the Buyers with access and review of such loan information within a reasonable period of time, but not to exceed any prior notification time provided under the related Servicing Agreement with such Servicer or subservicer. The Agent may conduct the due diligence review of such Purchased Loans itself or engage a third party underwriter selected by the Agent to perform such review. The Seller agrees to, and to cause any relevant Servicer and its subservicer to, cooperate with the Agent, the Buyers and any third party underwriter in connection with such due diligence review, including providing the Agent, the Buyers and any third party underwriter with access to any and all documents, records, agreements, instruments or information relating to such Purchased Loans in the possession, or under the control, of the Seller, such Servicer and such subservicer. Such visits shall be coordinated by the Agent and, so long as no Default or Event of Default has occurred and is continuing, such visits by any Buyer shall be at such Buyer's expense. Except as provided in the foregoing sentence, the Seller agrees to pay all costs and expenses of the Agent and any Buyer incurred in the exercise of their rights pursuant to this Section 16.8(a).

(b) The Seller agrees to permit authorized representatives of the Agent and each Buyer, at such Buyer's expense except after the occurrence and during the continuance of a Default or Event of Default, to discuss onsite the business, operations, assets and financial condition of the Seller and its Subsidiaries with their respective officers, employees and independent accountants and to examine their books of account and make copies or extracts of them, all at such reasonable times and upon such reasonable notice as the Agent or any Buyer may request, for any or all of the purposes of ordinary diligence, performing the Buyers' duties (and any of the Seller's duties which the Seller has not performed) and enforcing the Buyers' and the Agent's rights under this Agreement. To the extent that it is commercially reasonable, any Buyer that desires to act under this Section 16.8(b) shall do so either through the Agent, or with the coordination of the Agent, and to the extent that it is not commercially reasonable for a Buyer to do so, such Buyer may only act under this Section 16.8(b) one (1) time in any consecutive six (6) month period and, unless such Buyer is the Person serving as the Agent, at such Buyer's expense (or, after the occurrence and during the continuance of a Default or Event of Default, at Seller's expense). The Agent or the Buyers acting will notify the Seller before contacting the Seller's accountants and the Seller may have its representatives in attendance at any meetings between the officers or other representatives of the Agent or any Buyer and such accountants held in accordance with this authorization. The Agent and each Buyer agrees that it will prevent disclosure by itself to third parties of any proprietary information it has received pursuant to this Agreement and will maintain the confidential nature of such material; provided that this restriction shall not apply to information that (i) at the time in question has already entered the public domain, (ii) is required to be disclosed by any Law (including pursuant to any examination, inspection or investigation by any Governmental Authority having regulatory jurisdiction over any Buyer or the Agent), (iii) is furnished by the Agent, or any Buyer to purchasers or prospective purchasers of participations or interests in the Purchased Loans so long as such purchasers and prospective purchasers have agreed to be subject to restrictions substantially identical to those contained in this sentence, (iv) the disclosure of which the Agent and the Buyers deem necessary to market or sell Purchased Mortgage Loans or to enforce or exercise their rights

under any Repurchase Document, or (v) is disclosed by any Buyer to its attorneys, employees, agents and auditors during the performance of their respective duties.

16.9. *Privacy of Customer Information.* The Seller's Customer Information in the possession of the Agent or the Buyers, other than information independently obtained by the Agent or the Buyers and not derived in any manner from or using information obtained under or in connection with this Agreement, is and shall remain confidential and proprietary information of the Seller. Except in accordance with this Section 16.9, the Agent and the Buyers shall not use any Seller's Customer Information for any purpose, including the marketing of products or services to, or the solicitation of business from, Customers, or disclose any Seller's Customer Information to any Person, including any of the Agent's or the Buyers' employees, agents or contractors or any third party not affiliated with the Agent or a Buyer. The Agent and the Buyers may use or disclose Seller's Customer Information only to the extent necessary (i) for examination and audit of the Agent's or the Buyers' respective activities, books and records by their regulatory authorities, (ii) to market or sell Purchased Mortgage Loans or to enforce or exercise their rights under any Repurchase Document, (iii) to carry out the Agent's, the Buyers' and the Custodian's express rights and obligations under this Agreement and the other Repurchase Documents (including providing Seller's Customer Information to Approved Investors), or (iv) in connection with an assignment or participation as authorized by Section 22 or in connection with any hedging transaction related to the Purchased Loans and for no other purpose; provided that the Agent and the Buyers may also use and disclose the Seller's Customer Information as expressly permitted by the Seller in writing, to the extent that such express permission is in accordance with the Privacy Requirements. The Agent and the Buyers shall ensure that each Person to which the Agent or a Buyer intends to disclose Seller's Customer Information, before any such disclosure of information, agrees to keep confidential any such Seller's Customer Information and to use or disclose such Seller's Customer Information only to the extent necessary to protect or exercise the Agent's, the Buyers' or the Custodian's rights and privileges, or to carry out the Agent's, the Buyers' and the Custodian's express obligations, under this Agreement and the other Repurchase Documents (including providing Seller's Customer Information to Approved Investors). The Agent agrees to maintain an information security program and to assess, manage and control risks relating to the security and confidentiality of Seller's Customer Information pursuant to such program in the same manner as the Agent does in respect of its own customers' information, and shall implement the standards relating to such risks in the manner set forth in the Interagency Guidelines Establishing Standards for Customer Information Security at 12 CFR Appendix B to Part 30 (the "Information Security Regulation"). In the event of actual or suspected unauthorized disclosure, loss, or unauthorized access to sensitive customer information (as defined in the Information Security Regulation), Agent shall immediately, and in no event later than five (5) Business Days after discovery, notify Seller in writing and take appropriate, commercially reasonable, action to prevent further unauthorized disclosure, loss or unauthorized access. Without limiting the scope of the foregoing sentence, the Agent and the Buyers shall use at least the same physical and other security measures to protect all of the Seller's Customer Information in their possession or control as each of them uses for its own customers' confidential and proprietary information.

16.10. *Notice of Suits, Etc. and Notice.* The Seller will as soon as reasonably practical and in any case no later than the end of the fifth Business Day after the day when the Seller first learns of it, give written notice to the Agent and the Buyers of:

(a) any action, suit or proceeding instituted by or against the Seller or any of its Subsidiaries in any federal or state court or before any commission, regulatory body or Governmental Authority that (as determined by the Seller in good faith) is reasonably expected to result in a material adverse effect upon the Central Elements in respect of the Seller or any of its Subsidiaries, or if any such proceedings are threatened against the Seller or any of its Subsidiaries, in a writing containing the applicable details;

- (b) the filing, recording or assessment of any material federal, state or local tax lien against the Seller or any of its Subsidiaries or any assets of any of them;
- (c) the occurrence of any Event of Default;
- (d) the occurrence of any Default;
- (e) the termination of, or the occurrence of any event which, with or without notice or lapse of time or both, would constitute a default under the Custody Agreement;
- (f) the occurrence of:
 - (1) any event which, with or without notice or lapse of time or both, would constitute a default under, or permit the acceleration or termination of, any other agreement, instrument or indenture to which the Seller or any of its Subsidiaries is a party or to which any of them or any of their properties or assets may be subject if either (x) the effect of any such default is or if uncured and unwaived after notice, the lapse of time or both, would be to cause, or to permit any other party to such agreement, instrument or indenture (or a trustee on behalf of such a party) to cause, Debt of the Seller or any of its Subsidiaries to become or be declared due before its stated maturity or (y) such default, if uncured and unwaived after any relevant notice, the lapse of time or both, could reasonably be expected to result in a material adverse effect on any of the Central Elements in respect of the Seller or any of its Subsidiaries;
 - (2) any margin call requiring Seller to make a payment with respect to any credit facility or repurchase facility for financing Mortgage Loans or MBS;
 - (3) the acceleration of any material Debt obligation of the Seller or the termination of any credit facility of the Seller;
 - (4) any other action, event or condition of any nature (excluding general economic conditions) which, if unremedied after any relevant notice, lapse of time or both, could reasonably be expected to result in either (i) the Seller's being in breach of or out of compliance with any provision of Sections 17.12, 17.13, 17.14 and 17.15 (Financial Covenants) or (ii) a material adverse effect on any of the Central Elements in respect of the Seller or any of its Subsidiaries;
 - (5) the curing by the Seller, or the waiver by the other party to the relevant agreement, instrument or indenture, of any event described in Section 16.10(f)(1) and, in the case of curing, whether the event was cured before any applicable grace or notice and opportunity to cure period had expired;
 - (6) any Prohibited Transaction with respect to any ERISA Plan, specifying the nature of the Prohibited Transaction and what action Seller proposes to take with respect to it; or
 - (7) the suspension, revocation or termination of Seller's eligibility, in any respect, as lender, seller/servicer or issuer for any Agency or Approved Investor.
- (g) Any Control Failure with respect to a Purchased Mortgage Loan that is an eMortgage Loan.

16.11. *Payment of Taxes, Etc.* The Seller will, and will cause each of its Subsidiaries to, pay and discharge or cause to be paid and discharged promptly all material taxes, assessments and governmental charges or levies imposed upon it or its Subsidiaries or upon their respective income, receipts or properties before they become past due, as well as all lawful claims for labor, materials and supplies or other things which, if unpaid, could reasonably be expected to become (or result in the placement of) a Lien or charge upon any part of such properties; provided that it and its affected Subsidiaries shall not be required to pay taxes, assessments or governmental charges or levies or claims for labor, materials or supplies that are being contested in good faith and by proper proceedings being reasonably and diligently pursued, execution or enforcement of which has been effectively stayed (by the posting of a bond or other security sufficient to achieve that result, or by any other fully effective means), and for which reserves determined to be adequate (in accordance with GAAP in all material respects) have been set aside on its books.

16.12. *Insurance; fidelity bond.* The Seller will, and will cause each of its Subsidiaries to:

(a) maintain liability insurance protecting the Seller and its Subsidiaries against fire and other hazard insurance on its respective properties from which it conducts its business, with responsible insurance companies, in such amounts and against such risks as is customarily carried by similar businesses operating in the same vicinity. Copies of such policies shall be furnished to the Agent without charge upon the Agent's request made from time to time; and

(b) obtain and maintain at its own expense and keep in full force and effect a blanket fidelity bond and an errors and omissions insurance policy covering Seller's officers and employees and other persons acting on behalf of Seller. The amount of coverage shall be at least equal to the coverage that would be required by Fannie Mae or Freddie Mac, whichever is greater, with respect to Seller if Seller were servicing and administering the Mortgage Loans for Fannie Mae or Freddie Mac. In the event that any such bond or policy ceases to be in effect, Seller shall obtain a comparable replacement bond or policy, as the case may be, meeting the requirements of this Section 16.12(b). Coverage of Seller under any policy or bond obtained by an Affiliate of Seller and providing the coverage required by this Section 16.12(b) shall satisfy the requirements of this Section 16.12(b). Upon the request of the Agent, Seller shall cause to be delivered to the Agent evidence of such fidelity bond and insurance policies.

16.13. *Maintain Lien on Mortgaged Premises.* The Seller will maintain the Lien on the Mortgaged Premises securing each Purchased Loan as a first Lien, subject only to the Permitted Encumbrances.

16.14. *Subordination of Certain Indebtedness.* The Seller will cause any and all debt and obligations of the Seller to any Affiliate (other than the Parent Subordinated Note) or any member, manager, stockholder, director or officer of the Seller (excluding debt for directors' or officers' salary, bonuses, directors' fees or other compensation for service) of any Affiliate to be Qualified Subordinated Debt by the execution and delivery by such Affiliate or member, manager, stockholder, director or officer, as applicable, to the Agent of a Subordination Agreement in form and substance satisfactory to the Buyers and the taking of all other steps (if any) required to cause such Debt to be Qualified Subordinated Debt and deliver to the Agent an executed copy of that Subordination Agreement, certified by the corporate secretary or assistant secretary of the Seller to be true and complete and in full force and effect, as to all such present and future debts and obligations of the Seller.

16.15. *Certain Debt to Remain Unsecured.* The Seller will cause any and all obligations of the Seller to any shareholder, officer or Affiliate of the Seller, whether such debt exists as of the Effective Date or is incurred in the future, to remain at all times unsecured.

16.16. *Promptly Correct Escrow Imbalances.* By no later than seven (7) Business Days after learning (from any source) of any material imbalance in any escrow account(s) maintained by the Seller (or any servicer for it), the Seller will fully and completely correct and eliminate such imbalance.

16.17. *MERS Covenants.* The Seller will:

- (a) be a “Member” (as defined in the MERS Agreements) of MERSCORP and eligible to register and transfer eMortgage Loans in the MERS eRegistry;
- (b) maintain the Electronic Tracking Agreement in full force and effect and timely perform all of its obligations thereunder;
- (c) provide the Agent with copies of any new MERS Agreement or any amendment, supplement or other modification of any MERS Agreement (other than the Electronic Tracking Agreement);
- (d) not amend, terminate or revoke, or enter into any agreement that is inconsistent with or contradicts any provision of the Electronic Tracking Agreement;
- (e) register each Purchased Loan in the MERS System and designate the Agent as “interim funder” of such Purchased Loan no later than three (3) Business Days after it is purchased or deemed purchased hereunder;
- (f) at the request of the Agent, take such actions as may be requested by the Agent to:
 - (1) transfer beneficial ownership of any Purchased Loan to the Agent on behalf of the Buyers on the MERS System; or
 - (2) de-register or re-register any Purchased Loan on, or withdraw any Purchased Loan from, the MERS System;
- (g) provide the Agent with copies of any or all of the following reports with respect to the Purchased Loans registered on the MERS System at the request of the Agent:
 - (1) Co-existing Security Interest (MERS form IA);
 - (2) Release of Security Interest by Interim Funder (MERS form IB);
 - (3) Interim Funder Rejects (MERS form IC);
 - (4) Paid in Full Verification (MERS form DK); and
 - (5) such other reports as the Agent may reasonably request to verify the status of any Purchased Loan on the MERS System;
- (h) notify the Agent of any withdrawal or deemed withdrawal of the Seller’s membership in the MERS System or any deregistration of any Purchased Loan previously registered on the MERS System; and
- (i) obtain the prior written consent of the Agent before entering into an electronic tracking agreement (other than the Electronic Tracking Agreement) with any other Person.

16.18. *Special Affirmative Covenants Concerning Purchased Loans.*

(a) Until both (i) all of the Purchased Loans shall have been repurchased by the Seller and (ii) the Buyers have no obligation to purchase any additional Eligible Loans hereunder or provide any other financial accommodations to the Seller under or otherwise in respect of this Agreement, the Seller warrants and will defend the right, title and interest of the Buyers and the Agent in and to the Purchased Loans against the claims and demands of all persons whomsoever.

(b) As soon as they become available and in any event within five (5) days after the Purchase Date for Wet Loans, the Seller will cause to be assembled and delivered to the Custodian all Basic Papers relating to Wet Loans. Without limitation of the foregoing, if original recordation receipts evidencing the recordation of the Mortgage and Mortgage Assignment included in the Purchased Loans have not previously been delivered to the Custodian, the Seller will promptly deliver (or cause to be delivered) to the Custodian, either the original recordation receipts or the original recorded Mortgage or Mortgage Assignment showing the recordation data thereon.

(c) The Seller shall maintain, at its principal office or in a regional office not disapproved by the Agent, or in the office of a computer service bureau engaged by the Seller and not disapproved by the Agent, and upon request shall make available to the Agent and the Custodian the originals of all Loan Papers and related instruments, and all files, surveys, certificates, correspondence, appraisals, computer programs, tapes, discs, cards, accounting records and other information and data relating to the Purchased Loans that are held by or under the direction or control of the Seller or any of its Affiliates and that have not already been provided to the Agent or the Custodian.

(d) The Seller shall ensure that, if a Mortgage Loan that is to be funded and sold to the Buyers as a Wet Loan does not close on the proposed Purchase Date, all amounts remitted by the Agent for the payment of the Purchase Price shall be returned promptly within one Business Day to the Agent for the benefit of the Buyers and if such funds are not so returned, the Seller shall pay promptly within one Business Day a like amount to the Agent for the benefit of the Buyers plus any accrued Price Differential. Seller acknowledges that until such time as the Mortgage Loan is deemed to have been sold to the Buyers, Seller has no interest in, nor any claim to such amounts and shall, if it receives such amounts, hold such amounts in trust for the Buyers and shall promptly remit such funds to the Agent for disbursement to the Buyers.

16.19. *Coordination with Other Lenders/Repo Purchasers and Their Custodians.* The Seller will provide to the Agent the current name, address and contact information concerning each of the Seller's other mortgage warehouse credit and repurchase facilities, will update such information provided to the Agent as changes to the facilities or such name, address or contact information occurs, and will cooperate and assist the Agent in exchanging information with such others (and their document custodians or trustees) to prevent conflicting claims to and interests in Purchased Loans between or among repurchase facilities counterparties or lenders, and promptly correct such conflicting claims as may arise from time to time. The Seller will execute and deliver to the Agent any intercreditor agreement Agent may require pursuant to Section 17.8.

17 Negative Covenants.

Except with the prior written consent of the Required Buyers, the Seller shall comply (both directly and indirectly) with the following negative covenants, for so long as the Commitments are outstanding or until all of the Purchased Loans have been repurchased by the Seller and none of the

Seller's Obligations remain to be paid or performed under this Agreement or any of the other Repurchase Documents:

17.1. *No Merger.* The Seller shall not merge or consolidate with or into any Person, if immediately prior to any such merger or consolidation a Default or Event of Default exists or would occur as a result thereof, or if as a result of any such merger or consolidation a Change of Control would occur or the Seller is not the surviving entity.

17.2. *Limitation on Debt and Contingent Indebtedness.* At no time shall the Seller or any Subsidiary incur, create, contract, assume, have outstanding, guarantee or otherwise be or become, directly or indirectly, liable in respect of any Debt or Contingent Indebtedness except:

- (a) the Obligations;
- (b) Debt and Contingent Indebtedness existing on the Effective Date and disclosed on Schedule 17.2 hereto, but not any renewals or extensions thereof;
- (c) trade debt (including, without limitation, trade debt for services provided by an Affiliate), equipment leases, loans for the purchase of equipment used in the ordinary course of the Seller's business and indebtedness for taxes and assessments not yet due and payable owed in the ordinary course of business;
- (d) Qualified Subordinated Debt;
- (e) Permitted Intercompany Payables;
- (f) Indebtedness, including the Obligations, secured by Permitted Liens and by no other Liens on the Property of the Seller;
- (g) liabilities as a lessee under leases which have been, or in accordance with GAAP, should be classified as capitalized leases, in an aggregate amount not greater than \$5,000,000;
- (h) with the prior written consent of the Required Buyers (which consent shall not be unreasonably withheld, delayed or conditioned upon fees), Debt under a mortgage warehousing facility, mortgage repurchase facility or off-balance sheet indebtedness under another financing arrangement, provided that the Buyers are given a right of first refusal regarding only similarly structured syndicated mortgage warehousing facilities or mortgage repurchase facilities; and
- (i) other Debt in an aggregate amount at any time outstanding not greater than \$4,000,000.

17.3. *Business.* The Seller shall not, directly or indirectly, engage in any businesses which differ materially from those currently engaged in by the Seller or any other businesses customarily engaged in by other Persons in the mortgage banking business.

17.4. *Liquidations, Dispositions of Substantial Assets.* Except as expressly provided below in this section, neither the Seller nor any Subsidiary shall dissolve or liquidate or sell, transfer, lease or otherwise dispose of any material portion of its property or assets or business. Except as provided herein for the Purchased Loans, the Seller and the Subsidiaries may sell other Mortgage Loans and the right to service such other Mortgage Loans in the ordinary course of their business pursuant to other repurchase facilities or mortgage warehousing facilities allowed hereunder, any Subsidiary may sell its property, assets or business to the Seller or another Subsidiary, and any Subsidiary may

liquidate or dissolve if at the time thereof and immediately thereafter, the Seller and the Subsidiaries are in compliance with all covenants set forth in the Repurchase Documents and no Default or Event of Default shall have occurred and be continuing.

17.5. *Loans, Advances, and Investments.* Neither the Seller nor any Subsidiary shall make any loan (other than Mortgage Loans), advance, or capital contribution to, or investment in (including any investment in any Subsidiary, joint venture or partnership), or purchase or otherwise acquire any of the capital stock, securities, ownership interests, or evidences of indebtedness of, any Person (collectively, "Investment"), or otherwise acquire any interest in, or control of, another Person, except for the following:

(a) Cash Equivalents;

(b) Any acquisition of securities or evidences of indebtedness of others when acquired by the Seller in settlement of accounts receivable or other debts arising in the ordinary course of its business, so long as the aggregate amount of any such securities or evidences of indebtedness is not material to the business or condition (financial or otherwise) of the Seller;

(c) Mortgage-Backed Securities and Mortgage Loans acquired in the ordinary course of the Seller's business;

(d) Permitted Intercompany Payables;

(e) Loans and advances to (i) employees, officers and directors of Seller or any Affiliate of Seller or (ii) the Parent and other Affiliates of Seller which are neither Subsidiaries nor Persons which would, if organized as a corporation and Seller owned a sufficient interest therein, constitute a Subsidiary of Seller, in the aggregate principal amount outstanding at any one time not to exceed \$250,000 (or such larger amount as Agent may, in its sole discretion, approve in writing prior to the making thereof); and

(f) Investment in any existing Subsidiary; provided that at the time any such investment is made and immediately thereafter, the Seller and the Subsidiaries are in compliance with all covenants set forth in the Repurchase Documents and no Default or Event of Default shall have occurred and be continuing.

17.6. *Use of Proceeds.* The Seller shall not, directly or indirectly, use any of the proceeds of the Transactions for the purpose, whether immediate, incidental or ultimate, of buying any "margin stock" or of maintaining, reducing or retiring any Debt and Contingent Indebtedness originally incurred to purchase a stock that is currently any "margin stock", or for any other purpose which 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 which would involve a violation of Regulation U or Regulation T or any other regulation of the Board of Governors of the Federal Reserve System. The Seller will not, directly or indirectly, use the proceeds of the Transactions, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other Person, (a) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws or (b)(i) to fund any activities or business of or with any Person, or in any country or territory, that, at the time of such funding, is the subject of Sanctions, or (ii) in any other manner that would result in a violation of Sanctions by any Person.

17.7. *Transactions with Affiliates.* The Seller shall not enter into any transactions including, without limitation, any purchase, sale, lease or exchange of property or the rendering of any service, with any Affiliate unless such transactions are otherwise permitted under this Agreement (including,

without limitation, the transactions permitted under Section 17.2) and are in the ordinary course of the Seller's business.

17.8. *Liens.* The Seller shall not grant, create, incur, assume, permit or suffer to exist any Lien, upon any of its Mortgage Notes or any property related thereto, including but not limited to the Mortgages securing such Mortgage Notes and the proceeds of the Mortgage Notes, unless such Liens are the subject of an intercreditor agreement in form and substance satisfactory to the Agent, other than:

(a) Liens under approved warehouse or repurchase facilities under Section 17.2(h);

(b) Liens granted to the Buyers under Section 10;

(c) Liens for taxes not yet due or which are being contested in good faith by appropriate proceedings; provided that adequate reserves with respect thereto are maintained on the books of the Seller, as the case may be, to the extent required by GAAP;

(d) Landlords', carriers', warehousemen's mechanics' materialmen's, repairmen's or other like Liens arising in the ordinary course of business which are not overdue for a period of more than 60 days or that are being contested in good faith by appropriate proceedings;

(e) Pledges, deposits or statutory trusts in connection with workers' compensation, unemployment insurance and other social security legislation;

(f) Deposits and other Liens to secure the performance of bids, government, trade and other similar contracts (other than for borrowed money), leases, subleases, statutory obligations, surety, judgment and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business; and

(g) Liens arising from any judgments that do not exceed the amount specified in Section 18.1(k), excluding any such Liens upon the collateral described in Section 10.1.

17.9. *ERISA Plans.* Neither the Seller nor any Subsidiary shall adopt or agree to maintain or contribute to an ERISA Plan. The Seller shall promptly notify Agent and each Buyer in writing in the event an ERISA Affiliate adopts an ERISA Plan.

17.10. *Change of Principal Office; Fiscal Year.* The Seller shall not move its principal office, executive office or principal place of business from the address set forth in this Agreement or change its Fiscal Year, without prior written notice to Agent and each Buyer.

17.11. *Distributions.* The Seller shall make no payment of dividends or distributions to the Parent if either before or after giving effect thereto a Default or an Event of Default exists or shall be caused thereby.

17.12. *Tangible Net Worth.* At any time, permit the Seller's Adjusted Tangible Net Worth to be less than Fifteen Million Dollars (\$15,000,000).

17.13. *Tangible Net Worth Ratio.* At all times, the ratio of (i) Total Liabilities to (ii) Adjusted Tangible Net Worth shall not be more than 14.0 to 1.0.

17.14. *Net Income.* As of the end of each month, the Seller's Pre-FAS 133 Income for the twelve consecutive months then ended shall not be less than \$2,000,000.

17.15. *Liquidity*. Seller's Liquidity at any time to be less than Twelve Million Dollars (\$12,000,000).

17.16. *Special Negative Covenants Concerning Purchased Loans*. Except to correct errors or omissions in Loan Papers, without the written consent of the Agent given on a case-by-case basis, Seller shall not amend or modify, or waive any of the terms and conditions of any Purchased Loans, or settle or compromise any claim in respect of them, or accept other than cash or the exchange of comparable Purchased Loans (which is concurrently sold by the Seller to the Buyers) in liquidation of any Purchased Loans.

17.17. *No Changes in Accounting Practices*. Seller shall not make any significant change in accounting treatment or reporting practices, except as required by GAAP, or change its fiscal year.

17.18. *Subordinated Debt*. Seller shall not pay any Qualified Subordinated Debt in advance of its stated maturity or otherwise in contravention of the Subordination Agreement with respect thereto.

17.19. *Tax Payments*. Except in accordance with the Tax Allocation Agreement, Seller shall not make any payments to or on behalf of the Parent or any Affiliate of Seller in respect of taxes.

17.20. *Tax Allocation Agreement*. Seller shall not permit the amendment of the Tax Allocation Agreement in any way which has an adverse effect on Seller.

17.21. *Other Warehousing and Repurchase Facilities*. Notwithstanding anything to the contrary herein or any other Repurchase Document, the Seller shall not enter into, amend or assume any mortgage loan repurchase or warehouse loan transaction to which any of the Buyers is not a party, if such agreement includes (or, in the case of an amendment, will thereafter include) one or more Additional Covenants or Additional Pricing Terms, unless, concurrently with the consummation of such transaction, this Agreement shall have been amended to include such Additional Covenants or Additional Pricing Terms. Notwithstanding anything to the contrary in this Section 17.21, the covenants in this Section 17.21 shall not apply to the terms or covenants of any mortgage loan repurchase or warehouse loan transaction effective on or before the date of the Effective Date.

18 Events of Default; Event of Termination.

18.1. *Events of Default*. The following events shall constitute events of default (each an "Event of Default") hereunder:

(a) Seller shall default in the payment of (i) the Repurchase Price for any Purchased Loans on the applicable Repurchase Date, (ii) any Price Differential, Facility Fees or Agent's Fees, if any, when due and fail to cure such default within one (1) Business Day, (iii) any amount required to be paid or transferred or paid to eliminate any Margin Deficit within the time period specified in Section 6.2 or (iv) any other Obligation, when the same shall become due and payable, whether at the due date thereof, or by acceleration or otherwise.

(b) An Event of Insolvency occurs with respect to the Seller or a Subsidiary.

(c) Any representation or warranty made by the Seller under any Repurchase Document shall have been incorrect or untrue when made or repeated or deemed to have been made or repeated; provided, that in the case of representations and warranties made with respect to the Purchased Loans, such circumstance shall not constitute an Event of Default if, after determining the Purchase Value of the Purchased Loans without taking into account the

Purchased Loans with respect to which such circumstance has occurred, no other Event of Default shall have occurred and be continuing.

(d) Any covenant contained in Sections 16.4, 16.17 or 17 shall have been breached, or any covenant contained in Sections 16.3 or 16.5 shall have been breached and such breach is not cured within fifteen (15) calendar days.

(e) Except as provided elsewhere in this Section 18.1, any covenant contained in Section 16 shall have been breached in any material respect (except for the covenants in Sections 16.3–16.5 and 16.17), or any other covenant or agreement contained in any Repurchase Document is breached in any material respect, and in each case, such breach is not cured within fifteen (15) calendar days of the earlier of Seller's knowledge of such breach or Seller's receipt of notice of such breach from any source; provided, that in the case of covenants made with respect to the Purchased Loans, such circumstance shall not constitute an Event of Default if, after determining the Purchase Value of the Purchased Loans without taking into account the Purchased Loans with respect to which such circumstance has occurred, no other Event of Default shall have occurred and be continuing.

(f) Failure of the Seller or any of its Subsidiaries to pay any other Debt when due, or any default in the payment when due of any principal or interest on any other Debt or in the payment when due of any contingent obligation (other than nonrecourse MBS Debt of any Affiliate formed for the purpose of issuing such Debt), or any breach or default with respect to any other material term of any other debt or of any promissory note, bond, loan agreement, reimbursement agreement, mortgage, indenture, repurchase agreement or financing agreement or other agreement relating thereto, if the effect of any such failure, default, breach or event referred to in this Section 18.1(f) is to cause, or to permit, with or without the giving of notice or lapse of time or both, the holder or holders of such obligation (or a trustee on behalf of such holder or holders) to cause, Debt of the Seller or any of its Subsidiaries in the aggregate amount of Five Million Dollars (\$5,000,000) or more to become or be declared due before its stated maturity.

(g) A Change of Control shall occur.

(h) The Seller shall repudiate or purport to disavow its obligations under any of the Repurchase Documents or shall contest their validity or enforceability.

(i) This Agreement shall cease to be in full force and effect or its enforceability is disputed or challenged by Seller.

(j) The Seller shall take or omit to take any act (i) that would result in the suspension or loss of any of its statuses, once achieved or any of such statuses of any of its subservicers, if any, of any Fannie Mae or Freddie Mac Mortgage Loans pools for which the Seller is Servicer as an FHA- and VA-approved lender and mortgagee and a Fannie Mae- and Freddie Mac-approved issuer and servicer, or (ii) after which the Seller or any such relevant subservicer would no longer be in good standing as such, or (iii) after which the Seller or any such relevant subservicer would no longer currently satisfy all applicable Fannie Mae and Freddie Mac net worth requirements, if both (x) all of the material effects of such act or omission shall have not been cured by the Seller or waived by the relevant Person (Fannie Mae or Freddie Mac) before termination of such status and (y) it could reasonably be expected to have a material adverse effect on any of the Central Elements in respect of the Seller or any of its Subsidiaries.

(k) Any money judgment, writ or warrant of attachment, or similar process involving in any case an amount in excess of One Million Dollars (\$1,000,000) (in excess of

relevant insurance coverage reasonably satisfactory to the Agent in its discretion) shall be entered or filed against the Seller or any of its Subsidiaries or any of their respective assets and shall remain undischarged, unvacated, unbonded or unstayed for a period of thirty (30) days or in any event later than five (5) days before the date of any proposed sale thereunder (unless, in respect of any such case the judgment debtor or the subject of the writ or warrant of attachment or similar process is one of the Seller's Subsidiaries or such Subsidiary's property, and such order, case commencement, consent, assignment, inability or failure or admission could not reasonably be expected to have a material adverse effect on any of the Central Elements in respect of the Seller or any of its Subsidiaries).

(l) The Seller shall have failed to comply in any material respect with its obligations under the Custody Agreement.

(m) The Seller, as Servicer, shall fail to service the Purchased Loans in conformance with Accepted Servicing Practices.

18.2. *Transaction Termination.* If an Event of Default shall have occurred and be continuing, then, at the option of the Agent (which option shall be deemed to have been exercised, even if no notice has been given, upon the occurrence of an Event of Insolvency), the Agent may declare the Repurchase Date for any or all Transactions hereunder, upon written notice to the Seller, to be deemed immediately to occur.

18.3. *Termination by the Agent.* If the Agent has exercised or is deemed to have exercised the option to terminate any Transactions referred to in Section 18.2, (i) Seller's obligations hereunder to repurchase all Purchased Loans in such Transactions shall thereupon become immediately due and payable, (ii) to the extent permitted by applicable law, the Repurchase Price with respect to each such Transaction shall be increased by the aggregate amount obtained by daily multiplication of (x) the greater of the Pricing Rate for such Transaction and the Default Pricing Rate by (y) the Purchase Price for such Transaction as of the Repurchase Date as determined pursuant to Section 18.2 (decreased as of any day by (A) any amounts retained by Buyers with respect to such Purchase Price pursuant to clause (iii) of this Section 18.3, (B) any proceeds from the sale of Purchased Loans pursuant to clause (A) of Section 18.4, and (C) any amounts credited to the account of the Seller pursuant to clause (B) of Section 18.4) on a three hundred sixty (360) day per year basis for the actual number of days during the period from and including the date of the Event of Default giving rise to such option to but excluding the date of payment of the Repurchase Price as so increased, (iii) all Income paid after such exercise or deemed exercise shall be payable to and retained by the Agent and applied to the aggregate unpaid Repurchase Prices owed by the Seller and (iv) the Seller shall immediately deliver or cause the Custodian to deliver to the Agent any documents relating to Purchased Loans subject to such Transactions then in the Custodian's, the Seller's, its Servicer's or its subservicer's possession.

18.4. *Remedies.* Upon the occurrence and during the continuance of an Event of Default, the Agent, without prior notice to the Seller, may (and, at the direction of the Required Buyers, shall) (A) immediately sell, in a recognized market at such price or prices as Agent may deem satisfactory, any or all Purchased Loans subject to such Transactions on a servicing released or servicing retained basis and apply the proceeds thereof to the aggregate unpaid Repurchase Prices and any other amounts owing by the Seller hereunder, (B) in lieu of selling all or a portion of such Purchased Loans, give the Seller credit for such Purchased Loans in an amount equal to the Market Value therefor on such date against the aggregate unpaid Repurchase Prices and any other amounts owing by the Seller hereunder, (C) terminate and replace the Seller as Servicer (or any other Servicer or Subservicer) at the cost and expense of Seller, (D) exercise its rights under Section 8 regarding the Income Account and Escrow Account, (E) by notice to the Seller, declare the Termination Date to have occurred, except that in the case of any event described in Section 18.1(b), the Termination Date shall be deemed to have occurred automatically upon the occurrence of such event, and (F) deliver a

“Notice of Default” (as defined in the Electronic Tracking Agreement) to MERS and the Electronic Agent. The proceeds of any disposition in clause (A) or (B) above shall be applied first to the reasonable costs and expenses incurred by Buyers in connection with or as a result of an Event of Default (including legal fees, consulting fees, accounting fees, file transfer fees, inventory fees and costs and expenses incurred in respect of a transfer of the servicing of the Purchased Loans and costs and expenses of disposition of such Purchased Loans); second to the aggregate Price Differential owed hereunder, third to the remaining aggregate Repurchase Prices owed hereunder; fourth to any other accrued and unpaid obligations of the Seller hereunder and under the other Repurchase Documents, fifth to any Servicer or Subservicer (other than Seller) for payment of any servicing fees due and payable as of such date, sixth to the net obligations of the Seller under any Hedge Agreements related to the Purchased Loans; and seventh any remaining proceeds to the Seller.

18.5. *Liability for Expenses and Damages.* The Seller shall be liable to the Buyers for (i) the amount of all reasonable legal or other expenses incurred by the Buyers in connection with or as a result of an Event of Default, (ii) damages in an amount equal to the reasonable 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 reasonable loss, damage, cost or expense directly arising or resulting from the occurrence of an Event of Default in respect of a defaulting party.

18.6. *Liability for Interest.* To the extent permitted by applicable law, the Seller shall be liable to the Buyers for interest on any amounts owing by the Seller hereunder, from the date the Seller becomes liable for such amounts hereunder until such amounts are (i) paid in full by the Seller or (ii) satisfied in full by the exercise of the Buyers’ rights hereunder. Interest on any sum payable by the Seller under this Section 18.6 shall be at a rate equal to the greater of the Pricing Rate for the relevant Transaction or the alternate rate determined pursuant to Section 6.7.

18.7. *Other Rights.* In addition to their rights hereunder, the Agent and the Buyers shall have any rights otherwise available to them under any other agreement or applicable law.

18.8. *Seller’s Repurchase Rights.* For avoidance of doubt, subject to the terms and conditions of this Agreement, Seller may repurchase Purchased Loans and resell such Purchased Loans; provided that upon the occurrence and during the continuance of an Event of Default, Seller may repurchase Purchased Loans by payment of the Repurchase Price therefor only upon approval of the Agent in its discretion exercised in accordance with the provisions of Section 22.

18.9. *Sale of Purchased Loans.* The parties acknowledge and agree that (1) the Purchased Loans subject to any Transaction hereunder are instruments traded in a recognized market, (2) in the absence of a generally recognized source for prices or bid or offer quotations for any Purchased Loans, the Agent may establish the source therefor, (3) all prices, bids and offers shall be determined together with accrued Income (except to the extent contrary to market practice with respect to the relevant Purchased Loans) and (4) in soliciting price, bid and offer quotations for any Purchased Loan, it is reasonable for the Agent to use only the information provided by Seller pursuant to Section 16.5. The parties further recognize that it may not be possible to purchase or sell all of the Purchased Loans on a particular Business Day, or in a transaction with the same purchaser, or in the same manner because the market for such Purchased Loans may not be liquid at such time. In view of the nature of the Purchased Loans, the parties agree that liquidation of a Transaction or the underlying Purchased Loans does not require a public purchase or sale and that a good faith private purchase or sale shall be deemed to have been made in a commercially reasonable manner. Accordingly, the Agent may elect the time and manner of liquidating any Purchased Loan and nothing contained herein shall obligate the Agent to liquidate any Purchased Loan on the occurrence of an Event of Default or to liquidate all Purchased Loans in the same manner or on the same Business Day and no such exercise of any right or remedy shall constitute a waiver of any other right or remedy of the Agent or the Buyers.

19 Servicing of the Purchased Loans.

19.1. *Servicing Released Basis.* Consistent with Buyers' purchase of the Purchased Loans on a servicing-released basis, Seller shall have no ownership right whatsoever as to any of the Purchased Loans or the servicing rights related thereto. Rather, Seller shall have only servicing responsibilities with respect to the Purchased Loans that are subject to termination in accordance with Section 19.7 hereof. Seller and Buyers hereby acknowledge and agree that the provisions contained in this Section 19 are intended to be for the benefit of Buyers and are an essential part of this Agreement, and that the nature and purpose of the purchase and sale obligations and the servicing obligations hereunder are interrelated. Seller acknowledges that if an Event of Default has occurred and is continuing, Agent for the benefit of the Buyers may, upon written notice to the Seller, without payment of any termination fee or other amount to Seller, sell any or all of the Purchased Loans on a servicing released basis at the cost and expense of Seller.

19.2. *Servicing and Subservicing.* Seller hereby agrees, for the benefit of the Buyers, to service or contract with Subservicers to service the Purchased Loans in accordance with this Agreement and Accepted Servicing Practices. Seller's fees for its duties as Servicer, until terminated under Section 19.7, shall be twenty-five (25) basis points per annum on the unpaid principal balance of each Purchased Loan, payable from Income in accordance with the provisions of Section 8.2. Servicer shall, and shall cause each Subservicer to, (i) comply with all applicable Federal, State and local laws and regulations in all material respects, (ii) maintain all state and federal licenses necessary for it to perform its servicing responsibilities hereunder and (iii) not impair the rights of Buyers in any Purchased Loans or any payment thereunder. Agent may terminate the servicing of any Purchased Loan with the then existing Servicer in accordance with Section 19.7 hereof. Seller shall not be entitled to any servicing fee or other compensation in connection with its performance of the servicing responsibilities with respect to the Purchased Loans except to the extent that Seller is Servicer. Nothing in this Section shall be deemed to impair the rights of any Subservicer to fees and other compensation to which it is entitled under the applicable Servicing Agreement.

19.3. *Escrow Payments.* Seller shall cause Servicer and any Subservicers to hold or cause to be held all escrow payments collected by Seller with respect to any Purchased Loans in trust accounts and shall apply the same for the purposes for which such funds were collected.

19.4. *Escrow and Income after Event of Default.* After the occurrence and during the continuance of an Event of Default, (i) all funds received on or in connection with a Purchased Loan shall be received and held by Seller, Servicer and each Subservicer in trust for the benefit of the Agent on behalf of the Buyers as owner of the Purchased Loans, and (ii) neither Seller nor Servicer shall be deemed to have any rights or ownership interest in such funds prior to their being remitted to the Agent on behalf of the Buyers.

19.5. *Servicing Records.* Seller agrees that Agent, on behalf of the Buyers, is the owner of all servicing records, including but not limited to any and all servicing agreements, files, documents, records, data bases, computer tapes, copies of computer tapes, proof of insurance or guaranty coverage, insurance or guaranty policies, appraisals, other closing documentation, payment history records, and any other records relating to or evidencing the servicing of Purchased Loans (the "Servicing Records"). The Servicing Records are and shall be held in trust by Seller, Servicer and each Subservicer for the benefit of Agent as the owner thereof on behalf of the Buyers. Upon termination of Seller's rights as Servicer pursuant to Section 19.7, Seller will cause Servicer and each Subservicer to (i) designate Buyers as the owner of each Purchased Loan in its collateral tracking system, (ii) segregate such Servicing Records from any and all servicing agreements, files, documents, records, data bases, computer tapes, copies of computer tapes, proof of insurance coverage, insurance policies, appraisals, other closing documentation, payment history records, and any other records relating to or evidencing the servicing of assets that are not Purchased Loans, (iii)

safeguard such Servicing Records and (iv) deliver them promptly to Agent or its designee (including Custodian) at Agent's request.

19.6. *Subservicer Instruction Letter.* Seller shall, prior to the initial Purchase Date of Mortgage Loans serviced by any Subservicer, provide to Buyers a Subservicer Instruction Letter addressed to and agreed to by such Subservicer of the related Purchased Loans.

19.7. *Termination of Servicing.* At any time in the Agent's sole discretion, the Agent shall have the right to (A) terminate Seller's rights as Servicer, and any Subservicer's rights, if any, and obligations with respect to servicing of the Purchased Loans without payment of any penalty or termination fee (1) immediately with respect to Seller and (2) with respect to any Servicer (other than Seller) or Subservicer, as promptly as possible subject to the terms and conditions of the applicable Servicing Agreement and Subservicer Instruction Letter; provided that any such termination shall be deemed to have occurred automatically upon the occurrence of an Event of Default set forth in Section 18.1(b) above, (B) require Seller to enforce its rights and remedies, as agent for and for the benefit of Buyers in accordance with Agent's commercially reasonable instructions, with respect to any Purchased Loans under any Servicing Agreement, and (C) succeed to the rights and remedies of Seller with respect to any Purchased Loans under any Servicing Agreement to the extent permitted by, and subject to, the terms of such Servicing Agreement (but not the obligations or liabilities of Seller incurred prior to the date of such succession) and related Subservicer Instruction Letter. Upon any such termination, Seller shall, and shall cause each Subservicer to, (i) perform the servicing responsibilities with respect to the Purchased Loans in accordance with the terms of this Agreement until the transfer of servicing responsibilities is effectuated and (ii) cooperate, at Seller's expense, in transferring such servicing responsibilities with respect to the Purchased Loans to a successor Servicer appointed by Agent in Agent's sole discretion. Upon termination of Seller as Servicer and without limiting the generality of the foregoing, Seller shall, in the manner and at such times as the successor servicer or Agent shall request, (i) promptly transfer all data in the Servicing Records relating to the Purchased Loans to the successor servicer in such electronic format as the successor servicer may reasonably request, (ii) promptly transfer to the successor servicer, Agent or its designee, all other files, records correspondence and documents relating to the Purchased Loans and (iii) use commercially reasonable efforts to cooperate and coordinate with the successor servicer and the Agent to comply with any applicable so-called "goodbye" letter requirements or other applicable requirements of the Real Estate Settlement Procedures Act or other applicable legal or regulatory requirement associated with the transfer of the servicing of the Purchased Loans. Seller acknowledges and agrees that if it fails to cooperate with the Agent or any successor servicer in effecting the termination of Seller as Servicer of any Purchase Loan or the transfer of all authority to service such Purchased Loan to such successor servicer in accordance with the terms hereof, the Agent and Buyers will be irreparably harmed and entitled to injunctive relief.

19.8. *Notice from Seller.* If Seller should discover that, for any reason whatsoever, any entity responsible to Seller by contract for managing or servicing any Purchased Loan has failed to perform in any material respects Seller's obligations under the Repurchase Documents or any of the material obligations of such entities with respect to the Purchased Loans, Seller shall promptly notify Agent.

19.9. *Seller Remains Liable.* Notwithstanding any Servicing Agreement or the provisions of this Agreement relating to agreements or arrangements between Seller and a Subservicer or reference to actions taken through a Subservicer or otherwise, Seller shall remain obligated and primarily liable to the Buyers for servicing and administering of the Purchased Loans in accordance with the provisions hereof without diminution of such obligation or liability by virtue of such Servicing Agreements or arrangements or by virtue of indemnification from a Subservicer and to the same extent and under the same terms and conditions as if Seller alone were servicing and administering the Purchased Loans. All actions of each Subservicer performed pursuant to the related Servicing Agreement shall be performed as an agent of Seller with the same force and effect as if performed

directly by Seller and the Buyers shall have no obligations, duties or liabilities with respect to any Subservicer including no obligation, duty or liability of the Buyers to pay any Subservicer's fees and expenses, provided, however, that each Subservicer may retain any amounts collected by it that it is entitled to retain pursuant to the applicable Servicing Agreement or Subservicer Instruction Letter. Seller shall be entitled to enter into any agreement with each Subservicer for indemnification of Seller by the Subservicer and nothing contained in this Agreement shall be deemed to limit or modify such indemnification.

19.10. *Backup Servicer.* Agent shall have the right, in its sole discretion, to appoint a Backup Servicer that will (i) serve as a backup servicer of the Purchased Loans until such time as Agent shall elect to appoint the Backup Servicer as successor servicer of the Purchased Loans and (ii) become the successor servicer of the Purchased Loans at Agent's option. In connection with the appointment of a Backup Servicer as provided in the preceding sentence, Agent may make such arrangements for the compensation of Backup Servicer out of Income on the Mortgage Loans or otherwise as Agent and such Backup Servicer shall agree. Seller shall provide Backup Servicer with such data, files and information, in form, format and content as Backup Servicer may request, in order to permit Backup Servicer to service the Mortgage Loans in accordance with Accepted Servicing Practices; all such data, files and information shall be updated by Seller on a monthly basis as required by Backup Servicer.

19.11. *Successor Servicer.* If Backup Servicer or any other Person is appointed by Agent to act as a successor servicer of the Purchased Loans pursuant to the preceding section, Seller (in its capacity as Servicer hereunder) shall, and shall cause each Subservicer to, subject to such Subservicer's rights under any applicable Servicing Agreement, and Subservicer Instruction Letter, discharge its servicing duties and responsibilities during the period from the date it acquires knowledge of such transfer of servicing until the effective date thereof with the same degree of diligence and prudence that it is obligated to exercise under this Agreement, and shall take no action whatsoever that might impair or prejudice the rights or financial condition of the successor Servicer. Within five (5) Business Days of the appointment of a successor Servicer of the Purchased Loans, Seller shall, and shall cause each Subservicer to, prepare, execute and deliver to such successor Servicer any and all documents and other instruments, place in such successor's possession all Servicing Records, and do or cause to be done all other acts or things necessary or appropriate to effect the transfer of servicing to the successor Servicer, including but not limited to the transfer and endorsement of the Mortgage Notes and related documents, and the preparation and recordation of assignments of Mortgage. Seller shall (and shall cause each Subservicer to) cooperate with Agent and the successor Servicer in effecting the transfer of servicing responsibilities to Backup Servicer, including execution and delivery of servicing transfer notices to Mortgagors, MERS (if applicable), taxing authorities and insurance companies, the transfer to Backup Servicer for administration by it of all Income with respect to the Purchased Loans which shall at the time be held or received by Seller or any Subservicer. Seller shall deliver immediately to the successor Servicer all Purchased Loan documents and related documents and statements held by it or any Subservicer hereunder and Seller shall account for all funds and shall execute and deliver such instruments and do such other things as may reasonably be required to more fully and definitively vest in the successor Servicer all such rights, powers, duties, responsibilities, obligations and liabilities of Seller as servicer of the Purchased Loans.

20 Payment of Expenses; Indemnity.

20.1. Expenses.

(a) The Seller shall pay on demand all of the Agent's reasonable out-of-pocket fees and expenses (including the fees and expenses for legal services) incurred by the Agent and the Custodian in connection with this Agreement and the Custody Agreement and the Transactions contemplated hereby and thereby, whether or not any Transactions are entered

into hereunder, including the reasonable out-of-pocket fees and expenses incurred in connection with (i) the preparation, reproduction and distribution of this Agreement and the Custody Agreement and any opinions of counsel, certificates of officers or other documents contemplated by the aforementioned agreements, (ii) any Transaction under this Agreement, (iii) the administration and syndication of this Agreement and of any Transaction and (iv) any amendments and waivers regarding any of the foregoing. The obligation of the Seller to pay such fees and expenses incurred prior to or in connection with the termination of this Agreement shall survive the termination of this Agreement.

(b) The Seller shall pay all of the Agent's and each Buyer's out-of-pocket costs and expenses, including reasonable attorneys' fees, after the occurrence of any Default or Event of Default in connection with the enforcement of this Agreement, the Custody Agreement and the other Repurchase Documents, including in connection with any (i) bankruptcy, (ii) other insolvency proceeding, or (iii) workout or consultation involving the Buyers' rights and remedies, the purchase and repurchase of the Purchased Loans and the payment of Price Differential in connection therewith.

(c) The Seller shall pay, and hold the Agent, the Buyers and any other owners or holders of any of the Obligations harmless from and against, any and all present and future stamp, documentary and other similar taxes with respect to the foregoing matters and save them each harmless from and against any and all liabilities with respect to or resulting from any delay or omission to pay such taxes.

(d) The Seller shall pay all of the Agent's Fees, if any, and any other fees under this Agreement and the other Repurchase Documents.

20.2. *Indemnity.* The Seller shall pay, and indemnify, defend and hold harmless the Agent, the Buyers and any of their respective officers, directors, employees, agents, advisors and Affiliates (the "*Indemnified Parties*") from and against, the "*Indemnified Liabilities*", which means any and all claims, liabilities, obligations, losses, damages, penalties, judgments, suits, costs, expenses and disbursements (including reasonable attorneys' fees and disbursements) of any kind whatsoever that may be imposed upon, incurred by or asserted against any of the Indemnified Parties in any way relating to or arising out of any of the Repurchase Documents or any of the transactions contemplated thereby or the use of proceeds or proposed use of proceeds thereof, provided that to the extent, if any, that any Indemnified Liabilities are caused by any Indemnified Party's gross negligence, bad faith or willful misconduct, the indemnity payable to that Indemnified Party shall be equitably and proportionately reduced, although to the full extent permitted under applicable Law, such indemnity shall *not* be reduced on account of such claims, liabilities, etc. to any extent (a) owed, in whole or in part, under any claim or theory of strict liability, or (b) caused or contributed to by any Indemnified Party's sole or concurrent ordinary negligence that does not amount to gross negligence, bad faith or willful misconduct, it being the Seller's intention to hereby indemnify the Indemnified Parties against their own strict liability and their own sole or concurrent ordinary negligence.

20.3. *Waiver of Consequential Damages, etc.* To the fullest extent permitted by applicable law, the Seller shall not assert, and hereby waives, 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, this Agreement, any other Repurchase Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Transaction, or the use of the proceeds thereof. 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 this Agreement or the other Repurchase Documents or the transactions contemplated hereby or thereby.

21 Single Agreement.

The Buyers, the Agent and Seller acknowledge that, and have entered into this Agreement 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 have been made in consideration of each other. Accordingly, each of the Agent, the Buyers and the Seller agrees (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 Transactions hereunder and (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.

22 Relationships among the Agent and the Buyers.

22.1. *Agent's Duties.* In its capacity as Agent until all Purchased Loans have been repurchased by the Seller, all other Obligations have been satisfied and the Buyers have no further Commitments or other obligations under this Agreement and the other Repurchase Documents, the Agent shall:

- (a) hold the Repurchase Documents and (by the Custodian's holding the Purchased Loans as bailee for the Agent) the Purchased Loans for the benefit of each Buyer, and each Buyer (including U.S. Bank) shall be deemed to have an interest in the Repurchase Documents on any day in proportion to its Pro Rata undivided ownership interest in the Purchased Loans on that day;
- (b) send timely bills to the Seller for the Facility Fee and other sums due and receive all sums on account of the Purchased Loans or with respect to them;
- (c) use reasonable diligence to obtain from the Seller and promptly remit to each Buyer such Buyer's Pro Rata share of Repurchase Prices for Purchased Loans and other sums received by the Agent on account of the Purchased Loans or with respect to them, in accordance with this Agreement;
- (d) use reasonable diligence to recover from the Seller all expenses incurred that are reimbursable by the Seller, and promptly remit to each Buyer its Pro Rata share (if any) thereof;
- (e) perform the obligations of the Agent that are specifically ascribed to the Agent by this Agreement, including, with the approval or at the direction of the Required Buyers, the remedies afforded the Buyers pursuant to Sections 18.2, 18.3, 18.4 and 18.7;
- (f) hold the Purchased Loans and all security interests established hereby ratably for itself as Agent and representative of the Buyers; and
- (g) request from the Seller, and promptly forward to the Buyers, such information as any of the Buyers may reasonably request Agent to obtain from the Seller, consistent with the terms of this Agreement.

Notwithstanding anything in this Agreement to the contrary, the Agent 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 Required Buyers, and such instructions shall be binding upon all Buyers, their

permitted successors, assigns and participants; provided, however, that the Agent shall not be required to take any action which exposes the Agent to personal liability or which is contrary to the Repurchase Documents or applicable law.

22.2. *Limitation on Duty to Disclose.* Except as expressly set forth herein, the Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Seller or any of its Subsidiaries or Affiliates that is communicated to or obtained by the bank serving as Agent or any of its Affiliates in any capacity.

22.3. *Actions Requiring All Buyers' Consent.* No amendment or waiver of, or any action with respect to, any provision of this Agreement or any of the Repurchase Documents shall in any event be effective unless the same shall be in writing signed by all Buyers with respect to any amendment or waiver or any action that:

- (a) Increases the Maximum Aggregate Commitment (and no individual Buyer's Committed Sum shall be increased or decreased without the written consent of such Buyer).
- (b) Agrees to any reduction in any Pricing Rate, Repurchase Price or fee provisions of this Agreement, excluding the provisions relating to the Agent's Fee, if any.
- (c) Acknowledges termination of the Buyers' ownership interest in the Purchased Loans or releases any Lien held under the Repurchase Documents other than in accordance with the Repurchase Documents.
- (d) Changes any Buyer's Pro Rata share of ownership of the Purchased Loans other than in accordance with the express provisions of the Repurchase Documents.
- (e) Agrees to any change in the nature of the Buyers' respective Commitments from several to joint, in whole or in part.
- (f) Agrees to any change to the definition of "Required Buyers" or to any provisions of this Agreement or any of the other Repurchase Documents that requires the consent, approval or satisfaction of all of the Buyers or each of the Buyers.
- (g) Extends the Termination Date or the due date of any required payment other than in accordance with the express provisions of the Repurchase Documents.
- (h) Agrees to any change in this Section.
- (i) Agrees to any change in the Buyer's Margin Percentage rates.
- (j) Releases the Seller from any of its obligations other than in accordance with the express conditions of the Repurchase Documents or changes any amount due under the terms of the Repurchase Documents.
- (k) Modifies the sharing provisions of Section 22.7.

In the event of any conflict between the provisions of this Section 22.3 and any other provisions of this Agreement or the other Repurchase Documents, this Section 22.3 shall govern.

22.4. *Actions Requiring Required Buyers' Consent.* All amendments hereto, waivers or actions taken hereunder that are not described in Section 22.3 and Section 22.5, require the written consent or ratification of the Required Buyers except for actions that are specifically reserved to the Agent under Section 6; provided that no amendments, waivers or actions taken hereunder that relate

to the rights or obligations of the Agent shall be effective without the prior written consent of the Agent. The Agent will, at the direction of the Required Buyers, but may not, without the consent of the Required Buyers, take any enforcement action or exercise any remedies under this Agreement and the Repurchase Documents which arise after the occurrence of an Event of Default.

22.5. *Agent's Discretionary Actions.* Subject to the limitations of Sections 22.3 and 22.4, in its capacity as Agent and without seeking or obtaining the consent of any of the other Buyers (although it may elect to obtain such consent before acting if it deems that desirable), the Agent may:

(a) reconvey, exchange or otherwise change, in whole or in part, any Purchased Loans which are required to be reconveyed, exchanged or changed in accordance with the Repurchase Documents;

(b) approve any new Approved Investor or Approved Non-Conforming Investors proposed by the Seller (and the Agent will promptly provide to any Buyer that requests it a current list of Approved Investors identifying Approved Non-Conforming Investors); and

(c) do or perform any act or thing which, in the Agent's reasonable judgment, is necessary or appropriate to enable the Agent to properly discharge and perform its duties under this Agreement or the Custody Agreement, or which in its reasonable judgment is necessary or appropriate to preserve or protect the validity, integrity or enforceability of the Purchased Loans and/or the Repurchase Documents, the Buyers' Pro Rata undivided ownership interests in and to the Purchased Loans, the Lien created by this Agreement and its priority, or any of the Central Elements in respect of the Seller or any of its Subsidiaries, or to preserve and protect the interest of the Buyers in any of the foregoing.

22.6. *Buyers' Cooperation.* The Buyers agree to cooperate among themselves and with the Agent and from time to time upon the Agent's request, to execute and deliver such papers as may be reasonably necessary to enable the Agent, in its capacity as Agent, to effectively administer this Agreement and the other Repurchase Documents, the Purchased Loans and each Buyer's Pro Rata undivided ownership interest in the Purchased Loans in the manner contemplated by this Agreement. The Agent and each of the Buyers agree to provide notice to the other parties if they have actual knowledge of an Event of Default at any time.

22.7. *Buyers' Sharing Arrangement.*

(a) Each of the Buyers agrees that if it should receive any amount (whether by voluntary payment, realization upon security, the exercise of the right of set-off, or otherwise) which is applicable to the payment of Repurchase Price, Margin Deficit, Pricing Differential or any fees, that with respect to the related sum or sums received (or receivable) by the other Buyers is in greater proportion than that Buyer's Pro Rata ownership of the Purchased Loans, then such Buyer receiving such excess amount shall purchase from the other Buyers a participation interest in the Purchased Loans in such amount as shall result in Pro Rata participation and ownership by all of the Buyers in such excess amount; provided that if all or any portion of such excess amount is thereafter recovered from such Buyer, such purchase shall be rescinded and the purchase price restored to the extent of such recovery; and provided further that the provisions of this Section 22.7 shall not apply to the Agent's Fee, if any, under this Agreement or to any fees which the Custodian or any successor custodian might be paid pursuant to the Custody Agreement.

(b) To the extent that the Seller fails to pay any amount required to be paid to the Agent under Section 20, each Buyer severally agrees to pay to the Agent such Buyer's Funding Share (determined as of the time that the unreimbursed expense or indemnity payment is sought) of such unpaid amount; provided, that the unreimbursed expense or

indemnified payment, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Agent in its capacity as such.

22.8. *Buyers' Acknowledgment.* Each Buyer other than U.S. Bank hereby acknowledges that U.S. Bank has made no representations or warranties with respect to any Purchased Loan other than as expressly set forth in this Agreement and that U.S. Bank shall have no responsibility (each in its capacity as a Buyer, the Agent, or any other capacity or role) for:

- (a) the marketability or collectibility of the Purchased Loans;
- (b) the genuineness, validity, likelihood of performance as and when due or enforceability of any Investor Commitment or the solvency or performance record of any Approved Investor;
- (c) the validity, enforceability or any legal effect of any of the Repurchase Documents, any Loan Papers or any insurance, bond or similar device purportedly protecting any obligation to the Buyers or any Purchased Loans; or
- (d) the financial condition of the Seller or any of its Subsidiaries or Affiliates, the status, health or viability of any industry in which any of them is involved, the prospects for repurchase of the Purchased Loans, the genuineness, validity or enforceability of any warehousing facility or repurchase agreement between the Seller and any other lender or repurchase agreement counterparty, the value of any Purchased Loans, the effectiveness of any of the provisions of the Repurchase Documents (including the financial covenants, tests and hedging requirements) or any aspect of their implementation or administration at any time to reduce or control risks of any type, to produce returns, profits, yields or spreads or to reduce or control losses or the accuracy of any information supplied by or to be supplied in connection with any of the Seller or any of its Subsidiaries or Affiliates, or otherwise with respect to this Agreement, any Purchased Loans or any source of equity or other financing for any of the Seller, any of its Affiliates or any other warehouse lender or repurchase agreement counterparty.

22.9. *Agent Market Value Determinations.* The parties hereto agree and acknowledge that, in determining the Market Value of the Purchased Loans, the Agent (i) shall determine Market Value as a third party service provider, in accordance with standards customarily applicable in the financial industry to third party service providers providing values on comparable assets to be used in connection with the financing of such assets, and (ii) shall not be obligated to do that same or similar amount of work or analysis as if it were valuing its own assets, or as if it were valuing such assets for the purchase or sale thereof by it or any other party. The parties hereto agree and acknowledge that any asset valuation information produced by the Agent is intended to be and should be used solely for the limited uses specified in this Agreement and the other Repurchase Documents, and is not intended to be and should not be used by any Person for any other purpose. The parties hereto further agree and acknowledge that the Agent may elect to determine the Market Value for any Purchased Loan by determining the market bid price for a portfolio containing all Purchased Loans and allocating such portfolio market bid price among each individual Purchased Loan.

22.10. *Agent's Representations to Buyers.* The Agent hereby represents and warrants to the Buyers (other than U.S. Bank) that:

- (a) the Agent has delivered to each Buyer true copies of the originals of those Repurchase Documents which have been specifically requested by that Buyer; and
- (b) the Agent has no current actual knowledge that any Default or Event of Default has occurred and is continuing on the Effective Date.

22.11. *Agent's Duty of Care, Express Negligence Waiver and Release.* At all times until all Purchased Loans have all been repurchased by the Seller and the Buyers have no further commitments or other obligations under this Agreement and the other Repurchase Documents, the Agent shall exercise the same degree of care in handling the Purchased Loans as U.S. Bank exercises with respect to loans that are held solely by U.S. Bank for its own account, and the Agent, in its capacity as Agent shall have no responsibility to the Buyers other than to exercise such standard of care and, in any event, U.S. Bank shall have no liability with respect to any other Buyer's Pro Rata interest in the Purchased Loans except for U.S. Bank's own fraud, gross negligence or willful misconduct. Except in the case of its own fraud, gross negligence or willful misconduct, neither the Agent, any Buyer, nor any of their officers, directors, employees, attorneys or agents shall be liable for any action taken or omitted to be taken by it or them under this Agreement, the Custody Agreement or any of the other Repurchase Documents reasonably believed by it or them to be within the discretion or power conferred upon it or them by the Repurchase Documents or be responsible for consequences of any error of judgment, the Buyers expressly intending to hereby waive and release all present and future claims and rights against the Agent (i) owed, in whole or in part, under any claim or theory of strict liability or (ii) for damages or injuries caused or contributed to by any Indemnified Party's sole or concurrent ordinary negligence that does not amount to gross negligence or willful misconduct. Except as otherwise specifically and expressly set forth in this Agreement, the Agent shall not be responsible in any manner to anyone for the effectiveness, enforceability, genuineness, validity or due execution of this Agreement, any supplement, amendment or restatement of it or of any other Repurchase Documents or for any representation, warranty, document, certificate, report or statement made or furnished in, under or in connection with this Agreement or any of the other Repurchase Documents or be under any obligation to anyone to ascertain or to inquire as to the performance or observation of any of the terms, covenants or conditions of this Agreement or of the other Repurchase Documents on the part of the Seller or anyone else. Without limiting the generality of the foregoing provisions of this Section, the Agent, in its capacity as Agent, may seek and rely upon the advice of legal counsel in taking or refraining to take any action under any of the Repurchase Documents or otherwise in respect of any Purchased Loans, this Agreement and its parties, and shall be fully protected in relying upon such advice.

22.12. *Calculations of Shares of Principal and Other Sums.* Except as provided to the contrary in Section 6.4 ("Increased Cost"), Section 6.5 ("Capital Adequacy"), Section 7.1 ("Payments to be free of Taxes; Withholding"), Section 7.3 ("Taxes Indemnity"), Section 9.2 ("Agent's Fee") and Section 20 ("Payment of Expenses; Indemnity"), U.S. Bank's and each other Buyer's respective shares of Repurchase Prices and other sums received by the Agent on account of the Purchased Loans or with respect to them shall be calculated on the basis of each Buyer's (including U.S. Bank's) respective Pro Rata ownership interests in the Purchased Loans from time to time.

22.13. *Resignation or Removal of the Agent.* The Agent, or any agent or agents hereafter appointed, at any time may resign by giving written notice of resignation to the Seller and the Buyers and complying with the applicable provisions of this Section 22. The Required Buyers may remove the Agent for acts constituting gross negligence or willful misconduct by giving notice to the Agent, the Buyers and the Seller. Upon receiving such notice of resignation or removal, with the Seller's consent, which consent shall not unreasonably be delayed or withheld (provided that the Seller's consent shall not be required if a Default has occurred that has not been cured by the Seller or declared in writing by the Agent to have been waived or any Event of Default has occurred that the Agent has not declared in writing to have been cured or waived), a successor Agent shall be promptly appointed by the Required Buyers by written instrument, in duplicate, one copy of which instrument shall be delivered to the resigning or removed Agent and one copy to the successor Agent.

22.14. *Effective Date of Resignation of the Agent.* No resignation or removal of the Agent shall be effective until both (i) sixty (60) days have elapsed after notice to the Seller and the Buyers of the Agent's election to resign or its removal, and (ii) a successor agent has been appointed pursuant to the provisions of this Section 22 and has accepted the appointment as provided in Section 22.13;

provided that if such appointment has not been so made or if the Agent's duties have not been assumed by the appointed successor on or before ninety (90) days after the date of the Agent's notice of resignation, the Agent may cease acting as agent and representative of the Buyers hereunder, and shall have no further responsibility therefor, at the close of business on the tenth (10th) Business Day after such ninety-day period.

22.15. *Successor Agent.* Any successor Agent appointed as provided in this Section shall execute and deliver to the Seller, the Buyers and to the predecessor Agent an instrument accepting such appointment, and thereupon the resignation of the predecessor Agent shall become effective and such successor Agent, without any further act, deed or conveyance, shall become vested with all the rights and obligations of its predecessor, with like effect as if originally named as the Agent; provided that upon the written request of the Seller, all of the Buyers or the successor Agent, the resigning Agent shall execute and deliver (a) an instrument transferring to such successor Agent all of the rights of the resigning Agent and (b) to such successor Agent such instruments as are necessary to transfer the Purchased Loans and the Repurchase Documents to such successor Agent (including assignments of all Purchased Loans or Repurchase Documents). Upon the request of any such successor Agent made from time to time, the Seller shall execute any and all papers which the successor Agent shall request or require to more fully and certainly vest in and confirm to such successor Agent all such rights.

22.16. *Merger of the Agent.* Any Person into which the Agent may be merged or converted or with which it may be consolidated, or any Person surviving or resulting from any merger, conversion or consolidation to which the Agent shall be a party or any Person succeeding to the commercial banking business of the Agent, shall be the successor Agent without the execution or filing of any paper or any further act on the part of any of the parties.

22.17. *Participation; Assignment.*

(a) *Participations.* Each Buyer reserves the rights, without the consent of the Seller, to sell to one or more banks or other entities (a "Participant"), participations in all or any part of such Buyer's Commitment and Pro Rata ownership share of the Purchased Loans or to pledge, collaterally assign or grant a security interest in any or all of its interests under this Agreement and in the Purchased Loans to any Federal Reserve Bank or any other Person; provided that no such pledge, participation, collateral assignment or grant of a security interest shall release a Buyer from any of its obligations hereunder or substitute any such participant, pledgee or assignee for such Buyer as a party hereto. Participants shall have no rights under the Repurchase Documents other than certain voting rights as provided below. Each Buyer shall be entitled to obtain (on behalf of its Participants) the benefits of this Agreement with respect to all Participants in its Funding Share of Open Transactions outstanding from time to time; provided that the Seller shall not be obligated to pay any amount in excess of the amount that would be due such Buyer calculated as though no participation had been sold. No Buyer shall sell any participating interest under which the Participant shall have any rights to approve any amendment, modification or waiver of any Repurchase Documents, except to the extent such amendment, modification or waiver requires the consent of all Buyers under Section 22.3. In those cases (if any) where a Buyer grants rights to any of its Participants to approve amendments, modifications or waivers of any Repurchase Documents pursuant to the immediately preceding sentence, such Buyer must include a voting mechanism as to all such approval rights in the relevant participation agreement(s) whereby a readily-determinable fraction of such Buyer's portion of the Purchased Loans (whether held by such Buyer or participated) shall control the vote for all of such Buyer's portion of the Purchased Loans; provided that if no such voting mechanism is provided for or is fully and immediately effective, then the vote of such Buyer itself shall be the vote for all of such Buyer's portion of the Purchased Loans. 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 Purchased Loans. In no event may a Participant be an Affiliate of the Seller.

(b) *Assignments.* Without any requirements for further consent of the Seller, any Buyer may assign any or all of its rights and obligations under the Repurchase Documents to its own Buyer Affiliates or to an assignee that is a Buyer with a Commitment hereunder immediately prior to giving effect to such assignment. With the prior written consent of the Agent and (unless an Event of Default has occurred that the Agent has not declared in writing to have been cured or waived) the Seller, which consent of the Seller will not be unreasonably withheld, and at no cost to the Seller or the Agent, any Buyer may assign any or all of its rights and obligations under the Repurchase Documents to one or more assignees; provided that (1) except in the case of an assignment to a Buyer or a Buyer Affiliate or an assignment of the entire remaining amount of the assigning Buyer's Committed Sum, no such assignment shall be in an amount less than Five Million Dollars (\$5,000,000), unless each of the Agent and (unless a Default or Event of Default has occurred and continuing) the Seller consents thereto, (2) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Buyer's rights and obligations under this Agreement, (3) the assignee, if it is not a Buyer hereunder immediately prior to giving effect to such assignment, shall deliver to the Agent a questionnaire in which the assignee designates one or more credit contacts to whom all syndicate-level information (which may contain material non-public information about the Seller and its Affiliates or their respective securities) will be made available and who may receive such information in accordance with the assignee's compliance procedures and applicable laws, including Federal and state securities laws, (4) the assignee may not be an Affiliate of the Seller and (5) each such assignment shall be effected pursuant to an Assignment and Assumption substantially in the form of Exhibit D, to be delivered to the Agent together with a processing and recording fee of \$3,500 (which shall not be applicable with respect to the initial syndication of the Transactions), with the assignor to have no further right or obligation with respect to the rights and obligations assigned to and assumed by the assignee. The Seller agrees that, as to any assignment to any Buyer Affiliate or if the Seller consents to any other assignment, the Seller will cooperate with the prompt execution and delivery of documents reasonably necessary to such assignment process to the extent that the Seller incurs no cost or expense that is not paid by the assigning Buyer and the assignee immediately upon delivery to the Seller of such assignment form. Subject to acceptance and recording thereof pursuant to Section 22.17(d), from and after the effective date specified in each Assignment and Assumption, the assignee shall be a Buyer for all purposes under this Agreement and the other Repurchase Documents, if the assignment is an assignment of all of the assignor's interest in the Purchased Loans then held by the Agent (or by the Custodian on behalf of the Agent), the assignor shall be automatically released from all of its obligations and liabilities hereunder, and, whether it is such a complete assignment or only a partial assignment, the Committed Sums shall be adjusted appropriately, and the Agent shall distribute to the Buyers and the Seller an updated version of Schedule BC. Any assignment or transfer by a Buyer of rights or obligations under this Agreement that does not comply with this Section 22.17(b) shall be treated for purposes of this Agreement as a sale by such Buyer of a participation in such rights and obligations in accordance with Section 22.17(a).

(c) The Agent, acting for this purpose as an Agent of the Seller, shall maintain at one of its offices a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Buyers, and the Committed Sum of, and amount owing to, each Buyer pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Seller, the Agent and the Buyers 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 Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Seller and any Buyer, at any reasonable time and from time to time upon reasonable prior notice.

(d) Upon its receipt of a duly completed Assignment and Assumption executed by an assigning Buyer and an assignee, the assignee's completed questionnaire (unless the assignee shall already be a Buyer hereunder), the processing and recordation fee referred to in Section 22.17(b) and any written consent to such assignment required by Section 22.17(b) hereof, the Agent shall accept such Assignment and Assumption and record the information contained therein in the Register; provided that if either the assigning Buyer or the assignee shall have failed to make any payment required to be made by it hereunder, the Agent shall have no obligation to accept such Assignment and Assumption and record the information therein in the Register unless and until such payment shall have been made in full, together with all accrued interest thereon. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this Section.

(e) If any interest in this Agreement is so transferred to any Person that is organized under the Laws of any jurisdiction other than the United States of America or any State thereof, the transferor Buyer shall cause such Person, concurrently with the effectiveness of such transfer to comply with the relevant provisions of Section 7.4.

(f) The Seller shall not be required to incur any cost or expense incident to any sale to a Person of any interest in the Repurchase Documents and the Purchased Loans pursuant to this Section 22 and all such costs and expenses shall be for the account of the Buyer selling its rights in the Purchased Loans to such Person.

22.18. *Replacement of Buyers*. If (i) any Buyer requests compensation under Section 6.4 or 7, (ii) the Seller is required to pay any additional amount to any Buyer or any Governmental Authority for the account of any Buyer pursuant to Section 7, (iii) any Buyer defaults in its obligation to fund Transactions hereunder, or (iv) any Buyer becomes the subject of a bankruptcy or insolvency proceeding; then the Seller may, at its sole expense and effort, upon notice to such Buyer and the Agent, require such Buyer to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 22.17), all of its interests, rights and obligations under this Agreement and the related Repurchase Documents to an assignee that shall assume such obligations (which assignee may be another Buyer, if such other Buyer accepts such assignment), provided that:

(a) the Seller shall have paid to the Agent the assignment fee specified in Section 22.17;

(b) the exiting Buyer shall have received payment of an amount equal to its Pro Rata Share of the Aggregate Outstanding Purchase Price, accrued and unpaid Price Differential, fees and all other amounts payable to it hereunder and under the other Repurchase Documents;

(c) in the case of any such assignment resulting from a claim for compensation under Section 6.4 or 7 or payments required to be made pursuant to Section 6.4 or 7, such assignment will result in a reduction in such compensation or payments thereafter; and

(d) such assignment does not conflict with any Law.

A Buyer shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Buyer or otherwise, the circumstances entitling the Seller to require such assignment and delegation cease to apply.

22.19. *The Agent and the Buyers are the only Beneficiaries of this Section*. Other than the provisions of Sections 22.17 and 22.18, this Section is intended to bind and benefit only U.S. Bank

and the other Buyers, and does not benefit and shall not be enforceable by the Seller or any other Person whatsoever.

22.20. *Certain ERISA Matters.*

(a) Each Buyer (x) represents and warrants, as of the date such Person became a Buyer party hereto, to, and (y) covenants, from the date such Person became a Buyer party hereto to the date such Person ceases being a Buyer party hereto, for the benefit of, the Agent and not, for the avoidance of doubt, to or for the benefit of the Seller or any Subsidiary, that at least one of the following is and will be true:

(1) such Buyer is not using “plan assets” (within the meaning of Section 3(42) of ERISA or otherwise) of one or more Benefit Plans with respect to such Buyer’s entrance into, participation in, administration of and performance of the Transactions, the Commitments or this Agreement,

(2) the transaction exemption set forth in one or more prohibited transaction exemptions issued by the Department of Labor (each a “PTE”), such as PTE 84-14 (a class exemption for certain transactions determined by independent qualified professional asset managers), PTE 95-60 (a class exemption for certain transactions involving insurance company general accounts), PTE 90-1 (a class exemption for certain transactions involving insurance company pooled separate accounts), PTE 91-38 (a class exemption for certain transactions involving bank collective investment funds) or PTE 96-23 (a class exemption for certain transactions determined by in-house asset managers), is applicable with respect to such Buyer’s entrance into, participation in, administration of and performance of the Transactions, the Commitments and this Agreement,

(3) (A) such Buyer is an investment fund managed by a “Qualified Professional Asset Manager” (within the meaning of Part VI of PTE 84-14), (B) such Qualified Professional Asset Manager made the investment decision on behalf of such Buyer to enter into, participate in, administer and perform the Transactions, the Commitments and this Agreement, (C) the entrance into, participation in, administration of and performance of the Transactions, the Commitments and this Agreement satisfies the requirements of sub-sections (b) through (g) of Part I of PTE 84-14 and (D) to the best knowledge of such Buyer, the requirements of subsection (a) of Part I of PTE 84-14 are satisfied with respect to such Buyer’s entrance into, participation in, administration of and performance of the Transactions, the Commitments and this Agreement, or

(4) such other representation, warranty and covenant as may be agreed in writing between the Agent, in its sole discretion, and such Buyer.

(b) In addition, unless either (1) sub-clause (i) in the immediately preceding clause (a) is true with respect to a Buyer or (2) a Buyer has provided another representation, warranty and covenant in accordance with sub-clause (iv) in the immediately preceding clause (a), such Buyer further (x) represents and warrants, as of the date such Person became a Buyer party hereto, to, and (y) covenants, from the date such Person became a Buyer party hereto to the date such Person ceases being a Buyer party hereto, for the benefit of, the Agent and not, for the avoidance of doubt, to or for the benefit of the Seller or any Subsidiary, that the Agent is not a fiduciary with respect to the assets of such Buyer involved in such Buyer’s entrance into, participation in, administration of and performance of the Transactions, the Commitments and this Agreement (including in connection with the reservation or exercise of any rights by the

Agent under this Agreement, any Repurchase Document or any documents related hereto or thereto).

23 Notices and Other Communications.

23.1. *Notices.* Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in Section 23.2), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by facsimile as follows:

If to the Seller:

NVR Mortgage Finance, Inc.
11700 Plaza America Drive
Suite 500
Reston, VA 20190
Attention: William Carter
Telephone: 703-956-4060
Fax: (703) 956-4754
email: bcarter@nvrinc.com

If to U.S. Bank as Agent or as a Buyer:

U.S. Bank National Association
9380 Excelsior Blvd. 3rd Floor
Mail Station: EP-MN-X3WL
Hopkins, MN 55343
Attention: Rodney Davis
Telephone: (313) 452-1052
email: Rodney.Davis1@usbank.com

If to the other Buyers, at the addresses shown on Schedule 23.

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 facsimile shall be deemed to have been given when sent (or, if not given during normal business hours for the recipient, at the opening of business on the next business day for the recipient), except that notices to the Agent, or a Buyer under Section 2 shall not be effective unless and until actually received. Notices delivered through electronic communications pursuant to Section 23.2 shall be effective as provided in Section 23.2.

23.2. *Electronic Communications.* Notices and other communications to the Buyers hereunder may be delivered or furnished by electronic communication (including email and internet or intranet websites) pursuant to procedures approved by the Agent or as otherwise determined by the Agent; provided that the foregoing does not apply to notices to any Buyer pursuant to Section 2 if such Buyer has notified the Agent that it is incapable of receiving notices under Section 2 by electronic communication. The Agent or the Seller may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it or as it otherwise determines. Such determination or approval may be limited to particular notices or communications.

Unless the Agent otherwise prescribes, (i) notices and other communications sent to an email address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return email or other written acknowledgement), or, if not sent during the normal business hours of the recipient, at the opening of

business on the next business day for the recipient, and (ii) notices or communications 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 therefor.

23.3. *Change of Address, etc.* Any party hereto may change its address or facsimile number above by notice to the other parties hereto as provided in this Section 23.

24 Miscellaneous.

24.1. *Further Assurances.* At any time and from time to time, at the sole expense of the Seller, the Seller or the Servicer shall promptly provide such further reasonable assurances, documents and agreements and undertake such actions as the Agent may reasonably request in order to effect the purposes of this Agreement, including the assignment, conveyance and transfer of all right, title and interest of each Purchased Loan from the Seller to the Agent, or to otherwise obtain or preserve the benefits or rights granted under this Agreement. In the event Seller, Servicer or any subservicer, in the performance of the Servicing Functions shall foreclose any Mortgage for which the Agent and the Buyers have not received the Repurchase Price, all such actions shall be taken in the name of the Agent for the benefit of the Buyers and in accordance with Accepted Servicing Practices.

24.2. *Agent as Attorney in Fact.* The Agent is hereby appointed the attorney-in-fact of the Seller for the purpose of carrying out the provisions of this Agreement and taking any action and executing any instruments or documents that the Agent may deem reasonably necessary or advisable to accomplish the purposes hereof, which appointment as attorney-in-fact is irrevocable and coupled with an interest, although the Agent agrees not to exercise its rights under this power of attorney unless, in its opinion or the opinion of its legal counsel, an Event of Default has occurred that the Agent has not declared in writing to have been cured or waived. Without limiting the generality of the foregoing, but subject to Section 18.3, the Agent shall have the right and power during the occurrence and continuation of any Event of Default to receive, endorse, collect and control all checks or instruments made payable to the order of the Seller and all other forms of payment to the Seller that represent any payment on account of the principal of or interest on or proceeds from any of the Purchased Loans and to give full discharge for the same.

24.3. *Wires to Seller.* Any amounts to be transferred by the Agent to the Seller hereunder shall be sent by journal entry (or wire transfer) in immediately available funds to the Operating Account.

24.4. *Wires to Agent.* Any amounts to be transferred by the Seller to the Agent hereunder shall be sent by wire transfer in immediately available funds to the Settlement Account.

24.5. *Receipt; Available Funds.* Amounts received after 2:00 p.m. Minneapolis time on any Business Day shall be deemed to have been paid and received on the next succeeding Business Day. All payments and transfers of cash pursuant to this Agreement shall be made (only if the paying and receiving accounts are with the same financial institution) by journal entries, or (otherwise) by wire transfer, of immediately available funds in U.S. dollars.

24.6. *Setoff.* The Seller hereby grants each Buyer a security interest in all deposits, credits and deposit accounts (including all account balances, whether provisional or final and whether or not collected or available) of the Seller with such Buyer or any Affiliate of such Buyer (the “Deposits”) to secure the Obligations; provided that for purposes of this Section 24.6, “Deposits” shall not include any payroll accounts or other accounts holding funds solely for the benefit of a third party. In addition to, and without limitation of, any rights of the Seller under applicable law, if the Seller becomes insolvent, however evidenced, or any Event of Default occurs, the Seller authorizes each

Buyer and each of their respective Affiliates, with the prior written consent of the Agent, to offset and apply all such Deposits toward the payment of the Obligations owing to such Buyer, whether or not the Obligations, or any part thereof, are contingent or unmatured or are owed to a branch office or Affiliate of such Buyer different from the branch office or Affiliate holding such Deposit, and regardless of the existence or adequacy of any collateral, guaranty or any other security, right or remedy available to such Buyer or the Buyers.

24.7. *Payments Set Aside.* To the extent that any payment by or on behalf of the Seller is made to the Agent or any Buyer, or the Agent or any Buyer exercises its right of setoff, and such payment or the proceeds of such setoff or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Agent or such Buyer in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any insolvency proceeding or otherwise, then (a) to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such setoff had not occurred, and (b) each Buyer severally agrees to pay to the Agent upon demand its applicable share (without duplication) of any amount so recovered from or repaid by the Agent, plus interest thereon from the date of such demand to the date such payment is made at a rate per annum equal to the Federal Funds Rate from time to time in effect.

24.8. *Electronic Execution of Assignments.* The words “execution,” “signed,” “signature,” and words of like import in any Assignment and Assumption shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including E-Sign, the New York State Electronic Signatures and Records Act, or any other similar state laws based on UETA.

24.9. *Document Imaging; PDF Signatures; Electronic Signatures.* Without notice to or consent of the Seller, the Agent and each Buyer may create electronic images of any Repurchase Documents and destroy paper originals of any such imaged documents. Such images have the same legal force and effect as the paper originals and are enforceable against the Seller and any other parties thereto. The Agent and each Buyer may convert any Repurchase Document into a “transferrable record” as such term is defined under, and to the extent permitted by, UETA, with the image of such instrument in the Agent’s or such Buyer’s possession constituting an “authoritative copy” under UETA. If the Agent agrees, in its sole discretion, to accept delivery by telecopy or PDF of an executed counterpart of a signature page of any Repurchase Document or other document required to be delivered under the Repurchase Documents, such delivery will be valid and effective as delivery of an original manually executed counterpart of such document for all purposes. If the Agent agrees, in its sole discretion, to accept any electronic signatures of any Repurchase Document or other document required to be delivered under the Repurchase Documents, the words “execution,” “signed,” and “signature,” and words of like import, in or referring to any document so signed will be deemed to include electronic signatures and/or the keeping of records in electronic form, which will be of the same legal effect, validity and enforceability as a manually executed signature and/or the use of a paper-based recordkeeping system, to the extent and as provided for in any applicable law, including UETA, E-Sign, or any other state laws based on, or similar in effect to, such acts. The Agent and each Buyer may rely on any such electronic signatures without further inquiry.

24.10. *Accounting.* Except as provided to the contrary herein, all accounting terms used herein shall be interpreted and all accounting determinations hereunder shall be made in accordance with GAAP in a manner consistent with that used in preparing the financial statements referred to in Section 15.2(f). If at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth in any Repurchase Document, and the Seller, the Agent or the Required Buyers shall so request, the Agent, the Required Buyers and the Seller shall negotiate in good faith to

amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP (subject to the approval of the Required Buyers), provided that, until so amended, such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and the Seller shall provide to the Administrative Agent and the Lenders reconciliation statements showing the difference in such calculation, together with the delivery of monthly, quarterly and annual financial statements required hereunder. In addition, notwithstanding any other provision contained herein, the definitions set forth in this Agreement and any financial calculations required by the Loan Documents shall be computed to exclude any change to lease accounting rules from those in effect pursuant to Financial Accounting Standards Board Accounting Standards Codification 840 (Leases) and other related lease accounting guidance as in effect on the date hereof.

25 Entire Agreement; Severability.

This Agreement supersedes any existing agreements between the parties containing general terms and conditions for repurchase transactions. This Agreement may not be amended, modified or supplemented except in accordance with the provisions of Section 22 and such amendment, modification or supplement must be set forth in a writing signed by the parties required to do so in accordance with Section 22. 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.

26 Non-assignability; Termination.

26.1. *Limited Assignment.* Except with respect to any repurchase transaction, sale, transfer, pledge or hypothecation by the Agent or any Buyer pursuant to Section 18 and Section 22.17, the rights and obligations of the parties under this Agreement and under any Transaction shall not be assigned by any party without the prior written consent of the other parties and any such assignment without the prior written consent of the other parties shall be null and void. Subject to the foregoing, this Agreement and any Transactions shall bind and benefit the parties and their respective successors and assigns.

26.2. *Remedies Exception.* Section 26.1 shall not preclude a party from assigning, charging or otherwise dealing with all or any part of its interest in any sum payable to it under Section 18.

26.3. *Agreement Termination.* This Agreement shall terminate, automatically and without any requirement for notice, on the date after the Termination Date on which all Obligations have been indefeasibly paid in full, provided, that the provisions of Sections 6.4, 6.5, 7 and 20 shall survive the termination of this Agreement, provided further, that this Agreement and any Open Transactions may be extended by mutual agreement of the Buyers, the Agent and the Seller; and provided further, that no such party shall be obligated to agree to such an extension.

27 Counterparts.

This Agreement may be executed in any number of counterparts, each of which counterparts shall be deemed to be an original, and such counterparts shall constitute but one and the same instrument.

28 Governing Law, Jurisdiction and Venue.

This Agreement (including this choice-of-law provision) and the other Repurchase Documents shall be governed by and construed and all controversies and disputes arising under, in connection with or relating to this Agreement and the other Repurchase Documents shall be resolved, in accordance with the laws of the State of New York (pursuant to Section 5-1401 of the New York General Obligations Law to the extent such laws would otherwise not

apply) and the United States of America applicable to contracts made and to be wholly performed within such State. The Seller, the Agent and the Buyers each hereby irrevocably submits to the nonexclusive jurisdiction and venue of the United States District Court for the Southern District of New York located in the Borough of Manhattan Division in the City of New York or, if such court does not have jurisdiction, the Supreme Court of the State of New York, New York County for the purpose of any action or other proceeding arising under, in connection with or relating to the Repurchase Documents or any related Transaction, pursuant to Section 5-1402 of the New York General Obligations Law to the extent such submission would otherwise not be effective. To the fullest extent permitted by applicable law, the Seller, the Agent and the Buyers each irrevocably waives any objection that it may now or hereafter have to the laying of venue for any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum and agrees that service of process may be made upon it in any such proceeding by registered or certified mail. Nothing herein shall affect any applicable right of any party at any time to initiate any suit in the United States District Court for the Southern District of New York, Manhattan Division, or to remove any pending suit to that court. Nothing herein shall affect the right of the Agent or any Buyer to accomplish service of process in any manner permitted by applicable law or to commence legal proceedings or otherwise proceed against the Seller in any other jurisdiction or court.

29 Waiver of Jury Trial.

Each of the Seller (in its capacity as Seller and Servicer), the Buyers and the Agent hereby (i) covenants and agrees not to elect a trial by jury of any issue triable of right by a jury, and (ii) waives any right to trial by jury fully to the extent that any such right shall now or hereafter exist. This waiver of right to trial by jury is separately given, knowingly and voluntarily, by each of the Seller, the Buyers and the Agent, and this waiver is intended to encompass individually each instance and each issue as to which the right of a jury trial would otherwise accrue. The Agent is hereby authorized and requested to submit this Agreement to any court having jurisdiction over the subject matter and the parties hereto, so as to serve as conclusive evidence of the foregoing waiver of the right to jury trial. Further, the Seller hereby certifies that no representative or agent of the Buyers or the Agent has represented, expressly or otherwise, to any stockholder, director, officer, agent or representative of the Seller that the Buyers or the Agent will not seek to enforce this waiver of right to jury trial provision.

30 Relationship of the Parties.

This Agreement provides for the sale by the Seller and the purchase by the Buyers (acting through their agent and representative, the Agent) of Eligible Loans and the obligation of the Seller to repurchase them upon termination of each Transaction. The relationship between the Seller and the Buyers (and the Agent) is limited to that of seller and repurchaser on the one hand and buyers and resellers (and the Agent as the Buyers' agent and representative) on the other. The provisions in this Agreement and the other Repurchase Documents for compliance with financial covenants and delivery of financial statements are intended solely for the benefit of the Buyers and the Agent, to protect the interests of the Buyers as buyers, including the Buyers' and the Agent's interest in assuring repurchase of Purchased Loans at the termination of each Transaction, and nothing contained in this Agreement or any of the other Repurchase Documents shall be construed as permitting or obligating any Buyer or the Agent to act as a financial or business advisor or consultant to the Seller, as permitting or obligating any Buyer or the Agent to control the Seller or to conduct the Seller's operations, as creating any fiduciary obligation on the part of the Buyers or the Agent to the Seller, or as creating any joint venture, agency or other relationship between the parties other than as explicitly and specifically stated in this Agreement. The Seller acknowledges that it has had the opportunity to obtain the advice of experienced counsel of its own choosing in connection with the negotiation and execution of this Agreement and the other Repurchase Documents and to obtain the advice of such counsel with respect to all matters contained in the Repurchase Documents including the provision

for waiver of trial by jury. The Seller further acknowledges that it is experienced with respect to financial and credit matters and has made its own independent decisions to apply to the Buyers and the Agent to enter into this Agreement, and to execute and deliver this Agreement and the other Repurchase Documents.

31 No Waivers, Etc.

No express or implied waiver of any Event of Default by any party shall constitute a waiver of any other Event of Default and no exercise of any remedy hereunder by any party shall constitute a waiver of its right to exercise any other remedy hereunder. No modification or waiver of any provision of this Agreement and no consent by any party to a departure herefrom shall be effective unless and until such shall be in writing and duly executed by the Seller and the parties required to do so pursuant to Section 22. Without limitation on any of the foregoing, the failure to give a notice pursuant to Section 6 or 7 will not constitute a waiver of any right to do so at a later date. The rights and remedies of the Buyers hereunder shall be cumulative and not exclusive of any rights and remedies which the Buyers would otherwise have. No failure or delay on the part of the Buyers in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

32 Use of Employee Plan Assets.

32.1. *Prohibited Transactions.* If assets of an ERISA Plan are intended to be used by any party hereto (the “Plan Party”) in a Transaction, the Plan Party shall so notify the other parties prior to the Transaction. The Plan Party shall represent in writing to the other parties that the Transaction does not constitute a prohibited transaction under ERISA or is otherwise exempt therefrom, and the other parties may proceed in reliance thereon but shall not be required so to proceed.

32.2. *Audited Financial Statements Required.* Subject to the last sentence of Section 32.1, any such Transaction shall proceed only if the Seller furnishes or has furnished to the Agent its most recent available audited statement of its financial condition and its most recent subsequent unaudited statement of its financial condition.

32.3. *Representations.* By entering into a Transaction pursuant to this Section 32, the Seller shall be deemed (i) to represent to the Buyers and the Agent that since the date of the Seller’s latest such financial statements, there has been no material adverse change in the Seller’s financial condition which the Seller has not disclosed to the Agent, and (ii) to agree to provide the Agent with future audited and unaudited statements of its financial condition as they are issued, so long as it is a Seller in any Open Transaction involving a Plan Party.

33 Intent.

33.1. *Transactions are Repurchase Agreements and Securities Contracts.* The parties intend and acknowledge that each Transaction is a “repurchase agreement” and a “master netting agreement” as such terms are defined in Section 101 of the Bankruptcy Code (except insofar as the type of Eligible Loans subject to such Transaction or the term of such Transaction would render such definition inapplicable), and a “securities contract” as that term is defined in Section 741 of the Bankruptcy Code (except insofar as the type of assets subject to such Transaction would render such definition inapplicable), and that all claims and debts arising under this Agreement and/or any Transaction, including any Margin Call, constitute claims and debts, respectively, for “settlement payments” or “margin payments” as those terms are commonly used in the securities and/or commodities trades. This Agreement also constitutes a “netting contract” as defined in and subject to Title IV of the Federal Deposit Insurance Corporation Improvement Act of 1991 (“*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 any or all of the parties is not a “financial institution” as that term is defined in FDICIA). Seller hereby agrees that it shall not challenge the characterization of this Agreement as a “repurchase agreement” as that term is defined in Section 101 of the Bankruptcy Code, or as a “securities contract” as that term is defined in Section 741 of the Bankruptcy Code in any dispute or proceeding.

33.2. *Contractual Rights, Etc.* Any party’s right to liquidate Eligible Loans delivered to it in connection with Transactions hereunder or to exercise any other remedies pursuant to Section 18, is a contractual right to liquidate, terminate or accelerate such Transaction as described in Sections 555, 559 and 561 of the Bankruptcy Code.

33.3. *FDIA*. 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).

33.4. *Master Netting Agreement*. It is understood and agreed that this Agreement constitutes a “master netting agreement” as that term is defined in Section 101 of the Bankruptcy Code, and that a party’s right to cause the termination, liquidation, or acceleration of, or to offset net termination values, payment amounts or other transfer obligations arising under or in connection with, this Agreement or any Transaction is a contractual right to cause the termination, liquidation, or acceleration of, or to offset net termination values, payment amounts or other transfer obligations arising under or in connection with, this Agreement or any Transaction as described in Section 561 of the Bankruptcy Code.

34 Disclosure Relating to Certain Federal Protections.

The parties acknowledge that they have been advised that:

34.1. *Parties not Protected by SIPA or Insured by FDIC or NCUSIF*. 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 (“*1934 Act*”), the Securities Investor Protection Corporation has taken the position that the provisions of SIPA do not protect the other party with respect to any Transaction hereunder.

34.2. *SIPA Does Not Protect Government Securities Broker or Dealer Counterparty*. 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.

34.3. *Transaction Funds Are Not Insured Deposits*. In the case of Transactions in which one of the parties is a financial institution, funds held by such financial institution pursuant to a Transaction hereunder are not a deposit and therefore are not insured by the Federal Deposit Insurance Corporation (through either the Bank Insurance Fund or the Savings Association Insurance Fund) or the National Credit Union Share Insurance Fund, as applicable.

35 USA Patriot Act Notification.

The Agent and the Buyers hereby notify the Seller that, pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), the Agent or the Buyers are required to obtain, verify and record information that identifies the Seller, including the

Seller's name and address and other information that will allow them to identify the Seller in accordance with said Act.

36 Existing MRA.

Effective as of the Effective Date, this Agreement amends, replaces, and restates the Existing MRA in its entirety. The terms and conditions of this Agreement supersede, effective as of the Effective Date, the terms and conditions of the Existing MRA, provided, however, that the obligations incurred under the Existing MRA shall not in any circumstance be terminated, extinguished or discharged hereby but shall hereafter be governed by the terms of this Agreement. This Agreement is not intended to constitute a novation.

[The remainder of this page is intentionally blank; signature page follows]

In witness whereof the parties have caused this Second Amended and Restated Master Repurchase Agreement to be executed as of the Effective Date.

NVR MORTGAGE FINANCE, INC., as Seller and Servicer

By: /s/ William B. Carter

Title: President

Date: July 15, 2022

U.S. BANK NATIONAL ASSOCIATION

As Agent and a Buyer

By: /s/ Rodney Davis

Title: Senior Vice President

Date: July 15, 2022

[Signature Page to Second Amended and Restated Master Repurchase Agreement]

SARBANES-OXLEY ACT SECTION 302 CERTIFICATIONS

I, Eugene J. Bredow, certify that:

1. I have reviewed this report on Form 10-Q of NVR, Inc.;
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 most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) 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: August 3, 2022

By: /s/ Eugene J. Bredow

Eugene J. Bredow

President and Chief Executive Officer

SARBANES-OXLEY ACT SECTION 302 CERTIFICATIONS

I, Daniel D. Malzahn, certify that:

1. I have reviewed this report on Form 10-Q of NVR, Inc.;
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 most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) 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: August 3, 2022

By: /s/ Daniel D. Malzahn
Daniel D. Malzahn
Senior Vice President, Chief Financial Officer and Treasurer

**CERTIFICATION 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 Quarterly Report on Form 10-Q of NVR, Inc. for the period ended June 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of NVR, Inc., hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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 NVR, Inc.

Date: August 3, 2022

By: /s/ Eugene J. Bredow
Eugene J. Bredow
President and Chief Executive Officer

By: /s/ Daniel D. Malzahn
Daniel D. Malzahn
Senior Vice President, Chief Financial Officer and Treasurer