PRELIMINARY OFFERING MEMORANDUM STRICTLY CONFIDENTIAL

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS MEETING THE QUALIFICATIONS DESCRIBED IN THE ATTACHED PRELIMINARY OFFERING MEMORANDUM (THE "OFFERING MEMORANDUM").

IMPORTANT: You must read the following before continuing. The following applies to the Offering Memorandum following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Memorandum. In accessing the Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION AND THE NOTES MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OF 1933, AS AMENDED, AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THE ACQUISITION AND TRANSFER OF THE NOTES ARE SUBJECT TO ANY ADDITIONAL RESTRICTIONS DESCRIBED IN THE OFFERING MEMORANDUM.

EXCEPT AS SET FORTH IN THE OFFERING MEMORANDUM, THE OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: In order to be eligible to view this Offering Memorandum, you must be (1) a "qualified institutional buyer" (within the meaning of Rule 144A under the Securities Act) or (2) an institution that (a) is a "qualified institutional buyer" (within the meaning of Rule 144A under the Securities Act) and (b) is not a "U.S. Person" (within the meaning of Regulation S under the Securities Act ("Regulation S")) acquiring the securities in "offshore transactions" under Regulation S. This Offering Memorandum is being sent at your request and by accepting this e-mail and accessing this Offering Memorandum, you will be deemed to have represented to us that you are a "qualified institutional buyer" (within the meaning of Rule 144A under the Securities Act) or an institution that (a) is a "qualified institutional buyer" (within the meaning of Rule 144A under the Securities Act) and (b) is not a "U.S. person" acquiring the securities in an "offshore transaction" under Regulation S, and that you consent to delivery of this Offering Memorandum by electronic transmission.

You are reminded that this Offering Memorandum has been delivered to you on the basis that you are a person into whose possession this Offering Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver this Offering Memorandum to any other person.

This Offering Memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of Barclays Capital Inc., Nomura Securities International, Inc., Performance Trust Capital Partners, LLC nor any person who controls Barclays Capital Inc., Nomura Securities International, Inc. or Performance Trust Capital Partners, LLC or any director, officer, employee or agent of Barclays Capital Inc., Nomura Securities International, Inc. or Performance Trust Capital Partners, LLC or of the respective affiliates of Barclays Capital Inc., Nomura Securities International, Inc. or Performance Trust Capital Partners, LLC accepts any liability or responsibility whatsoever in respect of any difference between the Offering Memorandum distributed to you in electronic format and the hard copy version available to you on request from Barclays Capital Inc., Nomura Securities International, Inc. or Performance Trust Capital Partners, LLC.

SUBJECT TO COMPLETION, DATED JUNE 10, 2024

Information contained in this Offering Memorandum is subject to completion or amendment. This Offering Memorandum shall not constitute an offer to sell or the solicitation of any offer to buy the securities nor shall there be any sale of such securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. This Offering Memorandum supersedes in its entirety any other prior document or marketing materials concerning the Notes heretofore delivered to prospective investors.

PRELIMINARY OFFERING MEMORANDUM **STRICTLY CONFIDENTIAL**

$350,000,000

(Approximate)

Kiavi Depositor, LLC
Depositor

Kiavi Funding, Inc.
Sponsor, Originator, Seller, Asset Manager and Servicer

LHOME Mortgage Trust 2024-RTL3
Issuer

Mortgage-Backed Notes, Series 2024-RTL3
Payable monthly, commencing in July 2024

The Issuer Will Issue—

- Three classes of notes: the Series 2024-RTL3 Class A1 Notes (the "Class A1 Notes"), Class A2 Notes (the "Class A2 Notes" and, together with the Class A1 Notes, the "Class A Notes") and Class M Notes (the "Class M Notes" and, together with the Class A Notes, the "Notes"); and
- One class of issuer residual interest certificate, the Class R Issuer Residual Interest Certificate (the "Issuer Residual Interest Certificate").
- The size and basic payment characteristics of the Notes are described in the table set forth on page 13 of this Offering Memorandum (the "Securities Table"). The Issuer Residual Interest Certificate is not offered hereby.

The Assets of the Issuer Consist of—

- A pool of performing, fixed-rate, interest-only, mortgage loans to real estate investors, each secured by a first lien on a non-owner occupied Mortgaged Property (as defined in this Offering Memorandum) with original terms to maturity of twelve (12) to twenty-four (24) months, with an aggregate Unpaid Principal Balance (as defined in this Offering Memorandum), of approximately $147,749,158 as of the Initial Cut-off Date (as defined in this Offering Memorandum) and an aggregate Principal Limit (as defined in this Offering Memorandum), of approximately $182,962,678 as of the Initial Cut-off Date (the "Initial Mortgage Loans"). Mortgage Loan terms may be extended in the Asset Manager's discretion, subject to certain conditions described herein. See "*Description of the Mortgage Loans*" in this Offering Memorandum.
- To the extent permitted by the terms of the applicable Mortgage Loans, the Borrowers will be entitled to request additional funds in connection with identified repair, construction or rehabilitation projects. See "*Description of the Mortgage Loans—Rehabilitation Disbursement Requests*" in this Offering Memorandum.
- Additional mortgage loans purchased by the Issuer during the Reinvestment Period (as defined in this Offering Memorandum) (the "Additional Mortgage Loans," and together with the Initial Mortgage Loans, the "Mortgage Loans") with characteristics as described in this Offering Memorandum. See "*Description of the Mortgage Loans—Additional Mortgage Loans*" in this Offering Memorandum.
- Amounts on deposit in the Payment Account, the Accumulation Account, the Pre-funding Interest Account, the Rehab Escrow Account and the Redemption Account.

You should carefully consider the summary of risk factors and the risk factors beginning on page 41 and 44, respectively, in this Offering Memorandum.

None of the Notes or the Mortgage Loans are insured or guaranteed by any governmental agency or instrumentality.

The Notes are secured by the assets of the Issuer only and will not be obligations in, or represent interests in, any other entity.

Credit Enhancement will consist of—

- Overcollateralization: As of the Initial Cut-off Date, the aggregate Unpaid Principal Balance (as defined in this Offering Memorandum) of the Initial Mortgage Loans and the initial amount of cash deposited into the Accumulation Account will exceed the Note Amount of the Notes, resulting in overcollateralization for the Notes.
- Excess Interest: On each Payment Date (as defined in this Offering Memorandum), any interest received on the Mortgage Loans in excess of Transaction Party Expenses (as defined in this Offering Memorandum) up to the Annual Cap (as defined in this Offering Memorandum), certain amounts owed to the Servicer, amounts required to be deposited in the Accumulation Account, Rehab Escrow Account or the Redemption Account (as defined in this Offering Memorandum), and amounts needed to pay interest accrued on the Notes at the applicable Note Rate will be available to absorb losses, and after the Reinvestment Period (or, if the Class A Minimum Credit Enhancement Test (as defined in this Offering Memorandum) is not satisfied during the Reinvestment Period) to pay principal on the Notes. See "*Summary Information—Credit Enhancement*" in this Offering Memorandum.
- Available Funds in the Pre-funding Interest Account, the Redemption Account and the Accumulation Account: Amounts on deposit in the Pre-Funding Interest Account will be available for distribution pursuant to the Priority of Payments for the Payment Dates occurring in July 2024, August 2024, and September 2024. On the first Payment Date following the end of the Reinvestment Period, the Notes will have the benefit of available funds released from the Redemption Account and the Accumulation Account (less any funds used to fund Unfunded Commitments or otherwise retained by the Asset Manager in its discretion) to reduce the Note Amount of the Notes.
- Subordination: To the extent that the property of the Issuer does not generate enough cash flow to satisfy the Issuer's payment obligations, any shortfalls or losses will be absorbed *first* by the holders of the Issuer Residual Interest Certificate, *second* by the holders of the Class M Notes, to the extent amounts are due to them, *third* by the holders of the Class A2 Notes, to the extent amounts are due to them and *fourth* by the holders of the Class A1 Notes, to the extent amounts are due to them. See "*Summary Information—Credit Enhancement*" in this Offering Memorandum.

Optional Redemption—

- The Issuer may redeem the Notes on any date on or after the date (an "Issuer Optional Redemption Date") on which the Note Amount of the Notes is reduced to an amount that is less than or equal to 25% of the Initial Note Amount of the Notes as of the Closing Date (as defined in this Offering Memorandum) by purchasing all of the Notes.
- The Depositor may purchase all of the Mortgage Loans on any Payment Date following the termination of the Reinvestment Period (a "Depositor Optional Redemption Date" and each of an Issuer Optional Redemption Date and a Depositor Optional Redemption Date may from time to time be referred to herein

as an "Optional Redemption Date"); *provided* that, with respect to such right of the Depositor, no less than fifty percent (50%) of the Issuer's assets on any such date of redemption in full of the Class A2 Notes and the Class M Notes consists of Mortgage Loans and/or REO Properties, without duplication.

- If the Notes are not redeemed on or prior to the Step-Up Date (as defined in the Offering Memorandum), a Step-Up Event (as defined in the Offering Memorandum) will occur. See "*Summary Information—Reinvestment Period*" in this Offering Memorandum.

Prior to the End of the Reinvestment Period—

- The Issuer may purchase Additional Mortgage Loans and fund Unfunded Commitments using amounts on deposit in the Accumulation Account, subject to the restrictions set forth in the Indenture as described in this Offering Memorandum, and so long as the Class A Minimum Credit Enhancement Test (as defined in this Offering Memorandum) is satisfied, holders of the Notes will not receive any payments of principal. See "*Description of the Mortgage Loans—Additional Mortgage Loans*" in this Offering Memorandum.
- Following the end of the Reinvestment Period, the Issuer may continue to fund Unfunded Commitments (as defined in this Offering Memorandum) using amounts on deposit in the Accumulation Account, subject to the restrictions set forth in the Indenture.

THE NOTES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") AND ARE BEING OFFERED ONLY (1) IN THE UNITED STATES TO "QUALIFIED INSTITUTIONAL BUYERS" IN RELIANCE ON RULE 144A ("RULE 144A") OF THE SECURITIES ACT OR (2) OUTSIDE THE UNITED STATES TO INSTITUTIONS THAT (A) ARE "QUALIFIED INSTITUTIONAL BUYERS" (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) AND (B) ARE NOT "U.S. PERSONS" (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT ("REGULATION S")) ACQUIRING THE SECURITIES IN "OFFSHORE TRANSACTIONS" IN COMPLIANCE WITH REGULATION S.

The information contained herein is confidential and may not be reproduced in whole or in part. Each of Barclays Capital Inc. ("Barclays,"), Nomura Securities International, Inc. ("Nomura") and Performance Trust Capital Partners, LLC ("Performance Trust" ; each an "Initial Purchaser" and collectively, the "Initial Purchasers") has agreed to use its best efforts to identify investors, and will be obligated to purchase from the Depositor only the Notes for which investors have entered into agreements to purchase from the Initial Purchasers on or prior to the Closing Date. Placement of the Notes may be effected privately from time to time in negotiated transactions at varying prices to be determined in each case at the time of sale. As a result, the purchase price paid by any investor in a portion of the Notes may be higher or lower than the price paid by different investors in the same class sold in this offering. The Issuer Residual Interest Certificate, which is not offered by this Offering Memorandum, will initially be held by the Depositor or another majority-owned affiliate of the Sponsor. The Depositor or one or more affiliates of the Sponsor may retain all or a portion of any other Class of Notes. Transfer of all Notes will be subject to certain restrictions as described herein. It is expected that delivery of the Notes will be made on or about June 20, 2024 (the "Closing Date"). The information contained herein is confidential and may not be reproduced in whole or in part.

Co-Lead Managers and Joint Bookrunners

BARCLAYS NOMURA PERFORMANCE TRUST

DATED JUNE [●], 2024

TABLE OF CONTENTS

This Offering Memorandum contains information concerning the Issuer, the Sponsor, the Seller, the Depositor, the Servicer, the Originator, the Indenture Trustee, the Owner Trustee, the Custodian, the Asset Manager, the Notes, the Mortgage Loans and the obligations of the Sponsor, the Depositor, the Seller, the Servicer, the Asset Manager, the Indenture Trustee, the Owner Trustee, the Custodian and others. Potential investors are urged to review this Offering Memorandum in its entirety. The obligations of the parties with respect to the transactions contemplated in this Offering Memorandum are set forth in and will be governed by certain documents described in this Offering Memorandum, and all of the statements and information in this Offering Memorandum are qualified in their entirety by reference to such documents.

Cross-references are included in this Offering Memorandum to captions where you can find additional information. The "*Table of Contents*" in this Offering Memorandum provides the locations of these captions.

PROSPECTIVE PURCHASERS ARE NOT TO CONSTRUE THE CONTENTS OF THIS OFFERING MEMORANDUM OR ANY PRIOR OR SUBSEQUENT COMMUNICATIONS FROM THE SPONSOR, THE ORIGINATOR, THE SELLER, THE DEPOSITOR, THE ISSUER, THE ASSET MANAGER, THE SERVICER, THE CUSTODIAN, THE INITIAL PURCHASERS, THE INDENTURE TRUSTEE, THE PAYING AGENT, THE NOTE REGISTRAR, THE CERTIFICATE REGISTRAR, THE OWNER TRUSTEE OR ANY OF THEIR OFFICERS, EMPLOYEES OR AGENTS AS INVESTMENT, LEGAL, ACCOUNTING OR TAX ADVICE. PRIOR TO INVESTING IN THE NOTES, A PROSPECTIVE PURCHASER SHOULD CONSULT WITH ITS ATTORNEY AND ITS INVESTMENT, ACCOUNTING, REGULATORY AND TAX ADVISORS TO DETERMINE THE CONSEQUENCES OF AN INVESTMENT IN THE NOTES AND ARRIVE AT AN INDEPENDENT EVALUATION OF SUCH INVESTMENT.

THE ISSUER HAS BEEN STRUCTURED SO AS NOT TO CONSTITUTE A "COVERED FUND" FOR PURPOSES OF THE VOLCKER RULE UNDER THE DODD-FRANK ACT. THE NOTES HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES ACT OR UNDER THE SECURITIES LAWS OF ANY OTHER JURISDICTION AND THE ISSUER IS NOT AND WILL NOT BE REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED, IN RELIANCE ON THE EXCLUSION AFFORDED BY RULE 3A-7 PROMULGATED UNDER THE INVESTMENT COMPANY ACT, ALTHOUGH OTHER EXEMPTIONS OR EXCLUSIONS MAY BE APPLICABLE. THE RESALE OR TRANSFER OF THE NOTES IS RESTRICTED BY THE TERMS THEREOF AND BY THE TERMS OF THE INDENTURE. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THEIR INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

THE NOTES WILL BE OFFERED (1) IN THE UNITED STATES TO "QUALIFIED INSTITUTIONAL BUYERS" IN RELIANCE ON RULE 144A OF THE SECURITIES ACT OR (2) OUTSIDE THE UNITED STATES TO INSTITUTIONS THAT (A) ARE "QUALIFIED INSTITUTIONAL BUYERS" (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) AND (B) ARE NOT "U.S. PERSONS" (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT ("REGULATION S")) ACQUIRING THE SECURITIES IN "OFFSHORE TRANSACTIONS" IN COMPLIANCE WITH REGULATION S, EACH TO WHOM THIS OFFERING MEMORANDUM HAS BEEN FURNISHED. THE NOTES WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR ANY STATE SECURITIES OR "BLUE SKY" LAWS AND ARE BEING OFFERED AND SOLD IN RELIANCE UPON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND SUCH LAWS. THE TRANSFER OF THE NOTES IS SUBJECT TO CERTAIN ADDITIONAL RESTRICTIONS AND CONDITIONS. SEE "NOTICE TO INVESTORS" IN THIS OFFERING MEMORANDUM. THERE IS NO MARKET FOR THE NOTES AND THERE IS NO ASSURANCE THAT ONE WILL DEVELOP. RESALES OF THE NOTES MAY BE MADE (I) (A) IN THE UNITED STATES TO "QUALIFIED INSTITUTIONAL BUYERS" IN RELIANCE ON RULE 144A OR (B) OUTSIDE THE UNITED STATES TO INSTITUTIONS THAT (X) ARE "QUALIFIED INSTITUTIONAL BUYERS" (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) AND (Y) ARE NOT "U.S. PERSONS" (WITHIN THE MEANING OF REGULATION S) ACQUIRING THE SECURITIES IN "OFFSHORE TRANSACTIONS" IN COMPLIANCE WITH REGULATION S, (II) PURSUANT TO THE REQUIREMENTS OF, OR AN EXEMPTION UNDER, APPLICABLE STATE SECURITIES LAWS AND (III) IN ACCORDANCE WITH THE OTHER RESTRICTIONS ON TRANSFER SET FORTH IN THE INDENTURE AND DESCRIBED HEREIN.

THE NOTES HAVE NOT BEEN REGISTERED WITH OR APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR BY ANY STATE OR FOREIGN SECURITIES

COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE OR FOREIGN SECURITIES COMMISSION REVIEWED OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE NOTES ARE SECURED BY THE ASSETS OF THE ISSUER. NEITHER THE NOTES NOR THE MORTGAGE LOANS WILL REPRESENT INTERESTS IN OR OBLIGATIONS OF THE ORIGINATOR, THE SPONSOR, THE SELLER, THE DEPOSITOR, THE ASSET MANAGER, THE SERVICER, THE CUSTODIAN, THE INITIAL PURCHASERS, THE INDENTURE TRUSTEE, THE PAYING AGENT, THE NOTE REGISTRAR, THE CERTIFICATE REGISTRAR, THE OWNER TRUSTEE OR ANY OF THEIR AFFILIATES. NEITHER THE NOTES NOR THE MORTGAGE LOANS WILL BE GUARANTEED OR INSURED BY ANY GOVERNMENTAL AGENCY OR INSTRUMENTALITY OR ANY OTHER ENTITY. THE MORTGAGE LOANS WILL BE THE SOLE SOURCE OF PAYMENT ON THE NOTES AND THERE WILL BE NO RECOURSE TO THE ORIGINATOR, THE SPONSOR, THE SELLER, THE DEPOSITOR, THE ASSET MANAGER, THE SERVICER, THE CUSTODIAN, ANY INITIAL PURCHASERS, THE INDENTURE TRUSTEE, THE PAYING AGENT, THE NOTE REGISTRAR, THE CERTIFICATE REGISTRAR, THE OWNER TRUSTEE OR ANY OF THEIR AFFILIATES OR ANY OTHER ENTITY IN THE EVENT THAT PAYMENTS ON THE MORTGAGE LOANS ARE INSUFFICIENT OR OTHERWISE UNAVAILABLE TO MAKE ALL PAYMENTS PROVIDED FOR UNDER THE NOTES.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS OFFERING MEMORANDUM AND ANY TERM SHEET PROVIDED TO YOU BY THE DEPOSITOR OR THE INITIAL PURCHASERS PRIOR TO THE DELIVERY OF THIS OFFERING MEMORANDUM AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON. THIS OFFERING MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OTHER THAN THE NOTES. THIS OFFERING MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY, NOR WILL THERE BE ANY SALE OF THE NOTES, IN ANY STATE OR OTHER JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF SUCH STATE OR OTHER JURISDICTION. THE DELIVERY OF THIS OFFERING MEMORANDUM AT ANY TIME DOES NOT IMPLY THAT INFORMATION HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO ITS DATE. THE DEPOSITOR AND THE INITIAL PURCHASERS EACH RESERVES THE RIGHT TO REJECT ANY OFFER TO PURCHASE THE NOTES, IN EACH CASE IN WHOLE OR IN PART, FOR ANY REASON, OR TO SELL LESS THAN THE FULL NOTE AMOUNT OF SUCH NOTES OFFERED HEREBY.

NO TRANSFER OF A CLASS A1 NOTE, A CLASS A2 NOTE OR A CLASS M NOTE OR ANY INTEREST THEREIN WILL BE MADE TO ANY "EMPLOYEE BENEFIT PLAN" (AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA")) THAT IS SUBJECT TO TITLE I OF ERISA, ANY "PLAN" (AS DEFINED IN SECTION 4975(e)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE") THAT IS SUBJECT TO SECTION 4975 OF THE CODE, ANY ENTITY THAT IS DEEMED TO HOLD PLAN ASSETS OF ANY OF THE FOREGOING BY VIRTUE OF SUCH "EMPLOYEE BENEFIT PLAN'S" OR "PLAN'S" INVESTMENT IN THE ENTITY PURSUANT TO 29 C.F.R. SECTION 2510.3-101 AS MODIFIED BY SECTION 3(42) OF ERISA (THE "PLAN ASSET REGULATIONS") (EACH, A "BENEFIT PLAN"), OR ANY GOVERNMENTAL, NON-ELECTING CHURCH OR NON-U.S. PLAN THAT IS SUBJECT TO ANY NON-U.S., FEDERAL, STATE, LOCAL OR OTHER LAW THAT IS SUBSTANTIALLY SIMILAR TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW") OR TO ANY PERSON PURCHASING OR HOLDING SUCH NOTE OR ANY INTEREST THEREIN ON BEHALF OF, OR USING ASSETS OF, ANY BENEFIT PLAN OR SUCH PLAN SUBJECT TO SIMILAR LAW, IF ANY SUCH TRANSFER WILL RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF SIMILAR LAW. ACCORDINGLY, BY ACQUIRING A CLASS A1 NOTE, A CLASS A2 NOTE OR A CLASS M NOTE OR ANY INTEREST THEREIN, EACH PURCHASER OR TRANSFEREE (AND, IF APPLICABLE, ITS FIDUCIARY) OF A CLASS A1 NOTE, A CLASS A2 NOTE OR A CLASS M NOTE WILL BE DEEMED TO REPRESENT AND WARRANT THAT, FOR SO LONG AS IT HOLDS SUCH NOTE OR ANY INTEREST THEREIN, EITHER (I) IT IS NOT, AND IS NOT ACQUIRING AND WILL NOT HOLD SUCH NOTE OR ANY

INTEREST THEREIN ON BEHALF OF, OR WITH THE ASSETS OF, A BENEFIT PLAN OR ANY GOVERNMENTAL, NON-ELECTING CHURCH, OR NON-U.S. PLAN SUBJECT TO SIMILAR LAW OR (II) ITS ACQUISITION, TRANSFER AND HOLDING OF SUCH NOTE OR ANY INTEREST THEREIN WILL NOT CONSTITUTE, CAUSE, OR OTHERWISE RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF SIMILAR LAW.

THE NOTES DESCRIBED IN THIS OFFERING MEMORANDUM ARE SUBJECT TO MODIFICATION OR REVISION (INCLUDING THE POSSIBILITY THAT ONE OR MORE CLASSES OF NOTES MAY BE SPLIT, COMBINED OR ELIMINATED AT ANY TIME PRIOR TO ISSUANCE OR AVAILABILITY OF A FINAL OFFERING MEMORANDUM) AND ARE OFFERED ON A “WHEN, AS AND IF ISSUED” BASIS.

THE OBLIGATION OF THE INITIAL PURCHASERS TO SELL NOTES TO ANY PROSPECTIVE INVESTOR IS CONDITIONED ON THE NOTES AND THE TRANSACTION HAVING THE CHARACTERISTICS DESCRIBED HEREIN. IF THE INITIAL PURCHASERS DETERMINE THAT ONE OR MORE CONDITIONS ARE NOT SATISFIED IN ANY MATERIAL RESPECT, SUCH PROSPECTIVE INVESTOR WILL BE NOTIFIED, AND NEITHER THE ISSUER NOR THE INITIAL PURCHASERS WILL HAVE ANY OBLIGATION TO SUCH PROSPECTIVE INVESTOR TO DELIVER ANY PORTION OF THE NOTES WHICH SUCH PROSPECTIVE INVESTOR HAS COMMITTED TO PURCHASE, AND THERE WILL BE NO LIABILITY BETWEEN THE INITIAL PURCHASERS, THE ISSUER OR ANY OF THEIR RESPECTIVE AGENTS OR AFFILIATES, ON THE ONE HAND, AND SUCH PROSPECTIVE INVESTOR, ON THE OTHER HAND, AS A CONSEQUENCE OF THE NON DELIVERY.

THIS OFFERING MEMORANDUM IS PERSONAL TO EACH OFFEREE AND DOES NOT CONSTITUTE AN OFFER TO ANY OTHER PERSON OR TO THE PUBLIC GENERALLY TO SUBSCRIBE FOR OR OTHERWISE ACQUIRE THE NOTES. DISTRIBUTION OF THIS OFFERING MEMORANDUM TO ANY PERSON OTHER THAN THE OFFEREE AND THOSE PERSONS, IF ANY, RETAINED TO ADVISE SUCH OFFEREE WITH RESPECT THERETO IS UNAUTHORIZED, AND ANY DISCLOSURE OF ANY OF THE CONTENTS THEREOF OR HEREOF WITHOUT THE PRIOR WRITTEN CONSENT OF THE ISSUER IS PROHIBITED. EACH PROSPECTIVE PURCHASER, BY ACCEPTING DELIVERY OF THIS OFFERING MEMORANDUM, AGREES TO THE FOREGOING AND THAT IT WILL NOT MAKE ANY COPIES OF, NOR FORWARD, THIS OFFERING MEMORANDUM OR ANY DOCUMENTS REFERRED TO HEREIN AND, IF THE OFFEREE DOES NOT PURCHASE ANY NOTES OR THIS OFFERING IS TERMINATED, TO RETURN TO THE DEPOSITOR THIS OFFERING MEMORANDUM, AND ALL DOCUMENTS DELIVERED HEREWITH. NOTWITHSTANDING THE FOREGOING, PROSPECTIVE INVESTORS (AND EACH EMPLOYEE, REPRESENTATIVE OR OTHER AGENT OF SUCH INVESTORS) MAY DISCLOSE TO ANY AND ALL PERSONS, WITHOUT LIMITATION OF ANY KIND, THE FEDERAL, STATE AND LOCAL TAX TREATMENT AND TAX STRUCTURE OF THIS TRANSACTION AND ALL MATERIALS OF ANY KIND (INCLUDING OPINIONS OR OTHER TAX ANALYSES) THAT ARE PROVIDED TO THE INVESTORS RELATING TO SUCH FEDERAL, STATE AND LOCAL TAX TREATMENT AND TAX STRUCTURE.

THIS OFFERING MEMORANDUM HAS BEEN PREPARED BY THE DEPOSITOR SOLELY FOR USE IN CONNECTION WITH THE SALE OF THE NOTES. NONE OF THE ISSUER, THE SPONSOR, THE SELLER, THE DEPOSITOR, THE ASSET MANAGER, THE SERVICER, THE CUSTODIAN, THE INDENTURE TRUSTEE, THE PAYING AGENT, THE SECURITIES INTERMEDIARY, THE NOTE REGISTRAR, THE CERTIFICATE REGISTRAR, THE OWNER TRUSTEE OR THE INITIAL PURCHASERS MAKES ANY REPRESENTATIONS OR WARRANTIES AS TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN.

INVESTORS INTERESTED IN PARTICIPATING IN THIS OFFERING SHOULD CONDUCT AN INDEPENDENT INVESTIGATION OF THE RISKS POSED BY AN INVESTMENT IN THE NOTES. REPRESENTATIVES OF THE DEPOSITOR WILL BE AVAILABLE TO ANSWER QUESTIONS CONCERNING THE MORTGAGE LOANS AND WILL, UPON REQUEST, MAKE AVAILABLE SUCH OTHER INFORMATION AS INVESTORS MAY REASONABLY REQUEST.

THE APPROPRIATE CHARACTERIZATION OF THE NOTES UNDER VARIOUS LEGAL INVESTMENT RESTRICTIONS, AND THUS THE ABILITY OF INVESTORS SUBJECT TO THESE

RESTRICTIONS TO PURCHASE SUCH NOTES, IS SUBJECT TO SIGNIFICANT INTERPRETIVE UNCERTAINTIES. ACCORDINGLY, INVESTORS WHOSE INVESTMENT AUTHORITY IS SUBJECT TO LEGAL RESTRICTIONS SHOULD CONSULT THEIR OWN LEGAL ADVISORS TO DETERMINE WHETHER AND TO WHAT EXTENT THE NOTES CONSTITUTE LEGAL INVESTMENTS FOR THEM.

FORWARD-LOOKING STATEMENTS

THIS OFFERING MEMORANDUM CONTAINS FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT. IN ADDITION, CERTAIN STATEMENTS MADE IN PRESS RELEASES AND IN ORAL AND WRITTEN STATEMENTS MADE BY OR WITH THE DEPOSITOR'S APPROVAL MAY CONSTITUTE FORWARD-LOOKING STATEMENTS. SPECIFICALLY, FORWARD-LOOKING STATEMENTS, TOGETHER WITH RELATED QUALIFYING LANGUAGE AND ASSUMPTIONS, ARE FOUND IN THE MATERIAL (INCLUDING TABLES) UNDER THE HEADINGS "*RISK FACTORS*" AND "*PREPAYMENT AND YIELD CONSIDERATIONS*." FORWARD-LOOKING STATEMENTS ARE ALSO FOUND IN OTHER PLACES THROUGHOUT THIS OFFERING MEMORANDUM, AND MAY BE IDENTIFIED BY, AMONG OTHER THINGS, ACCOMPANYING LANGUAGE SUCH AS "EXPECTS," "INTENDS," "ANTICIPATES," "ESTIMATES" OR ANALOGOUS EXPRESSIONS, OR BY QUALIFYING LANGUAGE OR ASSUMPTIONS. THESE STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER IMPORTANT FACTORS THAT COULD CAUSE THE ACTUAL RESULTS OR PERFORMANCE TO DIFFER MATERIALLY FROM THE FORWARD-LOOKING STATEMENTS. THESE RISKS, UNCERTAINTIES AND OTHER FACTORS INCLUDE, AMONG OTHERS, GENERAL ECONOMIC AND BUSINESS CONDITIONS, AN INCREASE IN DELINQUENCIES (INCLUDING INCREASES DUE TO WORSENING OF ECONOMIC CONDITIONS), CHANGES IN POLITICAL, SOCIAL AND ECONOMIC CONDITIONS, REGULATORY INITIATIVES AND COMPLIANCE WITH GOVERNMENTAL REGULATIONS, CUSTOMER PREFERENCE AND VARIOUS OTHER MATTERS, MANY OF WHICH ARE BEYOND THE DEPOSITOR'S CONTROL.

THESE FORWARD-LOOKING STATEMENTS SPEAK ONLY AS OF THE DATE OF THIS OFFERING MEMORANDUM. THE DEPOSITOR EXPRESSLY DISCLAIMS ANY OBLIGATION OR UNDERTAKING TO DISSEMINATE ANY UPDATES OR REVISIONS TO ANY FORWARD-LOOKING STATEMENTS TO REFLECT CHANGES IN THE DEPOSITOR'S EXPECTATIONS WITH REGARD TO THOSE STATEMENTS OR ANY CHANGE IN EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH ANY FORWARD-LOOKING STATEMENT IS BASED.

AVAILABLE INFORMATION

To permit compliance with Rule 144A under the Securities Act in connection with sales of the Notes, the Indenture Trustee will be required to furnish, upon the request of any holder of the Notes, to such holder and a prospective purchaser designated by such holder, the information required to be delivered under Rule 144A(d)(4) under the Securities Act provided such information has been furnished to it by the Depositor.

U.S. CREDIT RISK RETENTION

Pursuant to the credit risk retention requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") and for the period of time described herein under "*U.S. Credit Risk Retention*" in this Offering Memorandum, the Sponsor or one or more majority-owned affiliates of the Sponsor will retain an eligible horizontal residual interest in an amount (that is, with a fair value) equal to not less than 5% of the aggregate fair value of the Notes and equity interest in the Issuer as determined using the fair value measurement framework under generally accepted accounting principles ("GAAP"). See "*Summary Information—U.S. Credit Risk Retention*" *and* "*U.S. Credit Risk Retention*" in this Offering Memorandum.

EU SECURITIZATION REGULATION AND UK SECURITIZATION REGULATION

NONE OF THE ISSUER, THE SPONSOR, THE SELLER, THE DEPOSITOR, THE SERVICER OR THE ASSET MANAGER OR ANY OTHER PARTY TO THE TRANSACTION INTENDS TO RETAIN A MATERIAL NET ECONOMIC INTEREST IN THE SECURITIZATION TRANSACTION CONSTITUTED BY THE ISSUE OF THE NOTES OR TAKE ANY OTHER ACTION, IN A MANNER PRESCRIBED BY THE “EU SECURITIZATION REGULATION” OR THE “UK SECURITIZATION REGULATION” (EACH AS DEFINED HEREIN). IN PARTICULAR, NO SUCH PARTY WILL TAKE ANY ACTION THAT MAY BE REQUIRED BY ANY PROSPECTIVE INVESTOR OR NOTEHOLDER FOR THE PURPOSES OF ITS COMPLIANCE WITH ANY REQUIREMENT OF THE EU SECURITIZATION REGULATION OR THE UK SECURITIZATION REGULATION.

CONSEQUENTLY, THE NOTES MAY NOT BE A SUITABLE INVESTMENT FOR ANY PERSON THAT IS NOW OR MAY IN THE FUTURE BE SUBJECT TO ANY REQUIREMENT OF THE EU SECURITIZATION REGULATION OR THE UK SECURITIZATION REGULATION.

PROSPECTIVE INVESTORS ARE RESPONSIBLE FOR ANALYSING THEIR OWN REGULATORY POSITION AND SHOULD CONSULT WITH THEIR OWN INVESTMENT AND LEGAL ADVISORS REGARDING THE APPLICATION OF THE EU SECURITIZATION REGULATION AND THE UK SECURITIZATION REGULATION. THE ARRANGEMENTS DESCRIBED IN “U.S. CREDIT RISK RETENTION” IN THIS OFFERING MEMORANDUM HAVE NOT BEEN STRUCTURED WITH THE OBJECTIVE OF ENSURING COMPLIANCE WITH THE REQUIREMENTS OF THE EU SECURITIZATION REGULATION OR THE UK SECURITIZATION REGULATION BY ANY PERSON.

FOR ADDITIONAL INFORMATION REGARDING THE EU SECURITIZATION REGULATION AND THE UK SECURITIZATION REGULATION, SEE “*RISK FACTORS—RISKS RELATED TO GENERAL MARKET CONDITIONS—GOVERNMENTAL INTERVENTION, FINANCIAL REGULATORY REFORMS AND PROPOSED REGULATIONS COULD HAVE A SIGNIFICANT IMPACT ON THE SPONSOR, THE SELLER, THE DEPOSITOR, THE ISSUER, THE ORIGINATOR, THE SERVICER, THE ASSET MANAGER OR ON THE VALUE OR MARKETABILITY OF THE NOTES—EU DUE DILIGENCE REQUIREMENTS AND UK DUE DILIGENCE REQUIREMENTS WILL AFFECT CERTAIN POTENTIAL INVESTORS”* IN THIS OFFERING MEMORANDUM.

NOTICE TO INVESTORS

Because of the following restrictions, prospective investors in the Notes are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Notes.

Each prospective purchaser of Notes, by accepting delivery of this Offering Memorandum, will be deemed to have represented and agreed as follows:

(i) It acknowledges that this Offering Memorandum is personal to it and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Notes other than pursuant to Rule 144A or outside the United States to institutions that (a) are “qualified institutional buyers” (with the meaning of Rule 144A under the Securities Act) and (b) are not “U.S. Persons” (within the meaning of Regulation S) acquiring the securities in “offshore transactions” in compliance with Regulation S. Distribution of this Offering Memorandum, or disclosure of any of its contents to any person other than those persons, if any, retained to advise it with respect thereto and other persons meeting the requirements of Rule 144A or Regulation S is unauthorized, and any disclosure of any of its contents, without the prior written consent of the Depositor, except as expressly permitted in this Offering Memorandum with respect to the federal income tax treatment of the Notes, is prohibited.

(ii) The Notes are being offered only (1) in the United States to “qualified institutional buyers” in reliance on Rule 144A, or (2) outside the United States to institutions that (a) are “qualified institutional buyers” (with the meaning of Rule 144A under the Securities Act) and (b) are not “U.S. Persons” acquiring the securities in “offshore transactions” under Regulation S. The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except (i)(a) in the United States to “qualified institutional buyers” in reliance on Rule 144A or (b) outside the United States to institutions that (x) are “qualified institutional buyers” (with the meaning of Rule 144A under the Securities Act) and (y) are not "U.S. Persons" acquiring the securities in "offshore transactions" under Regulation S, (ii) pursuant to the requirements of, or an exemption under, applicable state securities laws and (iii) in accordance with the other restrictions on transfer set forth in the Indenture and described below. The Indenture will provide that no transfer of any Note will be registered by the Indenture Trustee or the Note Registrar unless certain required certifications are provided to the Indenture Trustee and the Note Registrar, at the expense of the transferor and transferee, with respect to their compliance with the foregoing restrictions. Investors transferring interests in the Notes will be deemed to have made such certifications. The Indenture provides that transfers to any investor that do not meet the foregoing requirements will be void *ab initio*.

(iii) Pursuant to the Indenture, no sale, pledge or other transfer of any Note or any beneficial interest therein may be made by any person unless such sale, pledge or other transfer complies with the requirements of the Indenture. Any holder of a Note desiring to effect a transfer of such Note or any beneficial interest therein will, by acceptance thereof, be deemed to have agreed to indemnify the Sponsor, the Seller, the Originator, the Depositor, the Issuer, the Asset Manager, the Indenture Trustee, the Paying Agent, the Note Registrar, the Servicer, the Owner Trustee, the Securities Intermediary and the Initial Purchasers against any liability that may result if the transfer is not exempt from the registration requirements of the Securities Act or is not made in accordance with such applicable federal and state laws and the Indenture. None of the Sponsor, the Seller, the Originator, the Servicer, the Custodian, the Depositor, the Issuer, the Asset Manager, the Indenture Trustee, the Paying Agent, the Securities Intermediary, the Note Registrar, the Certificate Registrar, the Initial Purchasers, the Owner Trustee or any of their affiliates will be required to register the Notes under the Securities Act, qualify the Notes under the securities laws of any state, or provide registration rights to any purchaser.

(iv) Pursuant to the Indenture, the transferee or owner of an interest in a Note will be deemed to have made certain representations regarding ERISA and Similar Law. See "*Certain Considerations for ERISA and Other Employee Benefit Plans*" in this Offering Memorandum. In addition, pursuant to the Indenture, each transferee or owner of a beneficial interest in the Notes will be required to provide the appropriate Internal Revenue Service ("IRS") Form W-9 or IRS Form W-8 (or any successor form), as required by the Indenture.

NOTICE TO INVESTORS IN THE EUROPEAN ECONOMIC AREA

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any EEA Retail Investor in the European Economic Area (the "EEA"). For these purposes, an "EEA Retail Investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II");

(ii) a customer within the meaning of Directive (EU) 2016/97 (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in the Regulation (EU) 2017/1129 (as amended, the "Prospectus Regulation").

Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "EU PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to EEA Retail Investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any EEA Retail Investor in the EEA may be unlawful under the EU PRIIPs Regulation.

Furthermore, this Offering Memorandum is not a prospectus for the purposes of the Prospectus Regulation.

NOTICE TO INVESTORS IN THE UNITED KINGDOM

PROHIBITION ON SALES TO UK RETAIL INVESTORS

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any UK Retail Investor in the United Kingdom (the "UK"). For these purposes, a "UK Retail Investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (8) of Article 2 of Regulation (EU) 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended (the "EUWA"); or

(ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the "FSMA") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97 (as amended), where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA; or

(iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 (as amended) as it forms part of UK domestic law by virtue of the EUWA (the "UK Prospectus Regulation").

Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (as amended, the "UK PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Furthermore, this Offering Memorandum is not a prospectus for the purposes of the UK Prospectus Regulation.

UK FINANCIAL PROMOTION REGIME

The Issuer may constitute a "collective investment scheme" as defined by Section 235 of the FSMA that is not a "recognized collective investment scheme" for the purposes of the FSMA and that has not been authorized, regulated or otherwise recognized or approved. As an unregulated scheme, the offered certificates cannot be marketed in the UK to the general public, except in accordance with the FSMA.

The distribution of this Offering Memorandum (a) if made by a person who is not an authorized person under the FSMA, is being made only to, or directed only at, persons who (i) are outside the UK, or (ii) have professional experience in matters relating to investments and qualify as investment professionals in accordance with Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Financial Promotion Order"), or (iii) are persons falling within Article 49(2)(a) through (d) (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order (all such persons together being referred to as "FPO Persons"); and (b) if made by a person who is an authorized person under the FSMA, is being made only to, or directed only at, persons who (i) are outside the UK, or (ii) have professional experience in matters relating to investments and qualify as investment professionals in accordance with Article 14(5) of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 (the "Promotion of Collective Investment Schemes Exemptions Order"), or (iii) are persons falling within Article 22(2)(a) through (d) ("high net worth companies, unincorporated associations, etc.") of the Promotion of Collective Investment Schemes Exemptions Order, or (iv) are persons to whom the Issuer may lawfully be promoted in accordance with Chapter 4.12B of the U.K. Financial Conduct Authority's Conduct of Business Sourcebook (all such persons together being referred to as "PCIS Persons" and, together with the FPO Persons, the "Relevant Persons").

This Offering Memorandum must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which this Offering Memorandum relates, including the Notes, is available only to Relevant Persons and will be engaged in only with Relevant Persons. Any persons other than Relevant Persons should not act or rely on this Offering Memorandum.

Potential investors in the UK are advised that all, or most, of the protections afforded by the UK regulatory system will not apply to an investment in the Notes and that compensation will not be available under the UK financial services compensation scheme.

LHOME MORTGAGE TRUST 2024-RTL3,
MORTGAGE-BACKED NOTES, SERIES 2024-RTL3

SECURITIES TABLE

Class	**Initial Note Amount**[(1)]	**Coupon Type**	**Note Rate**	**Expected WAL (years)**[(4)]	**Expected Principal Window (months)**[(4)]	**Expected Initial Credit Enhancement**[(5)]	**Expected Optional Redemption Date**[(4)]	**Stated Final Maturity**	**144A CUSIP**	**Reg S CUSIP**
Class A1 Notes	$294,736,000	Fixed Rate	[●]%[(2)(3)]	[●]	[●] – [●]	20.00%	December 2026	May 2029	50205G AA0	U5286W AA8
Class A2 Notes	$36,842,000	Fixed Rate	[●]%[(2)(3)]	[●]	[●] – [●]	10.00%	December 2026	May 2029	50205G AB8	U5286W AB6
Class M Notes	$18,422,000	Fixed Rate	[●]%[(2)(3)]	[●]	[●] – [●]	5.00%	December 2026	May 2029	50205G AC6	U5286W AC4
Issuer Residual Interest Certificate[(6)]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	**$350,000,000**									

(1) Approximate balances as of the Closing Date. The Initial Note Amount with respect to each Class of Notes shown above is subject to a 5% variance.

(2) The Note Rate for the Notes and each Accrual Period will be equal to the fixed rate per annum set forth above (subject to increase as described herein).

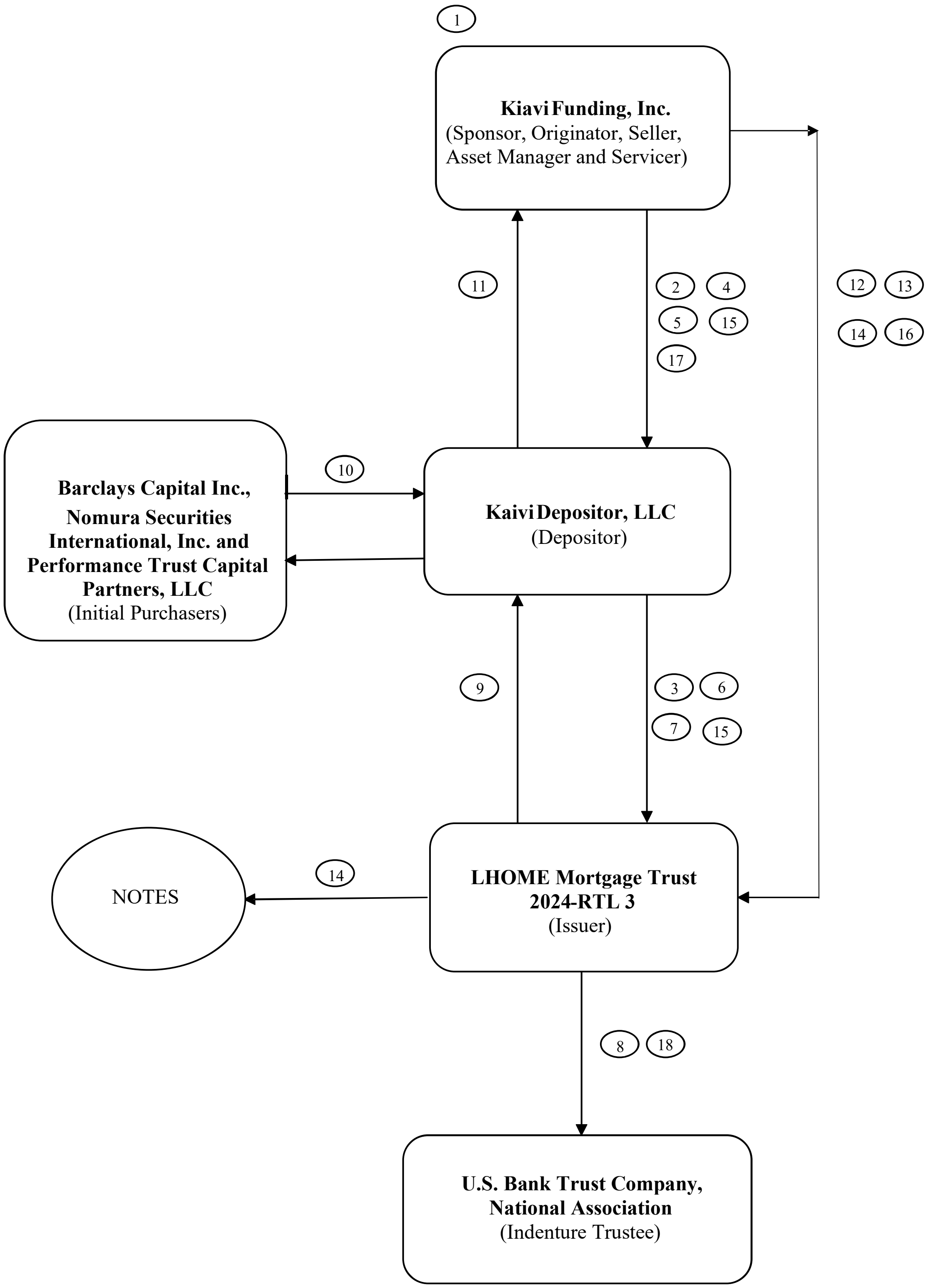
(3) For each Accrual Period following a Step-Up Event, the Note Rate for each Class of Notes will be the respective Note Rate as of the Closing Date *plus* 1.500%.

(4) Represented in years or months, as applicable. The expected Weighted Average Lives ("WAL") and expected Principal Windows are run based on the pricing scenario to the expected Optional Redemption Date, which is the Step-Up Date as described under "*Prepayment and Yield Considerations—Structuring Assumptions*" in this Offering Memorandum. The actual final Payment Date may differ from the expected Optional Redemption Date.

(5) The expected initial credit enhancement for a Class of Notes reflects the quotient of (i) the excess of (a) the aggregate Unpaid Principal Balance of the Initial Mortgage Loans as of the Initial Cut-off Date, *plus* any amounts held in the Accumulation Account as of the Closing Date over (b) the aggregate Initial Note Amount of such Class of Notes and any more senior class or classes of Notes divided by (ii) the aggregate Unpaid Principal Balance of the Initial Mortgage Loans as of the Initial Cut-off Date, *plus* any amounts held in the Accumulation Account as of the Closing Date.

(6) The Issuer Residual Interest Certificate is not offered hereby.

The transaction structure is illustrated below:



1. Seller or an affiliate, as Originator, directly or indirectly, originates the Mortgage Loans.

2. The Seller forms the Depositor.

3. The Depositor forms the Issuer.

4. On the Closing Date, Seller sells and contributes or causes to be contributed from the net proceeds of the sale of the Notes to the Depositor the Initial Mortgage Loans and cash for deposit into the Accumulation Account in an initial amount of approximately $220,671,895, to be used to fund Unfunded Commitments and to purchase Additional Mortgage Loans.

5. During the Reinvestment Period, (i) the Seller, as a seller, sells, any Additional Mortgage Loans to the Depositor, or (ii) the Depositor acquires any Additional Mortgage Loans from a trust or other issuing entity formed by the Depositor, in each case on the applicable Additional Transfer Date.

6. On the Closing Date, the Depositor transfers or causes to be transferred to the Issuer the Initial Mortgage Loans and cash for deposit into the (i) Accumulation Account, to be used to purchase Additional Mortgage Loans and to fund Unfunded Commitments, (ii) Rehab Escrow Account, to be used to fund Rehabilitation Disbursement Requests for Mortgage Loans with Funded Commitments, and (iii) Pre-funding Interest Account, to be used for distribution pursuant to the priorities described under "*Description of the Notes—Priority of Payments*" in this Offering Memorandum.

7. During the Reinvestment Period, the Depositor transfers any Additional Mortgage Loans to the Issuer on the applicable Additional Transfer Date.

8. The Issuer pledges the Mortgage Loans and other assets in the Trust Estate to the Indenture Trustee to secure the Issuer's payment obligations in respect of the Notes.

9. On the Closing Date, the Issuer transfers the Notes and the Issuer Residual Interest Certificate to the Depositor and the Depositor is expected to either initially retain the Issuer Residual Interest Certificate or transfer the Issuer Residual Interest Certificate to the Sponsor or to a majority-owned affiliate of the Sponsor. The Issuer will fund Unfunded Commitments from the Accumulation Account.

10. On the Closing Date, the Depositor sells the Notes to the Initial Purchasers in return for cash, pursuant to a note purchase agreement, and deposits a portion of the net proceeds of the sale of the Notes into the Accumulation Account, to be used to fund Unfunded Commitments and to purchase Additional Mortgage Loans, and into the Pre-funding Interest Account.

11. The Depositor distributes to Seller or its designee, the remainder of the net proceeds of the sale of the Notes on the Closing Date.

12. The Servicer services the Mortgage Loans, deposits all Collections (net of the fees payable to the Servicer and amounts representing reimbursement of Servicing Advances, servicing expenses) received with respect to the Mortgage Loans into the Payment Account in accordance with the Servicing Agreement and the Paying Agent will, at the direction of the Asset Manager, then remit all Collections representing principal from the Payment Account into the Accumulation Account, each established by the Paying Agent on behalf of Indenture Trustee, for the benefit of the Noteholders as described under "*The Indenture—Accounts*" in this Offering Memorandum.

13. The Servicer funds Servicing Advances as described under "*The Servicing Agreement—Servicing Advances*" in this Offering Memorandum.

14. On each Payment Date, the Paying Agent on behalf of the Issuer, uses the remittances on the Mortgage Loans from the Servicer and amounts on deposit in the Accumulation Account and, solely on the first Payment Date, the Pre-funding Interest Account, to make payments on the Notes pursuant to the priorities described under "*Description of the Notes—Priority of Payments*" in this Offering Memorandum.

15. Seller makes certain representations and warranties about the Mortgage Loans to the Depositor as described under "*Mortgage Loan Representations and Warranties*" in this Offering Memorandum pursuant to a First Step

Mortgage Loan Purchase Agreement, which the Depositor subsequently assigns to the Issuer pursuant to the Second Step Mortgage Loan Purchase Agreement.

16. The Securitization Diligence Provider (i) conducted a data integrity review with respect to all of the Initial Mortgage Loans and (ii) conducted a review of a sample of Initial Mortgage Loans as described under *"Review Procedures"* in this Offering Memorandum. During the Reinvestment Period, an Eligible Diligence Vendor will be engaged by the Sponsor to (i) conduct a data integrity review with respect to each Additional Mortgage Loan to verify that each Additional Mortgage Loan satisfies the Eligibility Criteria, and (ii) conduct a review similar to the pre-offering review conducted with respect to the Initial Mortgage Loans on a random sample size of (x) no less than 30.0% (by loan count) of the Additional Mortgage Loans acquired by the Issuer in any Collection Period, until the Issuer has acquired Additional Mortgage Loans with an aggregate Unpaid Principal Balance equal to or greater than the Prefunding Amount and (y) thereafter, no less than 20% (by loan count) of the Additional Mortgage Loans purchased by the Issuer during the related Collection Period and, in each case of clauses (ii)(x) and (y), each such review will be required to be completed no later than the Payment Date immediately following the Collection Period in which such Additional Mortgage was acquired. See *"Review Procedures"* in this Offering Memorandum for more information.

17. The Asset Manager will (i) undertake certain additional management and oversight activities with respect to the Mortgage Loans, (ii) monitor compliance with the Rehabilitation Disbursement Request disbursement criteria, and (iii) direct the Servicer to take certain servicing actions as described under *"Asset Management Agreement"* in this Offering Memorandum.

18. The Indenture Trustee will enforce certain remedies on behalf of the Issuer (in accordance with the Indenture) in the event of certain Events of Default.

For simplicity and clarity, this diagram omits certain parties and steps.

SUMMARY INFORMATION

This summary highlights selected information from this Offering Memorandum, but does not contain all of the information that you should consider in making your investment decision. Please read this entire Offering Memorandum carefully for additional information about the Notes.

Capitalized terms used in this Offering Memorandum, if not defined when first used, will have the meanings ascribed thereto in "Appendix A—Glossary of Defined Terms."

THE NOTES

LHOME Mortgage Trust 2024-RTL3, the Series 2024-RTL3 Class A1 Notes (the "Class A1 Notes"), Class A2 Notes (the "Class A2 Notes" and together with the Class A1 Notes, the "Class A Notes") and Class M Notes (the "Class M Notes" and together with the Class A Notes, the "Notes"). The Issuer Residual Interest Certificate is not offered hereby. Information about the Issuer Residual Interest Certificate is included in this Offering Memorandum to assist you in understanding the Notes.

RELEVANT PARTIES

Sponsor

Kiavi Funding, Inc. (in such capacity, the "Sponsor"), a Delaware corporation, is the Sponsor of the LHOME Mortgage Trust 2024-RTL3 securitization transaction.

Seller

Kiavi Funding, Inc. (in such capacity, the "Seller"), a Delaware corporation, is the Seller.

Pursuant to the First Step Mortgage Loan Purchase Agreement, on the Closing Date, the Seller will (i) contribute to the Depositor cash for deposit into the Rehab Escrow Account to be used to fund approved Rehabilitation Disbursement Requests on Mortgaged Properties securing Mortgage Loans which are fully funded with a portion of the loan proceeds allocated to the Borrowers' escrow accounts ("Funded Commitments") and (ii) sell and contribute, or cause to be contributed, the Initial Mortgage Loans on a servicing-retained basis to the Depositor. Seller will make certain representations and warranties regarding the Mortgage Loans sold by it to the Depositor. During the Reinvestment Period, the Seller may sell and contribute Additional Mortgage Loans to the Depositor or the Depositor may acquire from a trust or other issuing entity formed by the Depositor for conveyance to the Issuer.

Originator

Kiavi Funding, Inc., a Delaware corporation, or any of its affiliates utilizing the same standards for loan origination set forth in the Underwriting Guidelines, are the originators (collectively, in such capacities, the "Originator") of the Mortgage Loans.

Depositor

Kiavi Depositor, LLC (the "Depositor"), a Delaware limited liability company, is the Depositor.

Issuer

LHOME Mortgage Trust 2024-RTL3 (the "Issuer"), a Delaware statutory trust, is the Issuer. The ownership interest in the Issuer will be evidenced by the Issuer Residual Interest Certificate. On the Closing Date, the Depositor or another majority-owned affiliate of the Sponsor will acquire the Issuer Residual Interest Certificate. The Issuer Residual Interest Certificate is not offered hereby.

Servicer

Kiavi Funding, Inc. (in such capacity, the "Servicer"), a Delaware corporation, is the Servicer.

Asset Manager

Kiavi Funding, Inc. (in such capacity, the "Asset Manager"), a Delaware corporation, is the Asset Manager.

Securitization Diligence Provider

Selene Diligence LLC (the "Securitization Diligence Provider"), a Delaware limited liability company, has been engaged by the Sponsor to conduct certain reviews of the Initial Mortgage Loans, as described in "*Description of the Mortgage Loans—Review Procedures*" in this Offering Memorandum.

"Eligible Diligence Vendor" means any of (i) the Securitization Diligence Provider, SitusAMC Group

LLC, Clayton Services LLC, Opus Capital Markets Consultants, LLC, American Mortgage Consultants, Inc. or one of their affiliates or (ii) if none of the diligence providers named in clause (i) can be retained by the Asset Manager on commercially reasonable terms, another diligence provider selected by the Asset Manager in its reasonable discretion.

Review of Additional Mortgage Loans

From time to time during the Reinvestment Period, the Issuer may acquire Additional Mortgage Loans that meet Eligibility Criteria and Concentration Limits. The Asset Manager will be required to determine that each Additional Mortgage Loan is an Eligible Mortgage Loan and complies with the Concentration Limits. In addition, all such Additional Mortgage Loans will be subject to an Eligibility and Data Integrity Review and certain of such Additional Mortgage Loans will be subject to a Sample Diligence Review, as described in "*Description of the Mortgage Loans—Sample Diligence Review*" in this Offering Memorandum, which reviews will be completed no later than the Payment Date immediately following the Collection Period in which such Additional Mortgage Loan was acquired. The Asset Manager will be responsible for conducting the Eligibility and Data Integrity Review, but may delegate such duty to an Eligible Diligence Vendor. Any Sample Diligence Review will be conducted by an Eligible Diligence Vendor.

Sample Diligence Review

In connection with the acquisition of Additional Mortgage Loans by the Issuer during the Reinvestment Period, the Sponsor will engage an Eligible Diligence Vendor to conduct a data integrity review to verify that each of the Additional Mortgage Loans satisfies the Eligibility Criteria (an "Eligibility and Data Integrity Review"), and conduct a review (the "Random Sample Review") similar to the Pre-Offering Review on a sample of Additional Mortgage Loans randomly selected by the Seller consisting of (i) a sample size of no less than 30.0%, until the Issuer has acquired Additional Mortgage Loans with an aggregate Unpaid Principal Balance equal to or greater than the Prefunding Amount and (ii) thereafter, a sample size of no less than 20%, in each case, by loan count of the Additional Mortgage Loans acquired by the Issuer in any Collection Period (each such loan and any Additional Mortgage Loan subject to a Sample Diligence Review, a "Review Mortgage Loan"). With respect to any Additional Mortgage Loan, the related Eligibility and Data Integrity Review and the related Random Sample Review will each be required to be completed no later than the Payment Date immediately following the Collection Period in which such Additional Mortgage Loan was acquired. If (i) an Eligibility and Data Integrity Review finds that an Additional Mortgage Loan does not satisfy the Eligibility Criteria or (ii) a Random Sample Review of the Additional Mortgage Loans related to any Collection Period results in "C" equivalent or lower grades, in each case, the Seller will have ten (10) business days from the date the Seller receives such results to cure any deficiencies noted in the Eligibility and Data Integrity Review and/or the Random Sample Review, failing which, such Additional Mortgage Loan will be subject to automatic repurchase by the Seller from the Issuer at the Repurchase Price. Further, if such Random Sample Review of the Additional Mortgage Loans related to any Collection Period results in "C" equivalent or lower grades for 5.0% or more (by loan count) of such Review Mortgage Loans, a second, statistically significant random sample of the Additional Mortgage Loans acquired by the Issuer during the related Collection Period (excluding Additional Mortgage Loans that were subject to the Random Sample Review) will be subject to a review by an Eligible Diligence Vendor similar to the Pre-Offering Review ("Second Sample Review"). If such Second Sample Review also results in "C" equivalent or lower grades for 5.0% or more (by loan count) of such reviewed loans, all of the Additional Mortgage Loans related to such Collection Period, to the extent not previously reviewed as part of the Random Sample Review and Second Sample Review, will be subject to a review by an Eligible Diligence Vendor similar to the Pre-Offering Review ("100% Review"; and collectively with Random Sample Review and Second Sample Review, the "Sample Diligence Reviews"). See "*Risk Factors—Risks Related to Mortgage Loans—Sample Diligence Review of the Mortgage Loans May Not Reveal All Aspects of the Mortgage Loans Which Could Lead to Losses*" in this Offering Memorandum and "*Description of the Mortgage Loans—Sample Diligence Review*" in this Offering Memorandum. If the findings of any Second Sample Review or 100% Review (the "Sample Diligence Review Findings") are that a Mortgage Loan which has been acquired by the Issuer had grade level of "C" equivalent or lower deficiencies, the Seller will have sixty (60) days to cure any deficiencies noted in the Sample Diligence Review Findings, failing which, the related Mortgage Loan will be subject to automatic repurchase by the Seller from the Issuer at the Repurchase Price.

An Eligible Diligence Vendor will be required to conduct a review substantially similar to the pre-offering review with respect to any Mortgage Loan (including both Initial Mortgage Loans and Additional Mortgage Loans) that was not previously reviewed by such Eligible Diligence Vendor but (w) becomes ninety (90) or more days delinquent, (x) is subject to a foreclosure proceeding, (y) converts to an REO Property, or (z) where the related Borrower is in bankruptcy (a "Subsequent Review"). If the findings of such review (the "Subsequent Review Findings" and together with the Sample Diligence Review Findings, the "Review Findings") are that the related Mortgage Loan had grade level of "C" equivalent or lower deficiencies, the Sponsor will have sixty (60) days to cure any deficiencies noted in the Subsequent Review Findings, failing which, the related Mortgage Loan will be subject to automatic repurchase from the Issuer at the Repurchase Price.

Indenture Trustee

U.S. Bank Trust Company, National Association, a national banking association ("U.S. Bank Trust Co."), not in its individual capacity but solely in its capacity as the indenture trustee, is the indenture trustee (in such capacity, the "Indenture Trustee"). U.S. Bank Trust Co. will also be appointed as paying agent (in such capacity, the "Paying Agent") and note registrar (the "Note Registrar") under the Indenture, and certificate registrar (the "Certificate Registrar") under the Trust Agreement. References herein to the Indenture Trustee will be deemed to refer to U.S. Bank Trust Co. in all of its capacities for purposes of any rights, indemnifications, immunities or other protections afforded to the Indenture Trustee, the Paying Agent, the Securities Intermediary, the Note Registrar or the Certificate Registrar.

Owner Trustee

Wilmington Savings Fund Society, FSB, is the owner trustee (the "Owner Trustee").

Custodian

U.S. Bank National Association ("USBNA") is the custodian (in such capacity, the "Custodian").

CUT-OFF DATE

The "Cut-off Date" will be the Initial Cut-off Date with respect to the Initial Mortgage Loans, and the related Additional Cut-off Date with respect to the Additional Mortgage Loans.

The "Initial Cut-off Date" for the Mortgage Loans transferred to the Issuer on the Closing Date will be the close of business on May 31, 2024. All payments received in respect of Mortgage Loans after the Cut-off Date will be assets of the Issuer. The collateral statistics presented in this Offering Memorandum are based on the Unpaid Principal Balances of the Mortgage Loans as of the Initial Cut-off Date (unless stated otherwise).

The "Additional Cut-off Date" will be the applicable cut-off date designated with respect to the related Additional Mortgage Loans.

CLOSING DATE

On or about June 20, 2024.

PAYMENT DATES

The 25th day of each month, or the immediately following business day if the 25th day is not a Business Day, commencing in July 2024 (each, a "Payment Date").

COLLECTION PERIOD

The "Collection Period" means with respect to any Payment Date and the Mortgage Loans, the immediately preceding calendar month; *provided*, *however*, that for the first Payment Date with respect to the Initial Mortgage Loans or any Additional Mortgage Loans, it will mean the period following the related Cut-off Date through the last day of the immediately preceding calendar month.

REINVESTMENT PERIOD

The "Reinvestment Period" is the period beginning on the Closing Date and ending on the earlier to occur of (i) the day following the Payment Date occurring in June 2026; and (ii) the occurrence of an Early Amortization Event. There will only be one Reinvestment Period, and such period cannot be recommenced or continued after it has been terminated.

An "Early Amortization Event" will be in effect if (i) an Event of Default occurs, (ii) for a period of at least three (3) consecutive months, the 60+ Day Delinquency Rate exceeds 10.0%, or (iii) for a period of at least three (3) consecutive months, the Default Rate exceeds 5.0%.

A "Step-Up Event" will occur if the Notes are not redeemed in full on or prior to the Payment occurring in December 2026 (the "Step-Up Date"). Following a Step-Up Event, the fixed *per annum* rate used in the calculation of the note rate for each of the Class A1 Notes, the Class A2 Notes and the Class M Notes will be the respective Note Rate for such Class as of the Closing Date *plus* 1.500%.

Class A2 Note Expected Redemption Date

The Payment Date occurring in January 2028 is the "Class A2 Note Expected Redemption Date". The Issuer is expected (but is not required) to redeem the Class A2 Notes and the Class M Notes in full on or before the Class A2 Note Expected Redemption Date. Except in the case that the Issuer or the Depositor exercises its Optional Redemption right to purchase all of the outstanding Notes, in the case of the Issuer, or all of the Mortgage Loans, in the case of the Depositor, prior to the Class A2 Note Expected Redemption Date, the Class A2 Notes will not be entitled to any payments of principal prior to the Class A2 Note Expected Redemption Date or while the Class A1 Notes remain outstanding.

Class M Note Expected Redemption Date

The Payment Date occurring in May 2028 is the "Class M Note Expected Redemption Date". The Issuer is expected (but is not required) to redeem the Class M Notes in full on or before the Class M Note Expected Redemption Date. Except in the case that the Issuer or the Depositor exercises its Optional Redemption right to purchase all of the outstanding Notes, in the case of the Issuer, or all of the Mortgage Loans, in the case of the Depositor, prior to the Class M Note Expected Redemption Date, the Class M Notes will not be entitled to any payments of principal prior to the Class M Note Expected Redemption Date or while the Class A Notes remain outstanding.

RECORD DATE

The "Record Date" will be (A) for any Notes that are in global form, the close of business on the Business Day immediately preceding such Payment Date and (B) for any Notes that are in definitive certificated form, the close of business of the last Business Day in the calendar month immediately preceding the calendar month in which such Payment Date occurs.

THE TRANSACTION

On the Closing Date, the Seller will pursuant to a first step mortgage loan purchase agreement (the "First Step Mortgage Loan Purchase Agreement") (i) contribute or cause to be contributed from the net proceeds of the sale of the Notes approximately $220,671,895 in cash for deposit into the Accumulation Account to be used to fund Unfunded Commitments and to purchase Additional Mortgage Loans, (ii) sell and contribute the Initial Mortgage Loans with an aggregate Unpaid Principal Balance of approximately $147,749,158 and an aggregate Principal Limit of approximately $182,962,678 as of the Initial Cut-off Date on a servicing-retained basis to the Depositor and (iii) contribute or deposit the Funded Commitments of the Undisbursed Rehabilitation Holdback Amounts on the Closing Date, which was approximately $307,700 as of the Initial Cut-off Date but will be adjusted for the aggregate amount of Rehabilitation Disbursement Requests funded by the Servicer to the related Borrower and prepayments by the Borrower between the Initial Cut-off Date and the Closing Date in cash to the Rehab Escrow Account, as directed by the Issuer or Depositor, to be used to fully fund Rehabilitation Disbursement Requests in connection with the related Initial Mortgage Loans that have Funded Commitments. The Depositor will then sell and contribute or cause to be contributed from the net proceeds of the sale of the Notes such Initial Mortgage Loans and cash to the Issuer pursuant to a second step mortgage loan purchase agreement (the "Second Step Mortgage Loan Purchase Agreement" and, together with the First Step Mortgage Loan Purchase Agreement, the "Mortgage Loan Purchase Agreements"). The Depositor will deposit a portion of the net proceeds of the sale of the Notes into the Pre-funding Interest Account in an initial amount of approximately $3,500,000 to be used for distribution pursuant to the Priority of Payments for the Payment Dates occurring in July 2024, August 2024 and September 2024 as described in "*Description of the Mortgage Loans—Assignment of Mortgage Loans*" and "*The Indenture—Accounts*" in this Offering Memorandum.

From time to time during the Reinvestment Period, the Issuer funds the Unfunded Commitments and the Seller may (a) sell Additional Mortgage Loans that are Eligible Mortgage Loans to the Depositor pursuant to the First Step Mortgage Loan Purchase Agreement and (b) contribute or deposit cash into the Rehab Escrow Account, as directed by the Issuer or Depositor, to be used to fully fund Rehabilitation Disbursement Requests for the related Additional Mortgage Loans that have Funded Commitments. The Depositor will sell such Additional Mortgage Loans to the Issuer pursuant to the Second Step Mortgage Loan Purchase Agreement.

Pursuant to an Indenture (the "Indenture"), dated as of the Closing Date, among the Issuer, the Indenture Trustee, the Paying Agent and the Note Registrar, the Issuer will pledge the Mortgage Loans and its ownership interest in the other assets in the Trust

Estate to the Indenture Trustee for the benefit of the Noteholders and issue the Notes. The Indenture Trustee will hold the Trust Estate for the benefit of the Noteholders, and the Paying Agent will be required to calculate payments and provide other information regarding the Notes to the Noteholders.

The Servicer will service the Mortgage Loans in accordance with a servicing agreement (the "Servicing Agreement"), dated as of the Closing Date, among the Servicer, the Issuer and the Indenture Trustee, advise the Issuer along with the Asset Manager regarding purchases of Additional Mortgage Loans during the Reinvestment Period or sales of Mortgage Loans, and handle Rehabilitation Disbursement Requests, as more fully described herein. The Indenture Trustee will be responsible for enforcing certain remedies on behalf of the Issuer (in accordance with the relevant Transaction Documents) following a Servicer Default. See "*The Servicing Agreement*" in this Offering Memorandum.

The Asset Manager will, in accordance with an asset management agreement (the "Asset Management Agreement"), provide certain management services in connection with the servicing and sale of the Mortgage Loans and the Rehabilitation Disbursement Request process, and will advise the Issuer regarding the purchase of Additional Mortgage Loans.

From time to time, the Servicer, on behalf of the Issuer, may fund Rehabilitation Disbursement Requests by directing the release of funds from the Rehab Escrow Account, following the satisfactory evaluation of Rehabilitation Disbursement Requests by the Asset Manager or the Servicer (on behalf of the Asset Manager).

The Custodian will be required to hold the mortgage files and will have other administrative duties under the Custodial Agreement.

FUNDING OF UNFUNDED COMMITMENTS; PURCHASES OF ADDITIONAL MORTGAGE LOANS DURING THE REINVESTMENT PERIOD; SALES OF MORTGAGE LOANS

The portion of the Principal Limit of a Mortgage Loan not funded at origination is called the "Unfunded Commitment." As of the Initial Cut-off Date, the Mortgage Loans have aggregate Unfunded Commitments of approximately $35,213,520. Rehabilitation Disbursement Requests related to the Mortgage Loans with Unfunded Commitments may be funded at the mortgagee's discretion and in several ways, including (i) by the Servicer advancing funds on behalf of the Issuer, or (ii) by directing the release of amounts on deposit in the Accumulation Account.

From time to time, the Asset Manager may direct the Paying Agent to withdraw amounts on deposit in the Accumulation Account (i) for the purchase by the Issuer of Additional Mortgage Loans during the Reinvestment Period, pursuant to the Mortgage Loan Purchase Agreements; (ii) for disbursement by the Servicer of approved Rehabilitation Disbursement Requests on Mortgaged Properties securing Mortgage Loans with Unfunded Commitments; (iii) to reimburse the Servicer for unreimbursed Rehabilitation Advances; or (iv) to the extent not already paid from the Payment Account, in the following order of priority *first,* to reimburse the Servicer for unreimbursed Servicing Advances; *second,* to pay the Servicer the Servicing Fee; *third,* to pay the Asset Management Fee; and *fourth,* to pay for all customary, reasonable and/or necessary out-of-pocket costs and expenses incurred in the performance of the Asset Manager's obligations under the Asset Management Agreement.

Any Additional Mortgage Loans purchased by the Issuer during the Reinvestment Period will be Eligible Mortgage Loans and will have the characteristics set forth under "*Description of the Mortgage Loans—Additional Mortgage Loans*" in this Offering Memorandum. Additionally, any Additional Mortgage Loan will be required, as of the date of its acquisition by the Issuer, to comply with the representations and warranties set forth in *"Mortgage Loan Representations and Warranties"* in this Offering Memorandum. The purchase price to be paid by the Issuer for any Additional Mortgage Loans will be no higher than the Unpaid Principal Balance of such Additional Mortgage Loans. The purchase price paid by the Issuer for any Additional Mortgage Loan may be funded in part by a capital contribution from the holder of the Issuer Residual Interest Certificate. The amount paid from the Accumulation Account on each Additional Transfer Date will not include accrued interest on the related Additional Mortgage Loans accrued prior to the related Additional Cut-off Date. The Note Amount of the Notes will not be increased as a result of the funding of any Unfunded Commitments or purchase of Additional Mortgage Loans by the Issuer. During the Reinvestment Period, the Issuer will not be permitted to purchase any Additional Mortgage Loans unless (i) such Additional Mortgage Loans are Eligible Mortgage Loans, (ii) after giving effect to the purchase of any Additional Mortgage Loans, no Early Amortization Event has occurred and is continuing and (iii) such acquisition of Additional Mortgage Loans is in compliance with the Trading Restrictions.

Under the Indenture, the Issuer may sell a Mortgage Loan in the following circumstances: (i) in the event the Seller is required to repurchase such Mortgage Loan for the Repurchase Price as a result of (a) a Material Breach or a Material Document Defect, (b) if, in connection with a Wet-Ink Mortgage Loan, the Custodian has not issued an exception report showing no failure to deliver the related Mortgage Note within fifteen (15) days of the related Origination Date of such Mortgage Loan or (c) in the event of a deficient finding during the Sample Diligence Review, Subsequent Review or Eligibility and Data Integrity Review, in each such case, the Issuer will sell such Mortgage Loan to the Seller; (ii) in the event that the Depositor notifies the Issuer, the Indenture Trustee and the Paying Agent in writing that it is exercising its Repurchase Option, pursuant to the Mortgage Loan Purchase Agreements; (iii) in the event an automatic repurchase is triggered in connection with a Sample Diligence Review or a Subsequent Review and (iv) in the event of an Optional Redemption pursuant to the Indenture, the Issuer may sell such Mortgage Loan.

Rehabilitation Disbursement Requests Process

Disbursement requests by Borrowers to fund rehabilitation, construction, or repairs on the related Mortgaged Properties will be satisfied by the Servicer (on behalf of the Issuer) in accordance with the applicable Mortgage Loan terms by either (a) directing the release of funds from the Rehab Escrow Account to the applicable Borrower, in case of Mortgage Loans with Funded Commitments; or (b) in the case of Mortgage Loans with Unfunded Commitments, (i) advancing funds on behalf of the Issuer (each, a "Rehabilitation Advance") or (ii) directing the release of funds from the Accumulation Account, in each case following the satisfactory evaluation of the Rehabilitation Disbursement Request by the Asset Manager or the Servicer (on behalf of the Asset Manager). The Note Amount of the Notes will not change in connection with the funding of any Rehabilitation Disbursement Request; however, the Unpaid Principal Balance of the related Mortgage Loan will be increased by the amount of any Rehabilitation Disbursement Requests funded pursuant to clause (b), above (such Rehabilitation Disbursement Requests, collectively, "Unfunded Commitment Advances").

Disbursement Procedures Regarding Wet-Ink Mortgage Loans

Each Additional Mortgage Loan that will be acquired by the Issuer and for which the Mortgage Loan Documents otherwise required to be included in the mortgage file have not yet been delivered to the Custodian (a "Wet-Ink Mortgage Loan") will be originated by the Originator and, no earlier than three (3) Business Days following the related date of origination (an "Origination Date"), will be sold to the Depositor and then transferred from the Depositor to the Issuer.

Upon acquisition of a Wet-Ink Mortgage Loan, the Issuer will receive a trust receipt from the Custodian with an exception report specifying that the mortgage file is not in the possession of the Custodian. If, within fifteen (15) days of the Origination Date of a Wet-Ink Mortgage Loan, the Custodian has not issued an exception report without exceptions other than Permitted Exceptions, the Seller will be required to purchase such Wet-Ink Mortgage Loan from the Issuer at the applicable Repurchase Price. The acquisition of Wet-Ink Mortgage Loans is subject to all other requirements for the acquisition of Additional Mortgage Loans as well as the availability of sufficient funds in the Accumulation Account to effect such acquisition.

AFFILIATIONS AND RETENTION OF SECURITIES

The Sponsor, Originator, Seller, Asset Manager and Servicer are the same entity, and are affiliates of the Depositor and the Issuer. It is expected that, initially, the Depositor or another majority-owned affiliate of the Sponsor will acquire on the Closing Date and retain until the Sunset Date (as defined below) the Risk Retained Securities (as defined below). One or more of the Initial Purchasers (or an affiliate of one or more of the Initial Purchasers) provide warehouse financing to the Sponsor or an affiliate of the Sponsor. A portion of the proceeds of the sale of the Notes may be used to repay one or more such warehouse financing facilities, and a portion of the purchase price paid by the Issuer for any Additional Mortgage Loans may be used to repay one or more such warehouse financing facilities from time to time. See "*Risk Factors–Risks Related to Potential Conflicts of Interest–Potential Conflicts of Interest Relating to the Initial Purchasers*" and "*–Potential Conflicts of Interest Relating to the Originator, the Sponsor, the Seller, the Depositor, the Servicer and the Asset Manager*" in this Offering Memorandum.

For further information regarding the Risk Retention Rules and the Sponsor's compliance with respect thereto, see "*U.S. Credit Risk Retention*" in this Offering Memorandum.

U.S. Bank Trust Co. acts as the Indenture Trustee, the Paying Agent, the Note Registrar and the Certificate Registrar. USBNA, an affiliate of U.S. Bank Trust Co., acts as the Custodian and the Securities Intermediary.

DESCRIPTION OF NOTES

A summary chart of the Initial Note Amount, coupon type, Note Rate, the expected Optional Redemption Date, Stated Final Maturity and CUSIP number of the Notes is set forth in the Securities Table.

The Notes will have the approximate Initial Note Amount set forth in the Securities Table. Any difference between the Initial Note Amount of the Notes as of the date of issuance and the approximate Initial Note Amount described in this Offering Memorandum will not exceed 5% of the Initial Note Amount set forth in the Securities Table.

Form of Notes; Denominations

The Class A1 Notes, the Class A2 Notes and the Class M Notes will be issued in minimum denominations of $100,000 and in integral multiples of $1,000 in excess thereof. The Class A1 Notes, the Class A2 Notes and the Class M Notes will be issued initially in book-entry form and will be held through the Depository Trust Company ("DTC"), Clearstream Banking ("Clearstream") or the Euroclear System ("Euroclear") (in Europe).

Note Rate

The "Note Rate" for the Notes and each Payment Date will be the *per annum* rate described in the Securities Table.

Following a Step-Up Event, the Note Rate for each the Class A1 Notes, the Class A2 Notes and the Class M Notes will be the respective Note Rate for such Class as of the Closing Date *plus* 1.500%.

Payments—General

As more fully described herein, payments of interest on the Notes and, following the Reinvestment Period (or, if the Class A Minimum Credit Enhancement Test is not satisfied, during the Reinvestment Period), payments of principal on the Notes will be made on each Payment Date with the Available Funds for such Payment Date.

The "Available Funds" for a Payment Date will generally be equal to the sum, without duplication, of: (i) all Collections received during the related Collection Period other than principal Collections (which includes the principal portion of any Net Liquidation Proceeds and Repurchase Price); (ii) amounts deposited from the Accumulation Account into the Payment Account for such Payment Date as described in "*The Indenture Accounts—Accumulation Account*" in this Offering Memorandum; (iii) certain amounts on deposit in the Pre-funding Interest Account as described in "*The Indenture Accounts—Pre-funding Interest Account*" in this Offering Memorandum; (iv) the Available Funds Shortfall Amount withdrawn from the Redemption Account in accordance with "Redemption Account" below; (v) on the Class A2 Note Expected Redemption Date, all amounts on deposit in the Redemption Account solely to pay the Interest Payment Amount due and owing with respect to the Class A2 Notes and the Note Amount of the Class A2 Notes, until the principal balance of the Class A2 Notes has been reduced to zero; and (vi) on the Class M Note Expected Redemption Date, all amounts on deposit in the Redemption Account solely to pay the Interest Payment Amount due and owing with respect to the Class M Notes and the Note Amount of the Class M Notes, until the principal balance of the Class M Notes has been reduced to zero. See "*The Indenture—Accounts*" in this Offering Memorandum.

The Available Funds for a Payment Date may be reduced by one or more of the following, without duplication: (i) delinquencies on the Mortgage Loans; (ii) Realized Losses on the Mortgage Loans; (iii) modifications by the Asset Manager that (a) reduce a Mortgage Loan's Mortgage Interest Rate, (b) reduce or defer a portion of its Unpaid Principal Balance, (c) extend its term or (d) forgive interest or principal owed by the Borrower; (iv) prepayment interest shortfalls; (v) amounts representing reimbursement of advances made by the Servicer; (vi) delays in liquidations of the Mortgage Loans or reduced proceeds from such liquidations; (vii) a reduction in interest received due to the application of the Servicemembers Civil Relief Act or similar legislation (the "Relief Act"); or (viii) certain fees, indemnities, expenses and reimbursements payable to the Servicer or the Asset Manager as described in the Transaction Documents (in each case, solely to the extent withheld or withdrawn by the Servicer or the Asset Manager under the Servicing Agreement or the Asset Management Agreement, as applicable), including amounts withheld from Collections by the Servicer in connection with the reimbursement of Servicing Advances made after the Cut-off Date (and any capitalized Servicing Advance amounts). See "*Risk Factors—Risks Related to the Notes—Interest*

Shortfalls on the Mortgage Loans Resulting from Principal Prepayments and the Relief Act and Similar State Laws May Cause Interest Shortfall on the Notes and Reduce Available Funds;" "*Risk Factors—Risks Related to the Notes—The Credit Enhancement Features may be Inadequate, Resulting in Realized Losses on the Notes*;" "*The Servicing Agreement—Servicing and Other Compensation and Payment of Expenses*" and "*Asset Management Agreement—Asset Management and Other Compensation and Payment of Expenses*" in this Offering Memorandum.

For each Payment Date, the "Available Funds Shortfall Amount" will be the excess, if any, of (i) the sum of all amounts due and payable on such Payment Date under clauses *first* through *sixth* of the Priority of Payments, over (ii) the amount of Available Funds on deposit in the Payment Account on such Payment Date prior to any payments being made from the Payment Account or the Redemption Account on such Payment Date.

Class A Minimum Credit Enhancement Test

For each Payment Date, the Paying Agent will calculate the percentage (the "Class A Credit Enhancement Percentage"), equal to the quotient of (i) the excess of (a) the aggregate Unpaid Principal Balance of the Mortgage Loans as of the immediately preceding Calculation Date plus any amounts held in the Accumulation Account (prior to giving effect to any payments made on such Payment Date) over (b) the Note Amount of the Class A Notes as of the related Calculation Date divided by (ii) the aggregate Unpaid Principal Balance of the Mortgage Loans as of the immediately preceding Calculation Date plus any amounts held in the Accumulation Account (prior to giving effect to any payments made on such Payment Date).

As of the Closing Date, the Class A Credit Enhancement Percentage will be equal to approximately ten percent (10%). On each Payment Date occurring during the Reinvestment Period, the Paying Agent will, as described in clause *seventh* set forth under the "*Description of the Notes—Priority of Payments,*" below remit Available Funds (i) if the Class A Minimum Credit Enhancement Test is satisfied, to the Accumulation Account in an amount equal to the Required Accumulation Account Deposit Amount, or (ii) if the Class A Minimum Credit Enhancement Test is not satisfied, to pay principal up to the Class A Paydown Amount, on the Class A1 Notes, until the Note Amount of the Class A1 Notes has been reduced to zero, and then to the Accumulation Account in an amount equal to the Required Accumulation Account Deposit Amount (calculated after giving effect to any principal payments to the Class A1 Notes on such Payment Date).

The "Calculation Date" is, with respect to any Payment Date, the final day of the related Collection Period.

The "Class A Minimum Credit Enhancement Test" will be satisfied if the Class A Credit Enhancement Percentage, as of such date of determination, is at least equal to 8%. If the Class A Paydown Amount has been paid in full on a Payment Date, then the Class A Minimum Credit Enhancement Test will be deemed to be satisfied until the next succeeding Payment Date.

If the Class A Minimum Credit Enhancement Test is not satisfied, the "Class A Paydown Amount" will be equal to twelve and a half (12.50) multiplied by (i) 8% minus the Class A Credit Enhancement Percentage, multiplied by (ii) the aggregate Unpaid Principal Balance of the Mortgage Loans as of the immediately preceding Calculation Date plus any amounts held in the Accumulation Account (prior to giving effect to any payments made on such Payment Date).

The "Required Accumulation Account Deposit Amount" means, with respect to any Payment Date, an amount equal to the excess, if any, of (i) the aggregate Note Amount of the Class A Notes and Class M Notes (after giving effect to any principal payments made to the Class A Notes on such Payment Date) divided by 95.0%, over (ii) the aggregate Unpaid Principal Balance of the Mortgage Loans as of the related Calculation Date plus any amounts held in the Accumulation Account (after giving effect to any payments made on such Payment Date).

Priority of Payments

As more fully described herein, Available Funds will be distributed in the following order of priority to the extent available (the "Priority of Payments"):

first, *pro rata*, (i) to the Owner Trustee, the Indenture Trustee, the Custodian and the Asset Manager, the Owner Trustee Fee, the Indenture Trustee Fee, the Custodian Fee and the Asset Management Fee, respectively, and (ii) any related fees, expenses and indemnification amounts reimbursable to the Owner Trustee, the Indenture Trustee, the Paying Agent, the Securities Intermediary, the Note Registrar, the Certificate Registrar, the Custodian and the Asset Manager (the "Transaction Party Expenses") up to the Annual Cap, in each case; and, with respect to the Asset Manager, to the extent that the Asset Manager has not already been reimbursed for such amounts from the Payment Account and Accumulation Account;

second, to the Servicer, any unreimbursed Servicing Advances, expenses, costs and liabilities by and reimbursable to the Servicer pursuant to the Servicing Agreement, in each case, to the extent that the Servicer has not already been reimbursed for such amounts from the Payment Account or the Accumulation Account, reimbursed itself or paid itself for such amounts from Collections;

third, to the Servicer, the Servicing Fee, to the extent not otherwise retained pursuant to the Servicing Agreement or reimbursed from the Payment Account or the Accumulation Account;

fourth, to the Class A1 Notes, to pay the Interest Payment Amount thereon;

fifth, to the Class A2 Notes, to pay the Interest Payment Amount thereon;

sixth, to the Class M Notes, to pay the Interest Payment Amount thereon;

seventh, prior to the termination of the Reinvestment Period (i) if the Class A Minimum Credit Enhancement Test is satisfied as of such Payment Date, to the Accumulation Account in an amount equal to the Required Accumulation Account Deposit Amount; or (ii) if the Class A Minimum Credit Enhancement Test is not satisfied, to pay principal up to the Class A Paydown Amount, on the Class A1 Notes, until the Note Amount of the Class A1 Notes has been reduced to zero, and then to the Accumulation Account in an amount equal to the Required Accumulation Account Deposit Amount (calculated after giving effect to any principal payments to the Class A1 Notes on such Payment Date);

eighth, following the termination of the Reinvestment Period, to the Accumulation Account, up to an amount directed by the Asset Manager not to exceed the aggregate Unfunded Commitments as of such Payment Date;

ninth, following the termination of the Reinvestment Period, to pay principal on the Class A1 Notes, until the Note Amount thereof is reduced to zero;

tenth, following the earlier to occur of the Class A2 Note Expected Redemption Date or an Event of Default or upon any Optional Redemption, to pay principal in respect of the Class A2 Notes, until the Note Amount thereof is reduced to zero;

eleventh, following the earlier to occur of the Class M Note Expected Redemption Date or an Event of Default or any Optional Redemption, to pay principal in respect of the Class M Notes, until the Note Amount thereof is reduced to zero;

twelfth, on and following the Payment Date on which the Note Amount of the Class A1 Notes has been reduced to zero and prior to the Class M Note Expected Redemption Date or an Event of Default, to the Redemption Account, until amounts contained therein are equal to the Redemption Account Required Amount;

thirteenth, *pro rata*, to the Indenture Trustee, the Owner Trustee, the Paying Agent, the Note Registrar, the Securities Intermediary, the Certificate Registrar, the Custodian and the Asset Manager, any amounts not reimbursed to such parties as a result of the Annual Cap;

fourteenth, to the Accumulation Account, up to an amount as directed by the Asset Manager in its sole discretion; and

fifteenth, to the holder of the Issuer Residual Interest Certificate, any remaining amounts.

Interest Payments

On each Payment Date, interest will be paid from the Available Funds as described under "*Description of the Notes—Priority of Payments*" in this Offering Memorandum.

The "Accrual Period" with respect to the Notes and Issuer Residual Interest Certificate and each Payment Date (other than the first Payment Date), the period beginning with the previous Payment Date and ending on the day prior to such Payment Date (in each case assuming the Payment Date occurs on the 25th of the month) with interest calculated on the basis of a three hundred sixty (360)-day year consisting of twelve (12) thirty (30)-day months. The Accrual Period for the first Payment Date is the period beginning on the Closing Date and ending on the date prior to such Payment Date (assuming such Payment Date occurs on the 25th of the month).

With respect to each Class of Notes and any Payment Date (other than the first Payment Date), the "Interest Payment Amount" will equal with respect to each Class of Notes (i) the related Cumulative Interest Shortfall Amount for such Class of Notes plus (ii) one-twelfth ($1/12^{th}$) of the product of (A) the applicable Note Rate for such Class of Notes for the related Accrual Period and (B) the applicable Note Amount for such Class of Notes as of the end of the immediately preceding Payment Date.

For the first Payment Date, the "Interest Payment Amount" on the Notes will equal the product of (x) the actual number of days from and including the Closing Date to but excluding the first Payment Date (assuming such Payment Date occurs on the 25th of each month), divided by three hundred sixty (360), (y) the Note Rate for such Class of Notes, and (z) the Initial Note Amount of such Class of Notes.

The "Cumulative Interest Shortfall Amount" is, for each Payment Date and each class of Notes, the portion of the Interest Payment Amount for that Class for all previous Payment Dates that has not been paid, if any, plus accrued and unpaid interest thereon at the applicable Note Rate from the most recent previous Payment Date through but excluding the current Payment Date (in each case assuming the Payment Date occurs on the 25th of each month), based on a three hundred sixty (360)-day year consisting of twelve (12) thirty (30)-day periods.

Principal Payments

On each Payment Date following the end of the Reinvestment Period (or during the Reinvestment Period if the Class A Minimum Credit Enhancement Test is not satisfied), after payments to the transaction parties, including amounts owed to the Servicer and the Asset Manager, and payments of Interest Payment Amounts, principal will be paid to the extent of Available Funds, as described under "*Description of the Notes—Priority of Payments*" in this Offering Memorandum.

An Early Amortization Event will terminate the Reinvestment Period and cause principal to be paid in respect of the Class A Notes, as described under "*Description of the Notes—Priority of Payments*" in this Offering Memorandum.

Limited Recourse

The only source of cash available to make interest and principal payments on the Notes will be the assets of the Issuer. The Issuer will have no source of cash other than Collections and recoveries on the Mortgage Loans and amounts deposited into the Accumulation Account by the Depositor. No other entity will be obligated or expected to make any payments on the Notes.

FEES AND EXPENSES

The Servicer will be entitled to receive, with respect to each Payment Date, the monthly fee payable to the Servicer equal to one-twelfth ($1/12^{th}$) of the Servicing Fee Rate multiplied by the Unpaid Principal Balance of each Mortgage Loan (or any related REO Property) as of the opening of business on the first day of the related Collection Period (the "Servicing Fee") and other ancillary fees as compensation for its servicing activities under the Servicing Agreement and may retain such amount out of Collections pursuant to the Servicing Agreement.

The Owner Trustee will be entitled to receive, the annual fee payable to the Owner Trustee on the Payment Date in June of each year (beginning in June 2025) equal to $12,500 (the "Owner Trustee Fee") as compensation for its activities under the Trust Agreement.

The Indenture Trustee will be entitled to receive, with respect to each Payment Date, the monthly fee payable to the Indenture Trustee equal to the greater of (i) one-twelfth (1/12th) of 0.0392% multiplied by the aggregate Unpaid Principal Balance of the Mortgage Loans as of the first day of the related Collection Period or (ii) $3,000 (the "Indenture Trustee Fee") as compensation for its activities in its capacity as Indenture Trustee under the Indenture. There will be no additional fee paid to the Paying Agent, the Note Registrar or the Certificate Registrar.

The Custodian will be entitled to receive, with respect to each Payment Date, the fees of the Custodian pursuant to the Custodial Agreement, as set forth in Annex C to this Offering Memorandum as compensation for its activities in its capacity as Custodian under the Custodial Agreement.

The Asset Manager will be entitled to receive, with respect to each Payment Date, the monthly fee payable to the Asset Manager equal to one-twelfth ($1/12^{th}$) of 0.50% multiplied by the aggregate Unpaid Principal Balance of the Mortgage Loans as of the first day of the related Collection Period (the "Asset Management Fee") as compensation for its activities in its capacity as Asset Manager under the Asset Management Agreement.

The Servicing Fee, the Asset Management Fee, the Indenture Trustee Fee, the Owner Trustee Fee, the Custodian Fee, any reimbursement of Servicing Advances made after the Cut-off Date, and certain other reimbursable expenses and indemnities of each transaction party (including Transaction Party Expenses), subject to the Annual Cap described below in certain instances, will be (to the extent not previously reimbursed) paid from Available Funds in accordance with the Priority of Payments.

See "*The Servicing Agreement—Servicing and Other Compensation and Payment of Expenses*," "*Asset Management Agreement—Asset Management and Other Compensation and Payment of Expenses*," "*The Indenture—Fees and Expenses; Indemnification*" and "*The Indenture Trustee*," and "*The Custodian*" in this Offering Memorandum for a description of the fees, expenses and indemnification rights of the Servicer, the Indenture Trustee, the Owner Trustee, the Custodian and the Asset Manager.

MORTGAGE LOAN REPRESENTATIONS AND WARRANTIES; REPURCHASES

Seller will make certain representations and warranties concerning the related Mortgage Loans pursuant to the First Step Mortgage Loan Purchase Agreement. The Seller will only be obligated to repurchase a related Mortgage Loan, if a (i) Material Breach, (ii) any Material Document Defect has occurred with respect to such Mortgage Loan, (iii) in the event of a deficient finding during the Sample Diligence Review, Subsequent Review or Eligibility and Data Integrity Review, or (iv) with respect to a Wet-Ink Mortgage Loan, if the Custodian has not issued an exception report without exceptions other than Permitted Exceptions within fifteen (15) days of the related Origination Date; *provided* that, with respect to a Liquidated Loan, make an indemnification payment equal to the Make-Whole Amount, if a Material Breach has occurred with respect to such Mortgage Loan.

If a responsible officer of the Indenture Trustee receives written notice of an allegation of a Material Breach with respect to a Mortgage Loan or a demand (i) for the Seller to repurchase any such Mortgage Loan pursuant to the First Step Mortgage Loan Purchase Agreement or (ii) for the Depositor to cause the Seller to repurchase any such Mortgage Loan, the Indenture Trustee will forward such written notice as soon as practicable and within two (2) Business Days of receipt of such written notice, to the Depositor, the Issuer, the Servicer, the Asset Manager and the Seller. In no event will the Indenture Trustee be required to determine the materiality of any breach or alleged breach) and the Seller will be required to cure any such Material Breach or repurchase the affected Mortgage Loan from the Issuer or with respect to a Liquidated Loan, make an indemnification payment equal to the Make-Whole Amount.

The Depositor will assign its rights to enforce the representations and warranties concerning the Mortgage Loans made by Seller to the Issuer pursuant to the Second Step Mortgage Loan Purchase Agreement. See "*Mortgage Loan Representations and Warranties*" in this Offering Memorandum.

In addition, the Depositor will have the option (the "Repurchase Option"), but not the obligation, to repurchase from the Issuer at the Repurchase Price any Mortgage Loan in the event that (A) amounts on deposit in the Accumulation Account are insufficient to fund any Unfunded Commitments with respect to such Mortgage Loan, (B) such Mortgage Loan is delinquent or defaulted or (C) the maturity date of such Mortgage Loan has been extended more than six (6) months beyond the maturity date of such Mortgage Loan at origination; *provided, however,* (x) that, prior to the termination of the Reinvestment Period, the aggregate Unpaid Principal Balance of Mortgage Loans voluntarily repurchased by the Depositor pursuant to the Repurchase Option will not exceed 10% of the Cumulative Principal Balance of the Mortgage Loans and (y) such repurchase will not violate the Trading Restrictions.

With respect to any date of determination, the "Cumulative Principal Balance" is an amount equal to the sum of (i) the Unpaid Principal Balance of the Mortgage Loans as of the Initial Cut-off Date (as increased by any approved Rehabilitation Disbursement Requests on Mortgage Loans with Unfunded Commitments, satisfied by the Servicer after the Initial Cut-off Date) *plus* (ii) the Unpaid Principal Balance of each Additional Mortgage Loan acquired by the Issuer during the Reinvestment Period.

MORTGAGE POOL

The assets of the Issuer will consist primarily of the Initial Mortgage Loans transferred to the Issuer by the Depositor, and subsequently pledged to the Indenture Trustee on the Closing Date, funds on deposit in the Accumulation Account, the Payment Account, the Pre-funding Interests Account, the Rehab Escrow Account and the Redemption Account, and any Additional Mortgage Loans acquired by the Issuer during the Reinvestment Period. The pool of Initial Mortgage Loans expected to be conveyed to the Indenture Trustee (on behalf of the Issuer) by the Depositor on the Closing Date (the "Mortgage Pool") consists of a pool of 597 performing, fixed-rate, interest-only, Mortgage Loans to real estate investors, each secured by a first lien on a non-owner occupied Mortgaged Property with an original term of maturity of twelve (12) to twenty-four (24) months, with an aggregate Unpaid Principal Balance of approximately \$147,749,158 and an aggregate Principal Limit of approximately \$182,962,678 as of the Initial Cut-off Date. On the Closing Date, approximately \$220,671,895 (the "Prefunding Amount") will be deposited into the Accumulation Account to be used to fund Unfunded Commitments and to purchase Additional Mortgage Loans.

The statistical information in this Offering Memorandum is based on the characteristics of the Initial Mortgage Loans in the Mortgage Pool as of the Initial Cut-off Date. Any information, percentages, averages or weighted averages presented in the following table or elsewhere in this Offering Memorandum of all or any portion of the Initial Mortgage Loans are measured as a percentage of the aggregate Unpaid Principal Balance of such Mortgage Loans in the Mortgage Pool as of the Initial Cut-off Date (unless stated otherwise). As certain Initial Mortgage Loans included in the Mortgage Pool as of the Initial Cut-off Date may be removed from the Mortgage Pool between the Initial Cut-off Date and the Closing Date, investors should note that the statistical distribution of characteristics as of the Closing Date for the Initial Mortgage Loans may vary somewhat from the statistical distribution of such characteristics as of the Initial Cut-off Date as presented in this Offering Memorandum, although such variance will not be material.

The balances and percentages may not be exact due to rounding. For any Mortgage Loan where information pertaining to a given characteristic was not available, such Mortgage Loan has been excluded from calculations performed herein relating to such characteristic. Information in the tables relating to the Mortgage Interest Rate of a Mortgage Loan is based on the Mortgage Interest Rate in effect for the related Mortgage Loan as of the Initial Cut-off Date.

	Initial Mortgage Loans *Number, Range, Aggregate, Average, Weighted Average or Percentage by Unpaid Principal Balance*
Number of Mortgage Loans	597
Original Principal Limit	\$97,500 to \$2,419,287 Aggregate: \$182,962,678 Average: \$306,470
Original Unpaid Principal Balance	\$1 to \$1,784,400 Aggregate: \$146,363,453 Average: \$245,165
Current Principal Limit	\$97,500 to \$2,419,287 Aggregate: \$182,962,678 Average: \$306,470
Current Unpaid Principal Balance	\$1 to \$1,784,400 Aggregate: \$147,749,158 Average: \$247,486
Mortgage Interest Rate	8.750% to 13.990% Weighted Average: 11.015%
Interest Rate Type of the Mortgage Loans	Fixed Rate 100.00%
Original Term to Maturity	12 to 24 Months Weighted Average: 13 Months
Remaining Term to Maturity	12 to 24 Months Weighted Average: 13 Months
Loan Age[(1)]	0 Months Weighted Average: 0 Months
Weighted Average Initial Loan-to-Cost Ratio	88.75%
Non-Zero Weighted Average Loan-to-ARV Ratio	70.64%
Borrower Credit Score	646 to 817 Weighted Average: 747
Borrower Experience Level	
Professional Borrower	74.50%
Standard Borrower	25.50%
Repeat Borrower	76.45%
Property Type of the Mortgage Loans	
Single-Family Residential	72.92%
Detached Planned Unit Development	12.64%
2-4 Unit	6.74%

	Initial Mortgage Loans *Number, Range, Aggregate, Average, Weighted Average or Percentage by Unpaid Principal Balance*
Condominium	3.86%
Attached Planned Unit Development	2.80%
Manufactured Home	1.03%
Loan Purpose of Mortgage Loans	
Purchase	92.52%
Seasoned Refinance	4.51%
Delayed Purchase	2.97%
Geographic Concentration of Mortgaged Properties in Excess of 5.00% of the Aggregate Unpaid Principal Balance	
California	30.79%
Florida	13.54%
Ohio	5.49%
Georgia	5.22%
New Jersey	5.10%
Delinquency Status	
Current	100%

(1) All of the Initial Mortgage Loans were originated in May 2024. The first scheduled monthly payment date has not occurred with respect to any of the Initial Mortgage Loans.

Eligibility Criteria and Concentration Limits for the Additional Mortgage Loans:

Eligibility Criteria for the Additional Mortgage Loans[1]		**Range for the Initial Mortgage Loans**	**Average or Weighted Average for the Initial Mortgage Loans**[2]
Maximum Original Principal Limit	$7,500,00	$97,500.00 to $2,419,287.00	$306,470.15
Maximum Initial Loan-to-Cost Ratio	100.00% (1-4 family) and 85.00% (multi-family (5+ units) and 90% infill/new construction)	0.00% to 100%	88.75%
Maximum Loan-to-ARV Ratio[3]	80.00% (1-4 family) and 75.00% (multi-family (5+ units) and infill/new construction)	41.67% to 80.00%	70.64%
Maximum original term to maturity	24 months	12 months to 24 months	13 months
Minimum Borrower Credit Score	600	646 to 817	747
Minimum Mortgage Loans originated with certification as to business purpose	100.00%	100.00%	
Mortgage Loans 30+ days delinquent	Not permitted	None	
Mortgage Loans in which the Servicer has extended the original term to maturity by more than six (6) months	Not permitted	None	
Mortgage Loans secured by mixed-use properties	Not permitted	None	
Concentration Limits for the Additional Mortgage Loans [1] *(Percentage of Principal Limit, unless noted otherwise)*		**Percentage or Weighted Average for the Initial Mortgage Loans**[2]	
Minimum Weighted Average Mortgage Interest Rate	8.750%	11.015%	
Maximum Weighted Average Initial Loan-to-Cost Ratio	91.50%	88.75%	
Maximum aggregate undrawn rehabilitation holdback amounts	40.00%	19.41%	
Maximum aggregate Unfunded Commitments	40.00%	19.25%	
Maximum Mortgage Loans with undrawn rehabilitation holdback amounts >100% of the related borrower Cost Basis	25.00%	3.65%	
Maximum Non-Zero Weighted Average Loan-to-ARV Ratio[3]	75.00%	70.64%	
Minimum Mortgage Loans made to Professional Borrowers	65.00%	72.66%	
Maximum exposure to the same single guarantor	10.00%	1.98%	
Maximum Mortgaged Properties located in California	50.00%	28.40%	
Maximum Mortgaged Properties located in any single state other than California	25.00%	14.27%	
Maximum original term to maturity >12 months	35.00%	9.86%	
Maximum Mortgage Loans with a Principal Limit >$1,000,000	25.00%	11.48%	
Minimum Weighted Average Borrower Credit Score	700	747	
Maximum Wet-Ink Mortgage Loans	10.00%	0.00%	
Maximum Mortgage Loans secured by manufactured housing	5.00%	1.07%	
Maximum Mortgage Loans secured by multi-family (5+ units)	10.00%	0.00%	

`

(1) Each Mortgage Loan will be required to meet the Eligibility Criteria and Concentration Limits set forth in this column prior to acquisition by the Issuer; provided, however, if the Concentration Limits have been exceeded due to prepayments or other dispositions of the Mortgage Loans, the Issuer will be permitted to purchase Additional Mortgage Loans that will bring the Mortgage Loans closer to compliance with the Concentration Limits.
(2) Weighted Average calculations where applicable are based on the Unpaid Principal Balance as of the Initial Cut-off Date.
(3) Loan-to-ARV Ratio is only calculated on Mortgage Loans with a rehabilitation component (whether funded or unfunded), and as such, any Mortgage Loans that do not have a rehabilitation component will be excluded from the related calculation or Concentration Limit.

In addition to the Eligibility Criteria set forth above, each Mortgage Loan must, as of the date of its acquisition by the Issuer, comply with the representations and warranties set forth in "*Mortgage Loan Representations and Warranties*" in this Offering Memorandum.

Changes to the Mortgage Pool

The characteristics of the Mortgage Pool may change because:

- From time to time during the Reinvestment Period, the Issuer may fund Unfunded Commitments and purchase Additional Mortgage Loans that are Eligible Mortgage Loans.

- After the Closing Date, Mortgage Loans may be removed from the Mortgage Pool, subject to certain restrictions set forth in the Transaction Documents as described in this Offering Memorandum, (i) because of repurchases by the Seller for certain Material Document Defects or Material Breaches of representations or warranties made by such Seller in the First Step Mortgage Loan Purchase Agreement or, with respect to any Wet-Ink Mortgage Loan, if the Custodian has not issued an exception report without exceptions other than Permitted Exceptions within fifteen (15) days of the related Origination Date of such Wet-Ink Mortgage Loan, (ii) as a result of the exercise by Depositor of its Repurchase Option, (iii) in the event an automatic repurchase is triggered in connection with a Sample Diligence Review or an Eligibility and Data Integrity Review or (iv) as a result of an Optional Redemption pursuant to the Indenture. See "*Mortgage Loan Representations and Warranties*" and "*The Indenture—Sales and Acquisitions of Mortgage Loans; Repurchase Option*" in this Offering Memorandum.

- Mortgage Loans may be modified, including by extending the related maturity date, after the Closing Date.

  These repurchases and changes to the Mortgage Pool may affect the weighted average lives and yields to maturity of the Notes.

  Additional information on the Mortgage Loans included in the Mortgage Pool is set forth under "*Description of the Mortgage Loans*" and information regarding repurchases and substitutions of the Mortgage Loans after the Closing Date will be available in the Indenture Trustee's or Paying Agent's monthly payment reports. See "*The Indenture—Reports to Noteholders*" in this Offering Memorandum.

CREDIT ENHANCEMENT

Credit enhancement is designed to increase the likelihood that holders of the Notes will receive the payments to which they are entitled. Credit enhancement can reduce the effect of Realized Losses on the Mortgage Loans and other shortfalls in payments on the Notes. This transaction employs the following forms of credit enhancement:

- *Overcollateralization.* If, on any date of determination, the sum of the aggregate Unpaid Principal Balance of the Mortgage Loans and the cash on deposit in the Accumulation Account exceeds the Note Amount of the Notes, there is overcollateralization available to absorb losses on the Mortgage Loans before such losses affect payments on the Notes. On the Closing Date, the aggregate Unpaid Principal Balance of the Initial Mortgage Loans is expected to be approximately $147,749,158 and the aggregate Principal Limit of the Mortgage Loans as of the Initial Cut-off Date is expected to be approximately $182,962,678. The initial amount of cash contributed to the Accumulation Account available to fund Unfunded Commitments and to purchase Additional Mortgage Loans will be approximately $220,671,895. The sum of the aggregate Unpaid Principal Balance of the Initial Mortgage Loans and the initial amount of cash deposited into the Accumulation Account will exceed the note amount of the Notes by approximately $18,421,053. This will result in initial overcollateralization equal to approximately 5.00% of the aggregate Unpaid Principal Balance of the Initial Mortgage Loans as of the Initial Cut-off Date and cash contributed to the Accumulation Account as of the Closing Date.

- *Excess Interest*. On the Closing Date, the weighted average Mortgage Interest Rate on the Initial Mortgage Loans (by aggregate Unpaid Principal Balance) is expected to be approximately 11.015% *per annum*. On each Payment Date, any interest received on the Mortgage Loans in excess of the fees and expenses payable to the Servicer and the other transaction parties, the Interest Payment Amounts, any Required Accumulation Account Deposit Amounts, amounts required to be deposited in the Rehab Escrow Account and the Redemption Account, will be available to absorb losses, and after the Reinvestment Period (or, if the Class A Minimum Credit Enhancement Test is not satisfied, during the Reinvestment Period) to pay the principal in respect of the Notes.

- *Accumulation Account*. On each Payment Date, the Paying Agent will (i) either (a) during the Reinvestment Period, withdraw from amounts on deposit in the Accumulation Account and deposit such amounts in the Payment Account, to the extent available, an amount equal to the excess, if any, of (x) the sum of all amounts due and payable on such Payment Date under clauses *first* through *sixth* of the Priority of Payments, plus the Class A Paydown Amount, if any, over (y) the amount of Available Funds on deposit in the Payment Account on such Payment Date prior to any amounts being withdrawn from the Accumulation Account and deposited into the Payment Account *plus* any payments being made from the Payment Account or the Redemption Account on such Payment Date, or (b) after the Reinvestment Period, remit all funds on deposit in the Accumulation Account as of such date, for deposit into the Payment Account for distribution pursuant to the Priority of Payments, and (ii) deposit into the Accumulation Account funds pursuant to clauses *seventh*, *eighth* and *fourteenth* of the Priority of Payments.

- *Available Deposits in the Accumulation Account*. After the Reinvestment Period, any amounts on deposit in the Accumulation Account may be used by the Issuer to fund Unfunded Commitments as directed by the Asset Manager or otherwise retained by the Asset Manager in its discretion.

- *Redemption Account*. The Class A2 Notes and the Class M Notes will have the benefit of the Redemption Account. On and following the Payment Date on which the Note Amount of the Class A1 Notes has been reduced to zero, all Collections on the Mortgage Loans will, in accordance with the Priority of Payments, be deposited by the Paying Agent into the Redemption Account until the amount in the Redemption Account is equal to (a) the Class A2 Note Amount *plus* (b) the Class M Note Amount *plus* (c) the sum of expected Interest Payment Amounts for the Class A2 Notes for each of the remaining Payment Dates to and including the Class A2 Note Expected Redemption Date *plus* (d) the sum of expected Interest Payment Amounts for the Class M Notes for each of the remaining Payment Dates to and including the Class M Note Expected Redemption Date *plus* (e) $50,000 (the "<u>Redemption Account Required Amount</u>"). On and following each Payment Date on which the Note Amount of the Class A1 Notes has been reduced to zero, any Available Funds Shortfall Amount will be withdrawn from the Redemption Account by the Paying Agent and included in Available Funds on such Payment Date. On the Class A2 Note Expected Redemption Date, the Paying Agent will withdraw the required amount from the amounts on deposit in the Redemption Account and deposit such amounts into the Payment Account, and apply them, prior to application of Available Funds on such date in accordance with the Priority of Payments, to (i) *first*, pay the Interest Payment Amount for the Class A2 Notes and (ii) *second*, reduce the Note Amount of the Class A2 Notes until the principal balance on the Class A2 Notes has been reduced to zero. On the Class M Note Expected Redemption Date, the Paying Agent will withdraw the required amount from the amounts on deposit in the Redemption Account and deposit such amounts into the Payment Account, and apply them prior to application of Available Funds on such date in accordance with the Priority of Payments, to (i) *first*, pay the Interest Payment Amount for the Class M Notes and (ii) *second* reduce the Note Amount of the Class M Notes until the principal balance on the Class M Notes has been reduced to zero. See "*Description of the Notes—Priority of Payments*" and "*The Indenture—Accounts*" in this Offering Memorandum.

- *Subordination*. A Class of Notes that is lower in priority of payment provides credit support to those Classes of Notes having higher priority of payment relative to that Class. To the extent that the property of the Issuer does not generate enough cash flow during a particular Collection Period to satisfy the Issuer's payment obligations, any shortfalls or losses will be absorbed *first* by the holders of the Issuer Residual Interest Certificate, *second* by the holders of the Class M Notes, to the extent amounts are due to them, *third* by the holders of the Class A2 Notes, to the extent amounts are due to them, and *fourth* by the holders of the Class A1 Notes, to the extent amounts are due to them. See "*Summary Information—Credit Enhancement*" in this Offering Memorandum.

EFFECTS OF PREPAYMENTS, TRANSACTION FEATURES, DELINQUENCIES, DEFAULTS AND EXTENSIONS OF MATURITY ON YOUR INVESTMENT EXPECTATIONS

During the Reinvestment Period, the holders of the Notes will not receive any payments of principal; *provided*, that if the Class A Minimum Credit

Enhancement Test is not satisfied as of any Payment Date, the Paying Agent will, as described in clause *seventh* set forth under the "*—Priority of Payments,*" remit Available Funds to the holders of the Class A Notes for the payment of principal thereon. Following the Reinvestment Period, the rate of payments in reduction of the Note Amount of the Notes, the aggregate amount of payments on the Notes and the weighted average life and yield to maturity of the Notes will be directly related to the occurrence, timing and amounts received from payments of principal on the Mortgage Loans and extensions of maturity, delinquencies, defaults and loss severity on the Mortgage Loans.

The Issuer may redeem the Notes on or after an Optional Redemption Date. If the Notes are redeemed, the Note Amount of the Notes will be paid in full.

As used herein, the term "prepayments" means voluntary payments of principal as well as other unscheduled recoveries of principal, including Liquidation Proceeds and proceeds from repurchases or sales of Mortgage Loans. The term does not include amounts representing scheduled payments of principal.

The weighted average life and yield to maturity of the Notes will also be directly related to whether the Notes are redeemed by the Issuer or the Depositor, as applicable, on or after the Step-Up Date.

The rate of prepayments on the Mortgage Loans will affect the investment performance of the Notes.

The Notes were structured assuming, among other things, that prepayments on the Mortgage Loans occur based on the rates described in this Offering Memorandum under "*Prepayment and Yield Considerations*." The actual rate of prepayments on the Mortgage Loans, however, cannot be predicted.

In deciding whether to purchase any of the Notes, you should make an independent decision as to the appropriate assumptions to use. If prepayments, extensions of maturity, delinquencies, defaults and loss severities on the Mortgage Loans are higher or lower than you anticipate, or the Issuer redeems (or fails to redeem) the Notes other than in accordance with your assumptions, the investment performance of the Notes may vary materially and adversely from your investment expectations.

Factors affecting the rate of prepayments, extensions of maturity, delinquencies, defaults and loss severities on the Mortgage Loans and the likelihood of the Issuer redeeming the Notes, are discussed in this Offering Memorandum under "*Prepayment and Yield Considerations*."

The actual yield on your Notes may not be equal to the yield you anticipated at the time of purchase. In addition, even if the actual yield is equal to the yield you anticipated at the time of purchase, the total return on investment you expected or the expected weighted average life of your Notes may not be realized. These effects are summarized below.

Yield

The actual yield on your Notes depends on the following:

- during the Reinvestment Period, the amount of funds on deposit in the Accumulation Account;
- the Issuer redeeming or failing to redeem the Notes on the related Optional Redemption Date, Class A2 Note Expected Redemption Date or Class M Note Expected Redemption Date, as applicable;
- the Depositor purchasing or failing to purchase the Mortgage Loans on the related Optional Redemption Date;
- Note Rates on the Notes (which will be subject to increase following the applicable Step-Up Event);
- the price paid for your Notes;
- the absence or occurrence of losses on the Mortgage Loans;
- delinquencies and defaults on the Mortgage Loans;
- whether amounts on deposit in the Accumulation Account are used to fund Unfunded Commitments and to purchase Additional Mortgage Loans during the Reinvestment Period;
- rate and timing of collections of principal and interest on the Mortgage Loans, including Principal Prepayments;
- repurchases of Mortgage Loans by the Seller or indemnification payments made by the Seller for certain Material Breaches of representations or warranties made by Seller, any Material Document Defect relating to any Mortgage Loan in the First Step Mortgage Loan Purchase Agreement and assigned to the Issuer pursuant to

the Second Step Mortgage Loan Purchase Agreement, in the event of a deficient finding during the Sample Diligence Review, Subsequent Review or Eligibility and Data Integrity Review, or with respect to any Wet-Ink Mortgage Loan, the Custodian does not issue an exception report without exceptions other than Permitted Exceptions within fifteen (15) days of the related Origination Date of such Wet-Ink Mortgage Loan, or as a result of the exercise by Depositor of its Repurchase Option;

- sales of Mortgage Loans by the Issuer pursuant to the Indenture;
- reimbursements to the Servicer of Servicing Advances and other expenses, costs and liabilities;
- loss mitigation modifications of Mortgage Loans;
- refinancing of Mortgage Loans, including short refinancing;
- extensions of maturity and other applicable due dates of Mortgage Loans by the Asset Manager for loss mitigation purposes;
- a reduction in interest received due to prepayments on the Mortgage Loans and the application of the Relief Act or similar legislation; and
- reimbursement of expenses and indemnification payments to the transaction parties.

If you purchase a Note, your yield, absent shortfalls or losses, will primarily be a function of the price paid, the rate and timing of payments, including prepayments, whether the Issuer redeems the Notes whether a Step-Up Event occurs, and the timing and length of extensions of maturity on the Mortgage Loans and proceeds received in respect of the Mortgage Loans.

If you pay less or more than the Note Amount of your Note—that is, buy the Note at a "discount" or "premium," respectively—then your effective yield will be higher or lower, respectively, than the Note Rate on the Note, because such discount or premium will be amortized over the life of the Note.

Any deviation in the actual rate of extensions of maturity, principal prepayments and defaults on the Mortgage Loans from the rate you assumed will affect the period of time over which, or the rate at which, any discount or premium will be amortized and, consequently, will cause your actual yield to differ from that which you anticipated on the Notes you purchase at a "discount," "premium" or "par."

If you are purchasing Notes at a discount, you should consider the risk that funds on deposit in the Accumulation Account may be used by the Issuer to fund Unfunded Commitments or to purchase Additional Mortgage Loans during the Reinvestment Period, the Issuer fails to redeem the Notes, principal payments on the Mortgage Loans are received more slowly than you expect, and extensions of maturity on the Mortgage Loans occur at a higher rate than you assume, which in each case, may have a negative effect on the yield to maturity of your Notes.

If you are purchasing Notes at a premium, you should consider the risks that receipt of payments and proceeds in respect of the Mortgage Loans are received faster than anticipated, extensions of maturity on the Mortgage Loans occur at a lower rate than you assume, and the Issuer redeems the Notes earlier than you anticipate, which, in each case, may have a negative effect on the yield to maturity of your Notes.

Reinvestment Risk

The total return on your investment will be reduced if principal payments received on your Notes cannot be reinvested at a rate as high as the applicable Note Rate.

You should consider the risk that rapid rates of prepayments on the Mortgage Loans may coincide with periods of low prevailing market interest rates. During periods of low prevailing market interest rates, Borrowers may be expected to prepay or refinance mortgage loans that carry Mortgage Interest Rates significantly higher than the then currently available interest rates for mortgage loans and it may be more likely that the Servicer receives proceeds in respect of Liquidated Loans. Consequently, the amount of principal payments available to you for reinvestment at such low prevailing interest rates may be relatively large.

Slow rates of prepayments on the Mortgage Loans may coincide with periods of high prevailing market interest rates. During such periods, it is less likely that Borrowers will elect to prepay or refinance mortgage loans and it may be less likely that the Servicer receives proceeds in respect of Liquidated Loans. Consequently, the amount of principal payments available to you for reinvestment at such high prevailing interest rates may be relatively small.

Weighted Average Life Volatility

One indication of the impact of varying extensions of maturity rates, principal prepayments or default and loss rates on a Note is the change in its weighted average life.

The "weighted average life" of a Note is the average amount of time that will elapse from the date of the issuance of such Note to the date of payment to the investor of each dollar paid in net reduction of the Note Amount of such Note.

Low rates of default on the Mortgage Loans or principal prepayment on the Mortgage Loans and high rates of extensions of maturity of Mortgage Loans may result in an extension of the weighted average life of a Note. High rates of default or principal prepayment on the Mortgage Loans and low rates of extensions of maturity may result in a shortening of the weighted average life of a Note.

In general, if you purchase your Note at par and the weighted average life of your Note is extended beyond your anticipated time period, the market value of your Note may be adversely affected even though the yield to maturity on your Note is unaffected.

The sensitivity of the weighted average lives of the Notes to prepayments is illustrated in the tables appearing under "*Prepayment and Yield Considerations*." These projections are based on prepayments that may not match the actual experience on the Mortgage Loans. Therefore, your results may vary.

See "*Risk Factors—Risks Related to the Notes—The Rate of Principal Payments, Including Principal Prepayments, on the Mortgage Loans Will Affect the Yields on the Notes*" and "*Prepayment and Yield Considerations*" in this Offering Memorandum.

OPTIONAL REDEMPTION

On any date on or after the date on which the Note Amount of the Notes is reduced to an amount less than or equal to 25% of the Initial Note Amount of the Notes as of the Closing Date (an "Issuer Optional Redemption Date"), the Issuer may, at its option, exercise a call and purchase all of the outstanding Notes (such redemption, the "Issuer Optional Redemption") for a price equal to the sum of (i) the outstanding Note Amount of the Notes, (ii) any accrued and unpaid interest thereon at the applicable Note Rate through such redemption date, and (iii) any fees, expenses and indemnity payments of the transaction parties pursuant to the Transaction Documents due to such transaction parties and unpaid without regard to the Annual Cap, including any unreimbursed Servicing Advances and unreimbursed Rehabilitation Advances, expenses, costs and liabilities pursuant to the Servicing Agreement (the "Redemption Price").

On any Payment Date following the termination of the Reinvestment Period (a "Depositor Optional Redemption Date" and each of an Issuer Optional Redemption Date and a Depositor Optional Redemption Date may from time to time be referred to herein as an "Optional Redemption Date"), the Depositor may, at its option, exercise a call and purchase all of the Mortgage Loans; *provided* that no less than fifty percent (50%) of the Issuer's assets on any such date of redemption in full of the Class A2 Notes and the Class M Notes consists of Mortgage Loans and/or REO Properties, without duplication, which will be calculated based on the Issuer's assets following the distribution of Available Funds in accordance with the Priority of Payments on such Payment Date (such redemption, a "Depositor Optional Redemption", and each of an Issuer Optional Redemption and a Depositor Optional Redemption may from time to time be referred to herein as an "Optional Redemption"); for the Redemption Price. On the following Payment Date, a Redemption Price paid by the Depositor shall be applied to repay the Notes in full and to satisfy and discharge the obligations of the Issuer under the Indenture.

See "*Risk Factors—Risks Related to Mortgage Loans—The Mortgage Loans May be Purchased by the Depositor*" and "*—Risks Related to the Notes—The Notes May be Purchased by the Issuer*" in this Offering Memorandum.

Neither the failure by the Issuer to redeem the Notes in full nor the failure by the Depositor to purchase all of the Mortgage Loans, in each case on or after an Optional Redemption Date, is an Event of Default, a Step-Up Event or a breach of any covenant by the Issuer or the Depositor, as applicable.

For the avoidance of doubt, no payments of the Redemption Price will be made to any Notes until all fees, expenses and indemnification amounts owing to the transaction parties have been paid in full without regard to the Annual Cap.

ERISA CONSIDERATIONS

Each purchaser or transferee (and, if applicable, its fiduciary) of a Class A1 Note, a Class A2 Note or a Class M Note or any interest therein will be deemed to represent and warrant that, for so long as it holds such Note or any interest in such Note, either (i) it is not and is not acquiring and will not hold such Note or interest therein on behalf of, or using assets of, any "employee benefit plan" (as defined in Section 3(3) of ERISA) that is subject to Title I of ERISA, any "plan" (as defined in Section 4975(e)(1) of the Code) that is subject to Section 4975 of the Code, any entity that is deemed to hold plan assets of any of the foregoing by virtue of such "employee benefit plan's" or "plan's" investment in the entity pursuant to 29 C.F.R. Section 2510.3-101 as modified by Section 3(42) of ERISA (the "Plan Asset Regulations") (each a "Benefit Plan") or a governmental, non-electing church or non-U.S. plan that is subject to any non-U.S., federal, state, local or other law that is substantially similar to Title I of ERISA or Section 4975 the Code ("Similar Law") or (ii) its acquisition, transfer and holding of such Note or any interest therein will not constitute, cause or otherwise result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code, or a violation of Similar Law.

For further information regarding the ERISA considerations involved in investing in the Notes, see "*Certain Considerations for ERISA and Other Employee Benefit Plans*" in this Offering Memorandum.

U.S. FEDERAL INCOME TAX STATUS

Subject to the assumptions, representations and covenants discussed in "*Certain U.S. Federal Income Tax Consequences*" in this Offering Memorandum, it is expected that (i) when held as of the Closing Date by persons unrelated to the Issuer or its owners, the Class A1 Notes, Class A2 Notes and the Class M Notes will be characterized as debt for U.S. federal income tax purposes and, (ii) the Issuer will not be subject to tax on its net income as (a) an association taxable as a corporation, (b) a publicly traded partnership taxable as a corporation, or (c) a taxable mortgage pool taxable as a corporation, each as defined for U.S. federal income tax purposes.

Each person who acquires a beneficial ownership interest in the Notes, by its acceptance of such beneficial ownership interest, will agree to treat such Notes as debt for all U.S. federal, state and local income and franchise tax purposes at any time during which such Notes are owned by a beneficial owner for U.S. federal income tax purposes other than a single beneficial owner of the Issuer Residual Interest Certificate for U.S. federal income tax purposes and not to take any position inconsistent with that characterization unless required to do so by applicable law.

For further information regarding the U.S. federal income tax consequences of investing in the Notes, see "*Certain U.S. Federal Income Tax Consequences*" in this Offering Memorandum.

LEGAL INVESTMENT

You should consult with counsel to see if you are permitted to buy the Notes, since legal investment rules will vary depending on the type of entity purchasing the Notes, whether that entity is subject to regulatory authority, and if so, by whom.

The Notes will not constitute "mortgage related securities" for purposes of the Secondary Mortgage Market Enhancement Act of 1984, as amended.

See "*Legal Investment*" in this Offering Memorandum.

U.S. CREDIT RISK RETENTION

Pursuant to the credit risk retention requirements of Section 941 of the Dodd-Frank Act for asset-backed securities (the "Risk Retention Rules"), a "securitizer" of asset-backed securities is required, unless an exemption exists, to retain at least a 5% economic interest in the credit risk of assets collateralizing a securities transaction (the "Required Credit Risk"). Under the Risk Retention Rules, the Required Credit Risk may be held in the form of an "eligible horizontal residual interest" of at least 5% of the fair value of the securities issued by the Issuer as determined using a fair value measurement framework under GAAP (an "EHRI"), an "eligible vertical interest" of at least 5% of each class of securities issued in a securitization transaction (an "EVI") or a combination of an EHRI and an EVI. The Sponsor intends to satisfy the Risk Retention Rules by causing the Depositor or another majority-owned affiliate of the Sponsor, to acquire on the Closing Date an EHRI consisting of 100% of the Issuer Residual Interest Certificate. The Sponsor or a majority-owned affiliate of the Sponsor will retain until the Sunset Date such Issuer Residual Interest Certificate representing at least 5% of the fair value of the Notes and the Issuer Residual Interest Certificate (the "Risk Retained Securities").

The Sponsor or a majority-owned affiliate of the Sponsor will be required to hold the Required Credit Risk until the later of (i) the fifth (5^{th}) anniversary of the Closing Date or (ii) the date on which the aggregate Unpaid Principal Balance of the Mortgage Loans has been reduced to 25% of the aggregate Unpaid

Principal Balance of the Mortgage Loans and funds on deposit in the Accumulation Account as of the Closing Date, but in any event no longer than the seventh (7^{th}) anniversary of the Closing Date (the "Sunset Date"). In addition, the Sponsor or its majority-owned affiliate holding the Risk Retained Securities may, at any time, be permitted to transfer the Required Credit Risk to a different majority-owned affiliate of the Sponsor. Additionally, in the event that the Risk Retention Rules are repealed or amended in a manner such that the Sponsor or its majority-owned affiliate is no longer required to hold the Required Credit Risk, the Sponsor or its majority-owned affiliate may transfer the Risk Retained Securities subject to the restrictions otherwise set forth in this Offering Memorandum.

For further information regarding the Risk Retention Rules and the Sponsor's compliance with respect thereto, see "*U.S. Credit Risk Retention*" in this Offering Memorandum.

EU SECURITIZATION REGULATION AND UK SECURITIZATION REGULATION

None of the Issuer, the Sponsor, the Seller, the Depositor, the Servicer, the Asset Manager or any of their affiliates or any other party to the transaction will retain or commit to retain a material net economic interest with respect to the transaction described in this Offering Memorandum for the purposes of the EU Securitization Regulation or the UK Securitization Regulation (each as defined herein) or makes or intends to make any representation or agreement that it or any other party is undertaking or will undertake to take or refrain from taking any action to facilitate or enable the compliance by EU Affected Investors with the EU Due Diligence Requirements or by UK Affected Investors with the UK Due Diligence Requirements, or to comply with the requirements of any other law or regulation now or hereafter in effect in the EU, any EEA member state or the UK, in relation to risk retention, due diligence and monitoring, credit granting standards or any other conditions with respect to investments in securitization transactions by EU Affected Investors or UK Affected Investors.

The arrangements as described in "U.S. Credit Risk Retention" in this Offering Memorandum have not been structured with the objective of ensuring compliance with the requirements of the EU Securitization Regulation or the UK Securitization Regulation by any person.

Failure by an EU Affected Investor to comply with the EU Due Diligence Requirements or failure by a UK Affected Investor to comply with the applicable UK Due Diligence Requirements, in each case with respect to an investment in the Notes described in this Offering Memorandum, may result in the imposition of a penalty regulatory capital charge on such investment or of other regulatory sanctions by the competent authority of such EU Affected Investor or UK Affected Investor.

Prospective investors are responsible for analyzing their own regulatory position and should consult with their own investment and legal advisors, regarding the application of the EU Securitization Regulation, the UK Securitization Regulation or other applicable regulations and the suitability of the Notes for investment. The transaction described in this Offering Memorandum is structured in a way that may not allow EU Affected Investors to comply with the EU Due Diligence Requirements or UK Affected Investors to comply with the UK Due Diligence Requirements.

See "*Risk Factors—Risks Related to General Market Conditions—Governmental Intervention, Financial Regulatory Reforms and Proposed Regulations Could Have a Significant Impact on the Sponsor, the Seller, the Depositor, the Issuer, the Originator, the Servicer, the Asset Manager or on the Value or Marketability of the Notes—EU Due Diligence Requirements and UK Due Diligence Requirements Will Affect Certain Potential Investors*" in this Offering Memorandum.

The transaction described in this Offering Memorandum is not being structured to ensure compliance by any person with the EU Transparency Requirements or the UK Transparency Requirements.

RATINGS

The Notes will not be rated by any rating agency. The absence of ratings may adversely affect the ability of an investor to purchase or retain, or otherwise impact the liquidity, market value and regulatory characteristics of, the Notes.

INVESTMENT COMPANY ACT

The Issuer has not registered, and the Issuer is not required to register with the Securities and Exchange Commission as an investment company pursuant to the Investment Company Act of 1940, as amended (the "Investment Company Act") in reliance on the exclusion afforded by Rule 3a-7 promulgated under the Investment Company Act, although other exemptions or exclusions may be applicable. The Issuer has been structured so as not to constitute a "covered fund" for purposes of the Volcker Rule under the Dodd–Frank Wall Street Reform and Consumer Protection Act. See "*Risk Factors—Risk Related to General Market Considerations—Governmental Intervention, Financial Regulatory Reforms and Proposed Regulations Could Have a Significant Impact on the Sponsor, the Seller, the Depositor, the Issuer, the Originator, the Servicer, the Asset Manager or on the Value or Marketability of the Notes*" in this Offering Memorandum.

GLOSSARY OF DEFINED TERMS

Capitalized terms used in this Offering Memorandum may be defined when first used or will have the meanings ascribed to them in "*Appendix A—Glossary of Defined Terms*" to this Offering Memorandum and may be located using the *"Index of Defined Terms"* in this Offering Memorandum.

SUMMARY OF RISK FACTORS

Risks Related to the Residential Transition Loans

- **Business Purpose Loans**: The Mortgage Loans are short-term interest-only loans with a Balloon Payment, made to real estate investors and secured by non-owner-occupied Mortgaged Properties, which creates risk. The Mortgage Loans are often for the purpose of financing construction, repairs or rehabilitation projects, and the Mortgaged Properties are often in a general state of disrepair.

- **Appraisal/Valuation:** For Mortgaged Properties where the Borrower plans to repair or renovate the property, the "after-repair value" ("ARV") is prepared internally by the Originator using internal or external automated valuation models and is based on the expected value of such Mortgaged Property after the predetermined repairs and/or rehabilitation projects have been completed. There can be no assurance that a Borrower will be able to sell a Mortgaged Property for the ARV determined by the Originator, which could result in losses on the Notes.

- **Undrawn Rehabilitation Holdback Accounts:** Some of the Mortgage Loans in the Mortgage Pool have Undisbursed Rehabilitation Holdback Amounts. If a Borrower is unable to satisfy the conditions in order to draw upon such account the planned rehabilitation or renovation to the underlying property may not be able to be completed and in turn the Borrower may be unable to repay its obligations under the Mortgage Loan.

- **Risks Related to Construction and Extensive Rehabilitation Projects:** The Mortgage Loans are often originated for the purpose of financing construction, repairs or rehabilitation projects, and the Mortgaged Properties are often in a general state of disrepair. The completion of any necessary construction or rehabilitation projects and the sale of the related Mortgaged Properties will be critical in order to generate the funds necessary to make principal payments on the Notes. The Borrowers' ability to complete these necessary projects and sell the Mortgaged Properties are subject to a variety of risks including weather, construction delays and, most significantly, the current state of the real-estate market in the applicable area in which the related Mortgaged Property is located.

Risks Related to the Notes/Structure of the Deal

- **The Notes May Not Be a Suitable Investment for You and Are Subject to Significant Transfer Restrictions:** The Notes are being offered and sold pursuant to one or more exceptions from the Securities Act and state securities law and will only be eligible for resale pursuant to Rule 144A under the Securities Act, or to an institution that (a) is a "qualified institutional buyer" (within the meaning of Rule 144A under the Securities Act) and (b) is not a "U.S. Person" (within the meaning of Regulation S). These restrictions on transfer may adversely affect the liquidity and market value of your Notes.

- **Pre-Offering Review & Sample:** Pre-offering review of the Initial Mortgage Loans may not reveal all aspects of the Initial Mortgage Loans which could lead to losses. Additional Mortgage Loans will be subject to limited reviews, and only a sample of the Additional Mortgage Loans will be subject to a review similar to the pre-offering review conducted with respect to the Initial Mortgage Loans. These reviews may not reveal all aspects of the Mortgage Loans, which could lead to losses, especially if the sample does not reflect the attributes of all of the Additional Mortgage Loans. To the extent that these reviews result in adverse findings, there can be no assurance that the Seller will have the financial wherewithal to repurchase the affected Mortgage Loans.

- **The Notes Will Not Be Rated:** The Notes have not been rated by any rating agency. The lack of a rating reduces the potential liquidity of the Notes and this may affect the market value of the Notes.

- **Credit Enhancement:** Credit enhancement for the Notes consists of overcollateralization, excess interest, subordination and the availability of funds in the Redemption Account and the Accumulation Account. These credit enhancement features may be inadequate, resulting in Realized Losses.

- **Investors Have No Direct Right to Enforce Remedies:** Noteholders generally do not have the right to institute any suit, action or proceeding in equity or at law upon or under or with respect to the Indenture, but instead must rely on the Indenture Trustee to enforce their rights under these agreements.

- **Risks Related to Principal Payments, Including Prepayments:** The rate of principal payments and prepayments on the Mortgage Loans is not known, but will affect the yield and weighted average life of your Notes.

Risks Related to the Transaction Parties

- **Financial Difficulties May Impact the Return on the Notes:** Any financial difficulties of the Sponsor, the Originator, the Depositor, the Servicer or the Asset Manager may adversely affect the ability of these parties to perform, which may adversely affect the Notes.

- **Conflicts of Interest:** The Initial Purchasers, their respective affiliates and/or their respective employees or customers may from time to time have a long or short position in the Notes, and may provide financing to the Sponsor and its affiliates. Further, the Originator, the Sponsor, the Seller, the Depositor, the Servicer and the Asset Manager are affiliates, which may create a conflict of interest. Additionally, the Indenture Trustee, the Paying Agent, the Note Registrar, the Certificate Registrar, the Custodian and the Securities Intermediary are affiliates.

General Risks

- **Illiquidity in the Mortgage-Backed Securities Market May Adversely Affect the Market Value of Your Notes:** Your Notes will not be listed on any national securities exchange or traded on any automated quotation systems of any registered securities association, and there is currently no secondary market for the Notes.

- **The Originator, Sponsor and Depositor Do Not Have Significant Historical Performance Data About Performance on the Mortgage Loans; Loss Rates on The Mortgage Loans May Be Higher Than Expected:** The Originator, Sponsor and Depositor do not have significant historical data regarding the performance of the mortgage loans originated on its platform, and none of the Originator, Sponsor or Depositor yet know what the long-term loss experience will be.

- **Changes in the Market Value of the Notes May Not Be Reflective of the Performance or Anticipated Performance of the Mortgage Loans Underlying the Notes:** The market value of the Notes can be volatile. Market values can change rapidly and significantly, and changes can result from a variety of factors. However, a decrease in market value may not necessarily be the result of deterioration in the performance or anticipated performance of the Mortgage Loans.

- **Nature of the Mortgage Loans:** The nature and terms of the Mortgage Loans do not provide certainty regarding the rate, timing and amount of payments on the Notes and the terms of the Mortgage Loans may lack customary provisions that are designed to protect lenders.

- **Federal and State Laws and Regulations:** Violations of federal or state laws, including laws concerning criminal activity, licensing requirements for originators and servicers and other state and local laws with general principles of equity may limit the ability to collect all or part of the principal of or interest on the Mortgage Loans and adversely affect distributions on the Notes.

- **Financial Markets:** Between the global economy experiencing significant uncertainty, elevated interest rates, supply chain disruptions, violence in the Middle East, sanctions and embargoes relating to the Russian invasion of Ukraine and bank failures, there is continued turbulence in the United States and international markets and economies that may negatively affect the United States economy, the housing market and the Mortgage Loans as well as the credit performance and the market value of the Notes, including the increased likelihood of the occurrence of Events of Default.

- **Inflation:** The United States is experienced an increased rate of inflation (and may again experience further increases in the rate of inflation in the future), which may rise or continue for a sustained period of time, in part due to market activity, supply chain issues, consumer spending and the potential occurrence of economic stimulus, and could adversely impact the Mortgage Loans and, consequently, the Notes. After many years of historically low inflation, consumer prices in the United States experienced steep increases. The general effects of inflation on the economy of the United States can be wide ranging, evidenced most recently by elevated wages and costs of consumer goods and necessities. If a borrower's income growth fails to keep pace with the rising costs of necessary goods, then such borrower may have less funds available to make their scheduled mortgage payments. The long-term effects of inflation on the general economy and on any individual Borrower are unclear, and in certain cases, may affect a Borrower's ability to repay their Mortgage Loan, which may adversely affect payments on the Notes.

  These factors and general market conditions could adversely affect the performance and market value of the Notes. There can be no assurance that governmental or other actions will improve these conditions.

- **Combination or "layering" of multiple risk factors:** Any or all of the circumstances described above may lead to further volatility in or disruption of the credit markets at any time and adversely affect the value of the Notes. Moreover, other types of events may affect financial markets, such as uncertainty over, and the outcome or effect of, elections, war, revolt, insurrection, armed conflict (including the armed conflict between Russia and Ukraine and in the Middle East), terrorism, political conflict, political crisis (including contested elections), natural disasters and man-made disasters. We cannot predict such matters or their effect on the mortgage markets generally, or on the value or performance of the Mortgage Loans or the Notes.

RISK FACTORS

You should carefully consider the risks described below before making an investment decision. Your investment in the Notes involves certain risks. If any of the following risks actually occur or materialize, your investment could be materially and adversely affected. Payments on the Notes will depend on payments received on, and other recoveries with respect to, the Mortgage Loans, and, therefore, you should carefully consider the risk factors relating to the Mortgage Loans in assessing the risks related to the performance of the Notes.

The risks and uncertainties described below are not the only ones relating to your Notes. Additional risks and uncertainties not presently known to Kiavi Funding, Inc. ("KFI") or that Kiavi currently deems immaterial may also impair your investment. This Offering Memorandum also contains forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this Offering Memorandum. In connection with the information presented in this Offering Memorandum relating to risks that may relate to certain of the Mortgage Loans or the Mortgage Loans in general, examples are sometimes given with respect to a particular risk and a particular Mortgage Loan. However, the fact that examples are given should not be interpreted as meaning that such examples reflect all of the Mortgage Loans in the Trust Estate to which such risk is applicable.

This Offering Memorandum Contains Summary and Limited Information Regarding the Transaction Documents and the Mortgage Loans

This Offering Memorandum contains summary descriptions of certain documents, including the Mortgage Loan Purchase Agreements, the Servicing Agreement, the Custodial Agreement, the Asset Management Agreement and the Indenture, which govern the transactions described herein, and of the statutes, rules and regulations applicable to the Mortgage Loans. Such summary descriptions are necessarily incomplete and reference is made to the actual documents for a complete description of the rights and obligations of the parties thereto and to the statutes, rules and regulations applicable to the Mortgage Loans. Copies of such agreements will be made available by the Indenture Trustee upon request by any Noteholder.

RISKS RELATED TO MORTGAGE LOANS

The Mortgage Loans Are Underwritten to Non-Agency Standards Which May Impact Their Performance

Unlike consumer-purpose residential mortgage loans, which often are underwritten to the standards of government-sponsored enterprises ("GSEs") such as Fannie Mae or Freddie Mac, or are underwritten to qualify for U.S. government insurance through the United States Department of Agriculture, Federal Housing Administration ("FHA") or Veterans Affairs, each of the Mortgage Loans was originated for a commercial purpose to a Borrower who may not qualify for traditional agency, government or private label non-agency products due to a number of factors, including, but not limited to, business purpose nature, loan size, rehabilitation or construction needs of the property, lower credit scores and the business entity nature of the Borrower. Originating loans to borrowers that may not qualify for traditional agency, government or private label products and that may not meet the requirements of Fannie Mae or Freddie Mac may increase the risks associated with such loans. The Mortgage Loans originated under the Residential Transition Loan Program have a business purpose and are thus not covered by the ATR Rules or the TRID Rules and may experience higher rates of delinquency than consumer-purpose residential loans originated under such rules.

The underwriting standards to which the Mortgage Loans were originated are generally more flexible with regard to borrowers' credit standing than traditional GSE standards used to underwrite consumer-purpose residential mortgage loans. The Mortgage Loans may be made to real estate investors that may not qualify for an agency residential mortgage loan due to factors such as credit scores lower than GSE guidelines, more than the maximum number of permitted financed properties, less restrictive housing event or foreclosure seasoning requirements, or the business entity nature of the borrower. There can be no assurance that the underwriting standards and the Originator's pricing requirements accurately predict the risk profile of the Mortgage Loans, and the performance of the Mortgage Loans may materially differ from the performance of other types of residential GSE or non-agency jumbo loans.

See "*Description of the Mortgage Loans—Mortgage Loan Products and Programs*" and "*The Sponsor, the Originator, the Servicer and the Asset Manager—General—Underwriting—Underwriting Guidelines*" in this Offering Memorandum for more information on the Originator's Residential Transition Loan Program. The list above is not an exhaustive list of additional risks that may result from applying more flexible underwriting standards with regard to borrowers' credit standing. All of the Initial Mortgage Loans were originated under the Originator's Residential Transition Loan Program and all Additional Mortgage Loans will be originated under the Residential Transition Loan Program.

There is currently limited historical performance data to evaluate the Mortgage Loans, as the Originator's Residential Transition Loan Program began in early 2014. Additionally, there have been significantly fewer originations of mortgage loans to borrowers that do not qualify for traditional GSE/government execution following the 2007-2009 financial crisis, resulting in less performance data for the nontraditional mortgage loan sector. There can be no assurance that the Originator's Underwriting Guidelines and pricing requirements accurately capture the risks associated with the Mortgage Loans or how the performance of the Mortgage Loans, and ultimately the performance of the Notes, will compare to the performance of other types of mortgage loans, such as newly originated GSE or prime jumbo residential mortgage loans or their related securitizations.

Due to the factors discussed above, the Mortgage Loans could be significantly less liquid than traditional residential mortgage loans. This could result in losses on the Notes if the Indenture Trustee attempts to liquidate the Trust Estate following the occurrence of an Event of Default.

Risks Concerning Construction Projects and Extensive Rehabilitation Projects with Respect to Mortgaged Properties

The Mortgage Loans are often for the purpose of financing construction, repairs or rehabilitation projects, and the Mortgaged Properties are often in a general state of disrepair. The Mortgage Loans are interest-only loans with a Balloon Payment of the entire principal balance due at maturity. Many, if not all, of the Borrowers will be unable to make the required Balloon Payment on the Mortgage Loans without funds generated from sales of the related Mortgaged Properties or the refinancing of Mortgage Loans once the related Mortgaged Properties have been converted to rental properties. The scope and duration of the work involved in the extensive rehabilitation projects with respect to the Extensive Rehabilitation Loans, which may include new construction projects, are greater than those involved in Mortgage Loans requiring only partial or moderate construction, repair or rehabilitation, and may therefore require a longer period of time to complete, or may be less likely to be completed than other construction, repair or rehabilitation projects. While all construction projects involve a certain amount of risk and may be negatively affected by a number of factors, the increased scale of work on extensive rehabilitation projects and new construction projects aggravates the risks otherwise involved in partial or moderate construction. The successful completion of construction projects and extensive rehabilitation projects involve a certain amount of risk and may be negatively affected by a number of factors, including planning issues, failure to secure necessary permits and authorizations, supply and equipment interruptions, labor shortages, scheduling conflicts, construction delays, cost overruns, zoning, permitting and completion risks, non-performance by or non-payment of contractors or subcontractors, and environmental liabilities. The occurrence of one or more of these events has the potential to delay the completion of needed construction repairs, or rehabilitation projects, which in turn could result in extensions of the maturity dates of certain of the Mortgage Loans or, in some cases, defaults under such Mortgage Loans. The occurrence of construction cost overruns or delays and/or unexpected liabilities could render a Borrower unable to make interest payments on the related Mortgage Loan or could lead to a determination that the rehabilitation of the Mortgaged Property is no longer profitable. These occurrences could lead to delays or reductions in the Collections available to make payments on the Notes. Approximately 19.15% of the Initial Mortgage Loans, by aggregate Unpaid Principal Balance as of the Initial Cut-off Date, are Extensive Rehabilitation Loans, including new construction.

In addition, Mortgaged Properties that require construction or rehabilitation may be more likely to become subject to a mechanic's lien, materialman's lien or similar lien. Such lien could take priority over the lien securing the related Mortgage Loan, which could result in losses on the Notes.

With respect to Mortgage Loans with Rehabilitation Holdback Amounts, the Servicer will fund Rehabilitation Disbursement Requests after the Asset Manager or the Servicer (on behalf of the Asset Manager) completes a satisfactory evaluation of the Rehabilitation Disbursement Requests that are based on Borrower-provided information and/or inspections of the related Mortgaged Properties, without obtaining updated property valuations, even though property values may have declined since origination. See "*—Loan-to-Value Ratios Calculated Based on Internal and/or Appraised Values May Not Be an Accurate Reflection of Current Market Value*" and "*The Servicing Agreement—Rehabilitation Disbursement Requests Process*" in this Offering Memorandum.

Risks Associated with the COVID-19 Pandemic

There has been a global outbreak of the novel coronavirus disease ("COVID-19") which has caused a global pandemic. The COVID-19 pandemic was declared a public health emergency of international concern by the World Health Organization on March 11, 2020, and on March 13, 2020, then-President Trump made a declaration under the Robert T. Stafford Disaster Relief and Emergency Assistance Act. On February 18, 2022, President Biden extended the COVID-19 National Emergency beyond March 1, 2022 and signed a bill terminating the national emergency over the COVID-19 pandemic on April 10, 2023. As part of the U.S. government's response, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was signed into law on March 27, 2020, which was one of multiple economic stimulus packages providing wide-reaching protections for homeowners experiencing financial difficulties due to the COVID-19 pandemic. The risks associated with the COVID-19 pandemic may be exacerbated by a resurgence of the COVID-19 pandemic, which may be accelerated by mutations of the virus, and the availability, acceptance and effectiveness of vaccines and other medical treatments.

The federal government, some states and local jurisdictions implemented requirements relating to payment forbearance and other relief, and moratoria on foreclosures and evictions in efforts to lessen the impact that COVID-19 had on Americans' income and ability to pay their monthly mortgage and rent obligations (including in states where mortgaged properties securing the Mortgage Loans are located). The Centers for Disease Control and Prevention (the "CDC") also implemented temporary moratoria on residential evictions. The CDC, state and local requirements have prevented some mortgagors from evicting certain tenants who are not current on their monthly payments of rent and who qualify for relief under an eviction moratorium, which may present a greater risk that the mortgagor will stop making monthly mortgage loan payments. While these moratoria have generally expired, any future moratoria or bans could adversely impact the cashflow on the Mortgage Loans and therefore the performance of the Notes.

The COVID-19 pandemic, and the related government response, resulted in significant increases in unemployment, especially in disrupted industries such as retail, restaurants, travel, hotels and leisure notwithstanding relief efforts such as the CARES ACT. While the rate of unemployment has returned to pre-COVID-19 levels, it is possible that such rate may again increase following the Closing Date, especially as a result of recent increases in interest rates. A Mortgagor experiencing unemployment, furlough or reduced employment, may be unable to (x) make their monthly payments of principal and interest on their Mortgage Loans, (y) refinance their Mortgage Loans or (z) if needed, sell their mortgaged properties for an amount sufficient to pay off the principal balance of their on their Mortgage Loans. Mortgagors may also prioritize payment obligations other than their Mortgage Loans if they experience, or anticipate experiencing, a loss in wages or employment. Unemployment rates may rise in the near future which may result in an increase in delinquencies and defaults with respect to the Mortgage Loans and adversely impact the performance of the Notes.

Investors should note that Borrowers may in the future contact the Servicer indicating financial distress and/or requesting relief as a direct or indirect result of the COVID-19 pandemic and may in the future receive forbearance, modification or other loss mitigation relief. The Servicer evaluates each request for forbearance, modification or other loss mitigation relief on a case by case basis, in each case subject to the temporary moratorium on foreclosures and other lender remedies pursuant to the California Executive Order and other similar executive or legislative actions.

The effects of the COVID-19 pandemic may continue for an extended or indefinite period of time, including the disruption and volatility in the credit markets and could result in liquidity issues. Limited liquidity in the secondary market for asset-backed securities could adversely affect a Noteholder's ability to sell their Notes or the price such Noteholder receives for such Notes and may continue to have a severe adverse effect on the market value of asset-backed securities such as the Notes, especially those that are more sensitive to prepayment or credit risk.

Mortgage Loans with Undrawn Rehabilitation Holdback Amounts or Unfunded Commitments May Present a Greater Risk

Approximately 76.68% of the Initial Mortgage Loans, by aggregate Unpaid Principal Balance as of the Initial Cut-off Date, have Undisbursed Rehabilitation Holdback Amounts. Four hundred and ninety four (494) of the Initial

Mortgage Loans, representing approximately 75.77% of the Initial Mortgage Loans, by aggregate Unpaid Principal Balance as of the Initial Cut-off Date, have an Unfunded Commitment. A Borrower is only permitted to draw upon Undisbursed Rehabilitation Holdback Amounts if the Asset Manager (or the Servicer on its behalf) determines that the terms of the related Mortgage Note, and certain other review procedures and conditions, as determined by the Originator, have been satisfied. If a Borrower is unable to satisfy the terms of the related Mortgage Loan Documents and certain other review procedures and conditions, evaluated by the Asset Manager (or the Servicer on its behalf) (for example, by providing certain documentation), the Borrower may be unable to complete necessary repairs, construction or rehabilitation projects with respect to the related Mortgaged Property. This could result in the Borrower being unable to repay the related Mortgage Note at maturity or otherwise delay payments on the Notes. In addition, although Undisbursed Rehabilitation Holdback Amounts with respect to the Mortgage Loans with Funded Commitments will be deposited in the Rehab Escrow Account when a Mortgage Loan is acquired by the Issuer, any failure to fund Undisbursed Rehabilitation Holdback Amounts with respect to the Mortgage Loans could result in claims by the Borrower against the Originator and/or in delays in payments or losses on the Notes, and if amounts disbursed to a Borrower are insufficient to complete necessary repairs, construction or rehabilitation projects, this may affect the valuation of the property. In addition, Unfunded Commitments are not funded at the origination of a Mortgage Loan. Instead, the Servicer (on behalf of the Issuer) may fund such Rehabilitation Disbursement Request following the satisfactory evaluation of the Rehabilitation Disbursement Request and by directing the release of funds from the Accumulation Account or advancing funds on behalf of the Issuer. The Asset Manager (or the Servicer on its behalf) has sole discretion to decide whether or not to fund an Unfunded Commitment. There can be no assurance that there will be sufficient funds in the Accumulation Account to fund any Unfunded Commitments. Any failure to fund Unfunded Commitments with respect to the Mortgage Loans could result in claims by the Borrower against the Originator and/or in delays in payments or losses on the Notes. See "*—Loan-to-Value Ratios Calculated Based on Internal and/or Appraised Values May Not Be an Accurate Reflection of Current Market Value*" in this Offering Memorandum.

Balloon Payment Mortgage Loans Increase Risk of Loss

All of the Mortgage Loans require "interest-only" payments during the term of the Mortgage Loan and a Balloon Payment. Mortgage Loans with a Balloon Payment involve a greater degree of risk than amortizing mortgage loans because the ability of a Borrower to make a Balloon Payment typically will depend upon the ability of such Borrower either to timely refinance the Mortgage Loan or to timely sell the related Mortgaged Property or the refinancing of the Mortgage Loan once the Mortgaged Property has been converted. The ability of a Borrower to accomplish either of these goals will be affected by a number of factors, including the value of the related Mortgaged Property, the level of available mortgage rates at the time of sale or refinancing, the Borrower's equity in the related Mortgaged Property, the financial condition of the Borrower, laws affecting the Mortgaged Property and the Borrower, and prevailing local, regional and national economic conditions. None of the Seller, the Asset Manager, the Servicer or any other party is obligated to refinance any Mortgage Loan with a Balloon Payment or to extend its maturity date.

The Rate of Default on Mortgage Loans that Are Secured by Non-Owner-Occupied Properties May Be Higher than on Other Mortgage Loans

All of the Mortgage Loans are secured by Mortgaged Properties that are non-owner-occupied properties. None of the Initial Mortgage Loans are made to Borrowers that are individuals. A non-owner-occupied property is a property which, at the time of origination, the borrower represented would not be used as the borrower's primary residence or second home. Because the Borrower is not living on the property, the Borrower may be more likely to default on the Mortgage Loan than on a comparable mortgage loan secured by a primary residence, or to a lesser extent, a second home. In addition, due to the COVID-19 pandemic, Borrowers whose properties are occupied by tenants may face increased risks of nonpayment of rent or other amounts by tenants or delays evicting, or inability to evict, nonpaying tenants. These factors may, in some cases, inhibit such Borrowers' ability to sell or refinance the Mortgaged Property, either of which may make the Borrower more likely to default on the Mortgage Loan.

Mortgagor Bankruptcy Considerations

A Borrower or related guarantor may file for relief under the United States Bankruptcy Code (the "Bankruptcy Code") at any time. If Mortgage Loans become delinquent for any reason, that risk is increased. Any economic disruption and market volatility that has been, and may be, caused by higher inflation and elevated interest rates could increase the number of Borrowers filing for relief under the Bankruptcy Code. As of the Initial Cut-off

Date, to the Sponsor's knowledge, none of the Borrowers with respect to the Mortgage Loans were subject to active bankruptcy proceedings. Virtually all actions by creditors against a borrower or related guarantor, including foreclosure actions, are stayed upon the filing of a bankruptcy petition. Frequently, no payments of interest or principal are made on a mortgage loan during the borrower's bankruptcy case. Frequently, no enforcement against, or recovery from, guarantors is achieved during a guarantor's bankruptcy case. In addition, a bankruptcy court may, with respect to a Mortgage Loan that is not secured by a Borrower's primary residence (i) reduce the Indenture Trustee's security interest in the related Mortgaged Property to the current value of the property, leaving the Indenture Trustee as an unsecured creditor for the remainder of the loan balance, and/or (ii) modify the payment terms of such Mortgage Loan. These and other aspects of bankruptcy proceedings could delay payments, reduce the yields or, under certain loss scenarios, cause principal and interest received on the Mortgage Loans to be insufficient to pay the Notes all principal and interest to which they are entitled. Additionally, certain of the Borrowers may previously have been subject to bankruptcy proceedings. A Borrower or guarantor who has previously filed for bankruptcy protection may be more likely to default or file for bankruptcy protection in the future.

Delay in Receipt of Liquidation Proceeds; Liquidation Proceeds May Be Less Than the Unpaid Principal Balance of a Mortgage Loan

Substantial delays in payments of principal of and interest on the Notes could be encountered in connection with the liquidation of delinquent Mortgage Loans. Every state has its own foreclosure process; particularly in states where the process is judicial rather than non-judicial, delays may be lengthy. Mortgagors may take steps to delay the foreclosure process. Many states have laws protecting the rights of tenants or other occupants of the Mortgaged Properties; these laws may delay liquidation of the Mortgaged Property following a foreclosure. Further, reimbursement of Servicing Advances and other advances made by the Servicer and liquidation expenses such as legal fees, real estate taxes and maintenance and preservation expenses will reduce the portion of Liquidation Proceeds distributable to Noteholders as the reimbursements of such Servicing Advances, other advances, Servicing Expenses, other advances, costs and liabilities are made prior to payments on the Notes. If a Mortgaged Property fails to provide adequate security for the related Mortgage Loan and the related liquidation expenses, you could incur a loss on your investment if the applicable credit enhancement is insufficient to cover the loss. Even assuming the Mortgaged Properties provide adequate security for the Mortgage Loans (which may not be the case due to, for example, a decrease in the price of the Mortgage Properties), substantial delays could result in connection with the liquidation of defaulted Mortgage Loans and such delays could be prolonged as a result of foreclosure moratoriums, the closure of government offices and other governmental policies and actions, which could also cause significant backlogs that could further delay foreclosure timelines and result in delays in payments or losses on the Notes.

On January 18, 2023, the New York State Senate passed New York Senate Bill No. 564 ("S564"), which, if enacted, could expand the Servicer's and/or the Issuer's liability to borrowers for violations of New York's mortgage servicing laws and regulations by creating a private right of action to enforce New York's mortgage servicing laws and regulations, or to bring counterclaims or actions for injunctive relief. Under S564, an injured person may recover (i) statutory damages of $1,000 per violation; (ii) treble actual damages; and (iii) costs and expenses, including reasonable attorneys' fee if awarded damages or injunctive relief. Under S564, a borrower may assert any noncompliance during the course of the servicing of the borrower's mortgage loan as a defense to a foreclosure action, regardless of whether the alleged action was committed by the current servicer or a prior servicer of such mortgage loan. In addition, in February 2022, the New York State Senate introduced New York Senate Bill No. 5473 ("S5473"), also known as the Foreclosure Abuse Prevention Act, which could adversely affect the ability of the Servicer to foreclose on mortgaged properties in New York by limiting the instances in which the relevant six-year statute of limitations can be re-set by the lender and by barring certain actions taken by lender once such statute of limitations has run. S5473 also prohibits lenders or servicers from bringing a separate action to recover on the same part of the mortgage debt that was determined to be time-barred in a foreclosure or other action. The Governor of New York signed S5473 on December 30, 2022 which became effective immediately and applies to all actions in which a final judgment of foreclosure has not been enforced. There can be no assurance what impact S5473 will have on the Issuer if the Servicer is unable to realize on Mortgaged Properties or otherwise recover on the related mortgage debt in another action where the statute of limitations has expired, including in cases of voluntary discontinuance of a prior foreclosure action because a borrower entered into a loss mitigation program, or foreclosure actions in general for any mortgage loans in New York.

The Transaction Parties May Become Subject to Litigation or Governmental Proceedings

There has been a significant amount of litigation against, and numerous governmental proceedings involving, transaction parties associated with offerings of residential mortgage-backed securities ("RMBS") If a transaction party becomes subject to litigation or governmental proceedings in connection with its mortgage lending or servicing business, the Mortgage Loans or the Mortgaged Properties, this may increase the costs and expenses of the Issuer, the Sponsor, the Depositor, the Servicer, the Asset Manager, the Indenture Trustee, the Paying Agent, the Note Registrar, the Certificate Registrar, the Owner Trustee and the Custodian. Such costs and expenses are generally paid prior to payments on the Notes. In addition, if the Servicer or the Asset Manager is subject to litigation or governmental proceedings, this may affect its ability to perform its respective obligations under the Transaction Documents (including making required Servicing Advances), even if such litigation is not related to the Issuer or the Mortgage Loans. If the Seller becomes subject to litigation or a governmental proceeding, this may affect the ability of the Seller to perform its obligations to repurchase Mortgage Loans from the Issuer, or with respect to a Liquidated Loan, make an indemnification payment, in each case, (a) with respect to which there has been a Material Breach of representations and warranties, a Material Document Defect, (b) if the Custodian has not issued an exception report without exceptions other than Permitted Exceptions within fifteen (15) days of the related Origination Date of a Wet-Ink Mortgage Loan or (c) in the event of a deficient finding during the Sample Diligence Review, Subsequent Review or Eligibility and Data Integrity Review, and satisfaction of the conditions to repurchase (or indemnify). This could result in a delay in or reduction of payments on the Notes. No assurances can be made as to the effect any such litigation or governmental proceedings may have on the value of, or payments on, the Notes.

Dependence on the Asset Manager's Performance

The Asset Manager will act in such capacity under the Asset Management Agreement. The Asset Manager's general role is to maximize the value of the Mortgage Loans pursuant to certain Servicing Oversight functions. "Servicing Oversight" includes, without limitation, (i) providing guidance and necessary approvals with respect to any acts or decisions required to be made by the Servicer under the Servicing Agreement, including without limitation, loss-mitigation activities and resolution of the Mortgage Loans and REO Properties undertaken by the Servicer pursuant to the Servicing Agreement and approval of any modifications or forbearances with respect to the Mortgage Loans; (ii) facilitating sales of the Mortgage Loans or REO Properties, on behalf of the Issuer at any time at a fair market value (as reasonably determined by the Asset Manager in its reasonable business judgment and taking into account any expenses of such sale) in arm's-length transactions; (iii) managing foreclosures conducted by the Servicer for any Mortgage Loan; (iv) providing guidance and oversight with respect to the Servicer's collection practices; (v) engaging additional vendors or third-party servicers, as needed, to maximize the value of the Mortgage Loans or REO Properties; (vi) exercise the right to terminate (or direct the termination of) the Servicer with respect to some or all of the Mortgage Loans and REO Properties, and appointing a qualified successor servicer in accordance with the Servicing Agreement; (vii) calculating the criteria for Eligible Mortgage Loans and confirming that the Additional Mortgage Loans comply with such Eligible Mortgage Loan criteria; and (viii) confirming that each Additional Mortgage Loan has been originated in an Eligible State. See "*Asset Management Agreement—Servicing Oversight*" in this Offering Memorandum for more detailed description of such Servicing Oversight functions.

In addition, the Asset Manager will, in its discretion, direct the Servicer or its subservicer or its designee in writing to perform certain Special Services. "Special Services" include: (i) the modification, waiver or amendment, whether or not material, of or with respect to any Mortgage Loan, including, without limitation, any forgiveness of principal, any change in the amount or timing of any payment of principal or interest, maturity or prepayment provisions (except for the Servicer's exercise of its discretion, as specifically contemplated in the Mortgage Note, to extend payment or maturity dates, which will not be deemed a modification or require the Issuer's or the Asset Manager's consent) or the substitution, release or addition of any real property collateral for any Mortgage Loan; (ii) the granting or withholding of consent to any transfer of ownership of a Mortgaged Property or any transfer of any interest of an owner of a Mortgaged Property or a Borrower; (iii) the granting or withholding of consent to any request for approval to incur subordinate financing secured by a Mortgaged Property; (iv) the determination of whether or not to release proceeds of condemnation or casualty insurance to the Borrower under any Mortgage Loan and to oversee the disbursement thereof in connection with the performance of restoration or rebuilding of the related Mortgaged Property; (v) the waiver or deferral of any Default Interest (but not a late payment charge) or Prepayment Charge under any Mortgage Loan; (vi) the approval of any lease or material contract; (vii) the taking of any action to initiate, prosecute and manage foreclosure proceedings and other legal proceedings related thereto in connection with any

Mortgage Loan pursuant to the Servicing Agreement; and (viii) the selling or disposing of each Mortgage Loan or REO Property and at the express direction of Issuer. See "*Asset Management Agreement—Special Services*" in this Offering Memorandum for more detailed description of such Special Service functions.

Certain officers or employees of the Asset Manager responsible for the activities undertaken on behalf of the Issuer have other responsibilities on behalf of the Asset Manager and/or its affiliates and conflicts of interest may arise as a result in the allocation of personnel.

In addition, following the occurrence of an Asset Manager Termination Event under the Asset Management Agreement, so long as such Asset Manager Termination Event has not been remedied or waived by the Indenture Trustee (acting at the direction of the Issuer or Noteholders holding more than 50% of the Percentage Interest of the Notes), the Indenture Trustee, at the direction of the Noteholders holding at least 67% Percentage Interest of the Notes may, by notice in writing to the Asset Manager, terminate the Asset Manager. Upon any such termination of the Asset Manager, the Issuer will, within ninety (90) days of such termination, appoint a successor asset manager acceptable to the Indenture Trustee (acting at the direction of the Noteholders holding at least a 67% Percentage Interest of the Notes). See "*Asset Management Agreement—Asset Manager Termination Events*" in this Offering Memorandum.

Should the Asset Manager cease to act as the Asset Manager of the Issuer, no assurance can be given that the Issuer would be able to find and recruit a replacement asset manager with similar experience, credibility and access to intellectual property and investment talent or as to the length of time the search for a replacement would take and at the same fee. A higher Asset Manager fee would reduce amounts available to make payments on the Notes. Any delay in finding another asset manager could adversely impact the timing and amount of payments on the Notes.

The Originator Does Not Have Significant Historical Performance Data About Performance on the Mortgage Loans; Loss Rates on The Mortgage Loans May Be Higher Than Expected

The Mortgage Loans, commonly referred to as residential bridge mortgage loans or residential transition mortgage loans, are a relatively new mortgage product and have been originated by the Originator since 2014. The Originator's platform utilized for the origination of the Mortgage Loans is in the early stages of its development and has a limited operating history. Due to its limited operating history, the Originator does not have significant historical data regarding the performance of the mortgage loans originated on its platform, and it does not yet know what the long-term loss experience will be. Accordingly, the Mortgage Loans may default more often than more traditional mortgage loans on investment properties, which could negatively and possibly significantly impact the repayment of the Notes. In addition, there can be no assurance that the Originator will be able to originate a sufficient volume of Eligible Mortgage Loans for the Issuer to acquire Additional Mortgage Loans in an amount sufficient to exhaust amounts on deposit in the Accumulation Account. Any such inability of the Issuer to acquire Additional Mortgage Loans could negatively impact the amount and timing of payments on the Notes.

The Depositor and the Sponsor Have Limited Operating Histories and Financial Resources

The Depositor was established as a Delaware limited liability company on January 28, 2019. The Depositor is wholly owned by the Sponsor. The Depositor is not an operating company, and the Depositor has limited assets and no employees. The Sponsor was established as a Delaware corporation on July 15, 2013. The limited prior securitization experience of the Sponsor and the Depositor is described in this Offering Memorandum. See "*The Sponsor, the Originator, the Servicer and the Asset Manager*" in this Offering Memorandum. Limited prior performance history is available to investors regarding the payment experience of comparable securitizations by the Depositor, the Sponsor or any of their affiliates. Furthermore, the Sponsor's Mortgage Loan selection program—and underlying acquisitions strategy for the program—has a limited operating history and is untested over long term business cycles. In addition, the Originator has only recently commenced originating Mortgage Loans with Unfunded Commitments, so the Originator has no experience or historical information with respect to the performance of such Mortgage Loans as compared to other Mortgage Loans, and no information regarding the amounts and timing of requests to fund such Unfunded Commitments. Investors should carefully consider the lack of historical performance data to assess the Sponsor's ability to acquire and/or originate Mortgage Loans that are suitable for a securitization and the ability of the Depositor and the Sponsor to manage their acquisition and securitization program through one or more financial cycles.

Although the Depositor and the Sponsor intend to complete subsequent securitizations, there can be no assurance that they will be able to do so, nor are they obligated to consummate subsequent securitizations. Any future securitizations by the Depositor or the Sponsor will depend upon, among other things, the ability to raise the necessary capital in subsequent funds and similar investment vehicles, availability for purchase of Mortgage Loans that meet their origination or acquisition criteria, the attractiveness of the price of the residential transition mortgage loans, competition by other financial institutions for the residential transition mortgage loans, the state of the housing markets and the U.S. economy generally, and prospective regulations. There can be no assurance the Sponsor and the Depositor will be able to raise additional capital. None of the current managers, members, partners or investors in the Sponsor or the Depositor are obligated to provide additional capital. In addition, the Sponsor currently has access to warehouse financing lines. There can be no assurance that these agreements will continue, or that the Sponsor will be able to secure other financing as and when needed, or on financial terms comparable to its current financing arrangements. The inability of the Depositor and the Sponsor to offer subsequent mortgage-backed securities may adversely affect the value and liquidity of the Notes.

Loan-to-Value Ratios Calculated Based on Internal and/or Appraised Values May Not Be an Accurate Reflection of Current Market Value

The appraisals obtained in connection with the origination of the Mortgage Loans were intended to establish the amount a typically motivated buyer would pay a typically motivated seller at the time the appraisals were prepared. In determining the price a "typically motivated" buyer would be willing to pay, appraisers examine comparable sales in a specified locality and adjust the price upward or downward based on the characteristics of the related property. An appraisal does not reflect the insurance replacement value of a particular home. The price a "typically motivated" buyer would be willing to pay is subject to the appraiser's subjective analysis and opinion and could be significantly higher than the amount that would be obtained from the sale of a Mortgaged Property under a distressed or liquidation sale. In addition, appraisers may use substantially different methods to establish or estimate a buyer's "typical motivations" with respect to an individual property. Appraisals of properties which have been vacant or with significant damage or deferred maintenance may be more subjective than those of owner-occupied, good quality properties in established neighborhoods.

For Mortgaged Properties where the Borrower plans to repair or renovate the property, prior to final approval of the Mortgage Loan, the Originator determines the amount for such Mortgage Loan based on the Cost Basis and an internal evaluation of the ARV of the Mortgaged Property. The ARV for a Mortgaged Property is prepared internally by the Originator using internal or external automated valuation models and is based on the expected value of such Mortgaged Property after the predetermined repairs and/or rehabilitation projects have been completed. In connection with establishing the ARV, the Originator may utilize available information, including (if applicable, as needed) public records, on-site and/or virtual property inspections, internal and/or external automated valuation models, broker price opinion reports, third-party vendor desktop appraisals, exterior appraisals, full interior appraisals, the property condition as illustrated through third-party or Borrower provided information at the time of evaluation, the rehabilitation scope of work to be performed by the Borrower and/or a comparable sales analysis. Many of the factors involved in the determination of the ARV of a Mortgaged Property rely on forward-looking estimates and are inherently uncertain. In addition, the Originator's valuation methods and relative reliance on specific factors may be adjusted for future ARV determinations. No assurance can be given that the costs of necessary improvements on a Mortgaged Property will not exceed estimates or that the market value of the Mortgaged Property upon completion of such improvements will not fall below projections. If the pre-construction estimates on a Mortgaged Property differ significantly from the actual amounts post-construction, the related Borrower may not realize proceeds sufficient to allow timely repayment of the Mortgage Loan, which could result in delays or reductions in the Collections available to make payments on the Notes. In addition, since the ARV of a Mortgaged Property assumes completion of repairs or renovations in accordance with plans provided to the appraiser, the valuation of the property may be affected if the repairs or renovations are not of the quality assumed or are not completed in accordance with the plans.

Appraisals are opinions of the related appraisers; appraisals and valuations prepared internally by the Originator may not accurately reflect the value or condition of the Mortgaged Property, particularly during periods of volatility in the applicable real estate market (whether local, regional or national). In addition, property values may have declined since the time valuations were established or appraisals were obtained. Accordingly, the values of the Mortgaged Properties used to determine the Loan-to-ARV Ratios that are disclosed in this Offering Memorandum may be lower, in some cases significantly lower, than the applicable values that would be determined if current appraisals of the Mortgaged Properties were used to determine those values. Prospective investors should consider that if a valuation overestimates the prices at which mortgaged properties are actually sold, the proceeds of the Mortgage Loans may be significantly less than anticipated by investors. There can be no assurance that a Borrower will be able to sell a Mortgaged Property for the ARV determined by the Originator, which could result in losses on the Notes.

Investors are encouraged to make their own determination as to the degree of reliance they place on the Loan-to-ARV Ratios that are disclosed in this Offering Memorandum.

Higher Loan-to-Value Ratios May Result in Losses on Mortgage Loans

Mortgage Loans with higher Loan-to-Value ratios may be more likely to experience Borrower default and foreclosure than Mortgage Loans with lower Loan-to-Value ratios. A higher rate of foreclosure on Mortgage Loans with higher Loan-to-Value ratios is likely to result in significant losses on such Mortgage Loans. In addition, Mortgage Loans with higher Loan-to-Value ratios are more likely to be subject to a judicial reduction of the loan amount in bankruptcy or other proceedings than mortgage loans with lower Loan-to-Value ratios. If a court relieves a Borrower's obligation to repay amounts otherwise due on a Mortgage Loan, the Servicer will not be required to make a Servicing Advance or other advances in respect of such written down amounts, and any loss in respect thereof may reduce amounts available for distribution to the Noteholders. In such event, Noteholders may suffer a loss.

Appraisals May Not Satisfy Appraisal Standards Adopted by Federal Banking Agencies for Certain Transactions

Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 ("FIRREA") requires each federal banking agency to prescribe appropriate standards for the performance of real estate appraisals in connection with "federally related transactions," which are defined as those real estate-related financial transactions that an agency engages in, contracts for, or regulates and that require the services of an appraiser providing an appraisal or evaluation in accordance with the requirements of FIRREA. While the Originator intends for all appraisals to satisfy FIRREA, there can be no assurance as to whether any appraisals or evaluations of any such Mortgaged Properties, if obtained in accordance with the Underwriting Guidelines, satisfy regulatory appraisal standards prescribed under FIRREA.

Section 1473(q) of the Dodd-Frank Act amended title XI of FIRREA relating to the use of automated valuation models ("AVMs") in valuing real estate collateral securing mortgage loans, and directed federal regulatory agencies to promulgate quality control regulations regarding AVMs. The agencies issued a proposed rule for that purpose on June 21, 2023. There can be no assurance as to whether any appraisals, evaluations, or AVMs for any Mortgage Properties, if obtained in accordance with the Underwriting Guidelines, satisfy regulatory appraisal standards prescribed under FIRREA.

Delinquencies and Losses on the Mortgage Loans May Adversely Affect the Yield on the Notes

As of the Initial Cut-off Date, none of the Initial Mortgage Loans are thirty (30) or more days delinquent. Although the Eligibility Criteria for Additional Mortgage Loans do not permit mortgage loans that are thirty (30) days or more delinquent as of the related Cut-off Date, it is possible that Additional Mortgage Loans may have been previously delinquent and became current prior to the Issuer acquiring such Additional Mortgage Loan and the related Borrower may become delinquent again. As a result, the inclusion of Additional Mortgage Loans that were previously delinquent, the Mortgage Pool may bear more risk than a pool of mortgage loans without any previous delinquencies but with otherwise comparable characteristics. Investors should consider that mortgage loans with a history of delinquency may experience rates of delinquency, foreclosure and bankruptcy that are higher, and that may be substantially higher, than those experienced by mortgage loans without a history of such delinquency and the impact that any such delinquency, foreclosure or bankruptcy may have on the Notes.

The Servicer will be responsible for servicing the Mortgage Loans regardless of whether the Mortgage Loans are performing or have become delinquent or are otherwise in default. As delinquencies or defaults occur, the Servicer and/or Asset Manager will be required to utilize an increasing amount of resources to work with the related Borrower to maximize collections on the related Mortgage Loan. At each step in the process of trying to bring a defaulted Mortgage Loan current or in maximizing proceeds, the Asset Manager will be required to invest time and resources not otherwise required when collecting payments on performing Mortgage Loans. Investors should note that in connection with considering a modification or other type of loss mitigation, the Asset Manager may incur or bear related out-of-pocket expenses, which would be reimbursed to the Asset Manager from Collections prior to payments on the Notes. No party will have any obligation to advance payments of principal or interest on delinquent Mortgage Loans and this may adversely affect the yields of the Notes.

Pre-Offering Review of the Mortgage Loans May Not Reveal All Aspects of the Mortgage Loans Which Could Lead to Losses

The Sponsor has undertaken certain limited loan review procedures with respect to various aspects of the Initial Mortgage Loans, including engaging the Securitization Diligence Provider to (i) conduct a data integrity review with respect to all Initial Mortgage Loans and (ii) conduct a review of the underwriting of a sample of the Initial Mortgage Loans and verification of certain aspects of a sample of the Initial Mortgage Loans to evaluate conformance with the Originator's Underwriting Guidelines. In conducting these review procedures, the Securitization Diligence Provider relied on information and resources available to it (which were limited and which, in most cases, were not independently verified). These review procedures were intended to identify certain material discrepancies and possible material defects in the Initial Mortgage Loans reviewed, however, these procedures did not constitute a re-underwriting of the Initial Mortgage Loans and were not designed or intended to discover every possible discrepancy or defect and may not be consistent with the type and scope of review that any individual would deem appropriate. In addition, although the data integrity review was conducted with respect to all Initial Mortgage Loans, the Pre-Offering Review of the Initial Mortgage Loans was limited to a sample of the Initial Mortgage Loans. See "*—Sample Diligence Review of the Mortgage Loans May Not Reveal All Aspects of the Mortgage Loans Which Could Lead to Losses*" in this Offering Memorandum. There can be no assurance that any review process conducted uncovered all relevant aspects that could be determinative of how the Initial Mortgage Loans will perform.

Furthermore, to the extent that the limited review conducted by the Securitization Diligence Provider did reveal factors that could affect how the Initial Mortgage Loans will perform, the Sponsor may have incorrectly assessed the potential severity of those factors. Investors should make their own determination as the extent to which they place reliance on the limited loan review procedures of the Sponsor. The inclusion of any Initial Mortgage Loan in the Mortgage Pool is not a representation by the Sponsor or any other party with respect to the adequacy or sufficiency of the Pre-Offering Review process with respect to such Initial Mortgage Loan.

Investors should make their own determination about the appropriateness and suitability of, as well as the extent to which they should rely upon, the sampling methodology described above, including the time periods, precision level and confidence interval.

See "*Description of the Mortgage Loans—Review Procedures*" in this Offering Memorandum.

Eligibility and Data Integrity Review and Sample Diligence Review of the Mortgage Loans May Not Reveal All Aspects of the Mortgage Loans Which Could Lead to Losses

From time to time during the Reinvestment Period, the Issuer may acquire Additional Mortgage Loans that meet Eligibility Criteria and Concentration Limits. All such Additional Mortgage Loans will be subject to an Eligibility and Data Integrity Review, but only a sample randomly selected by the Seller of no less than (i) 30.0% (by loan count), until the Issuer has acquired Additional Mortgage Loans with an aggregate Unpaid Principal Balance greater than or equal to the Prefunding Amount and (ii) thereafter, 20% (by loan count), in each case, of the Additional Mortgage Loans acquired by the Issuer in any Collection Period will be subject to a Random Sample Review, which reviews will not be required to be completed until the Payment Date immediately following the Collection Period in which such Additional Mortgage Loan was acquired. In addition, under certain circumstances, a Second Sample Review or a 100% Review may be required with respect to certain Additional Mortgage Loans. A Second Sample Review, to the extent one is conducted, will review a statistically significant random sample of Additional Mortgage Loans acquired by the Issuer during the relevant Collection Period. See "*Description of the Mortgage Loans—Review Procedures*" in this Offering Memorandum for more information.

The Asset Manager will be responsible for conducting the Eligibility and Data Integrity Review, but may delegate such duty to an Eligible Diligence Vendor. Any Sample Diligence Review will be conducted by an Eligible Diligence Vendor. In conducting the Sample Diligence Review, such Eligible Diligence Vendor will rely on information and resources available to it, which may be limited and which, in most cases, will not be independently verified. These review procedures are intended to identify certain material discrepancies and possible material defects in the Review Mortgage Loans. However, these procedures will not constitute a re-underwriting of the Review Mortgage Loans and are not designed or intended to discover every possible discrepancy or defect and may not be consistent with the type and scope of review that any individual would deem appropriate, complete or even expected. In addition, to the extent that any limited review conducted reveals factors that could affect how the Additional Mortgage Loans may perform, the applicable Eligible Diligence Vendor may not correctly assess the potential significance of discrepancies that are not identified. There can be no assurance that any review process conducted will uncover relevant facts that could be indicative of how the Additional Mortgage Loans will perform. There can be no assurance that the error rates found in the course of a Sample Diligence Review will be applicable to the Additional Mortgage Loans, or that a Sample Diligence Review will produce results that can be extrapolated to the entire population of Additional Mortgage Loans. Further, a substantial amount of Additional Mortgage Loans are not expected to be reviewed by such Eligible Diligence Vendor in connection with the Sample Diligence Review and such Additional Mortgage Loans may have characteristics that may not be discovered, noted or analyzed as part of such Sample Diligence Review that could, nonetheless, result in those Additional Mortgage Loans becoming delinquent and/or a Defaulted Mortgage Loan and may cause the Noteholders to experience losses or event total loss. The Review Mortgage Loans are selected may not perform in the same manner as the Additional Mortgage Loans that are not Review Mortgage Loans, and we cannot predict how any changes to the Underwriting Guidelines or servicing of the Review Mortgage Loans were selected will affect those mortgage loans versus the Additional Mortgage Loans that are not Review Mortgage Loans. The drawing of a random sample of the Review Mortgage Loans will be made by the Seller. Had such sample been expanded, it is possible that other material discrepancies and possible material defects regarding the Mortgage Loans may have been discovered. There can be no assurance that any review process conducted will uncover all relevant aspects that could be determinative of how the Additional Mortgage Loans will perform, and any or all relevant aspects may not be reviewed at all. The number of Review Mortgage Loans could vary in each Collection Period, which could mean that the Sample Diligence Review results for some Collection Periods are less indicative of the quality of the mortgage loans designated in such Collection Period than other Collection Periods. Moreover, the calculation of statistical significance with respect to any Second Sample Review is only an estimate, and there can be no assurance that any Second Sample Review will be indicative of review results that included all of the Additional Mortgage Loans acquired by the Issuer in any Collection Period. You should make your own determination about the appropriateness and suitability of, as well as the extent to which you should rely upon the sampling methodology described above, including the confidence interval.

Mortgage loan and mortgage security credit risk is influenced by various factors, including, primarily, the credit profile of the mortgagor (e.g., credit score, credit history and monthly income relative to debt payments), documentation level, the number of mortgagors, the features of the mortgage itself, the purpose of the mortgage, the type of property securing the mortgage, the loan to value and local and regional economic conditions, including home prices and unemployment rates. The limited review of the Review Mortgage Loans addresses only some of these factors, and may not review any completely. For example, such review does not address economic conditions, unemployment rates or other factors that in the past have had, and in the future could have, a material adverse effect on the value of the Review Mortgage Loans. Investors should note that this limited review of the Review Mortgage Loans covers only certain of the defects which could lead to delinquency, and may not review any in full.

Furthermore, there can be no assurance that any Sample Diligence Review uncovered all relevant factors relating to the origination of the Mortgage Loans, their compliance with applicable laws and regulations, their compliance with all Underwriting Guidelines, and the original valuations relating to the Mortgaged Properties. Any review of a Review Mortgage Loan may not uncover a breach of a representation and warranty concerning compliance with all applicable federal, state and local laws and regulations. Investors should note that any review of any Review Mortgage Loan may not uncover a breach related thereto. If (i) an Eligibility and Data Integrity Review finds that an Additional Mortgage Loan does not satisfy the Eligibility Criteria or (ii) the Random Sample Review of an Additional Mortgage Loan results in "C" equivalent or lower grades, in each case, the Seller will have ten (10) business days from the date the Seller receives such results to cure any deficiencies noted in the Eligibility and Data Integrity Review and/or the Random Sample Review, failing which, such Additional Mortgage Loan will be subject to automatic repurchase by the Seller from the Issuer at the Repurchase Price. An Additional Mortgage Loan will also be required to be removed in the event that such Additional Mortgage Loan is in Material Breach of a representation or warranty or receives a grade level of "C" equivalent or lower in any Review Finding and such Review Finding has not been cured. No assurance can be given that the Seller will have the financial ability to make such repurchase or indemnification payment. See "*—Risk Related to the Sponsor and its Affiliates—Financial Condition of the Seller*" in this Offering Memorandum. Additionally, to the extent that the limited review conducted by an Eligible Diligence Vendor with respect to a Sample Diligence Review on the Review Mortgage Loans reveals factors that could affect how the Mortgage Loans will perform, the Sponsor may incorrectly assess the potential severity of those factors. Investors should make their own determination as the extent to which they place reliance on the limited loan review procedures of the Sponsor. The inclusion of any Mortgage Loan in the Mortgage Pool is not a representation by the Sponsor or any other party with respect to the adequacy or sufficiency of the Sample Diligence Review with respect to such Mortgage Loan. Any benefit that an investor may derive from the information associated with the Sample Diligence Review should be weighed against the fact that the Review Mortgage Loans subject to the Sample Diligence Review may or may not mirror the mortgage loans already in the Mortgage Pool. You are encouraged to make your own determination as to the extent to which you place reliance on the review processes the Sponsor undertakes.

Although the Sample Diligence Review is required to be similar to the Pre-Offering Review of the Initial Mortgage Loans, there can be no assurance that the review criteria will be identical, nor that such Eligible Diligence Vendor conducting the Sample Diligence Review will use the same methods and sources, and make the same findings as the Securitization Diligence Provider would have reached had the Sample Diligence Review been conducted by the Securitization Diligence Provider. The Eligible Diligence Vendor has not been selected, and there can be no assurance that such Eligible Diligence Vendor ultimately engaged will conduct such reviewing in the exact manner in which the Pre-Offering Review of the Initial Mortgage Loans was conducted. Different Eligible Diligence Vendors may be retained for different Collection Periods, which could result in different review procedures being applied to the Review Mortgage Loans from Collection Period to Collection Period. The methods and procedures of future Eligible Diligence Vendors will not be known as of the Closing Date. Therefore, you should carefully evaluate the differences in the methods, sources and findings of the Securitization Diligence Provider with respect to the Initial Mortgage Loans as compared to those of such Eligible Diligence Vendor with respect to Additional Mortgage Loans. However, you will not have any input into the methods and procedures of the Eligible Diligence Vendors.

See "*Description of the Mortgage Loans—Review Procedures*" in this Offering Memorandum.

Credit Scores May Not Accurately Predict the Likelihood of Default or May Not be Available

The Originator generally uses credit scores as part of its underwriting process, when available. Credit scores are generated by models developed by third-party credit reporting organizations that analyze data on consumers in order to establish patterns that are believed to be indicative of a borrower's relative probability of default. A credit score represents an opinion of the related credit reporting organization of a borrower's creditworthiness and the credit score reported by a credit reporting organization may be higher or lower than the credit score of another reporting organization. The credit score is based on a borrower's historical credit data, including, among other things, payment history, delinquencies on accounts, levels of outstanding indebtedness, length of credit history, types of credit, and bankruptcy experience. Credit scores can range from approximately 300 to approximately 850, with higher scores indicating an individual with a more favorable credit history compared to an individual with a lower score. A credit score purports only to be a measurement of the relative degree of risk a borrower represents to a lender, *i.e.*, that a borrower with a higher score is statistically expected to be less likely to default in payment than a borrower with a lower score. Credit scores do not necessarily correspond to the probability of default over the life of the related mortgage loan, because they reflect past credit history, rather than an assessment of future payment performance. Furthermore, credit scores were not developed for use in connection with investment property loans, but for consumer loans in general. Therefore, credit scores may not address particular characteristics that influence the probability of repayment of the Mortgage Loans by the Borrower or recovery on any Mortgage Loan from any individual guarantor. Credit scores of any particular individual guarantors may not accurately predict the likelihood of repayment by the related Borrower entity, or the likelihood of recovery from any individual acting in the capacity of a guarantor, rather than a debtor. Credit scores should not be assumed to be an accurate predictor of the likelihood of repayment of the Mortgage Loans. None of the Sponsor, the Seller, the Asset Manager, the Depositor, the Servicer, the Originator, the Indenture Trustee, the Paying Agent, the Securities Intermediary, the Note Registrar, the Certificate Registrar, the Custodian, the Owner Trustee or the Initial Purchasers makes any representation or warranty as to any guarantor's current credit score or the actual performance of any Mortgage Loan or that a particular credit score should be relied upon as a basis for an expectation that a Borrower will repay its Mortgage Loan according to its terms or that any amount will be recoverable from an individual guarantor in connection with a Mortgage Loan.

In addition, the CARES Act prohibits adverse reporting of mortgage loan forbearances or other accommodation, assistance, or relief granted in connection with COVID-19 to the credit reporting agencies responsible for providing credit scores during a covered period that began on January 31, 2020 and ended on August 8, 2023, so the accuracy of those credit scores received during this period may be reduced. None of the credit scores used as part of the underwriting process with respect to the Initial Mortgage Loans were generated prior to the start of the COVID-19 pandemic. None of the Initial Mortgage Loans had, and Additional Mortgage Loans may have, credit scores used as part of the underwriting process that were generated during the covered period for credit reporting relief established by the CARES Act, and therefore may not be indicative of the Borrower's creditworthiness as would have been determined based on credit reports not subject to CARES Act protections.

Assessments, Homeowner Association Super-Priority Liens, Special Assessment Liens, Energy Efficiency Liens, and Tax Liens May Take Priority Over the Mortgage Lien

Mortgaged Properties securing the Mortgage Loans may be subject to a lien for property taxes and/or assessments. These liens may be superior to the liens securing the Mortgage Loans, irrespective of the date of the mortgage.

In other instances, individual Borrowers may be able to elect to enter into contracts with governmental agencies for Property Assessed Clean Energy (PACE) or similar assessments that are intended to secure the payment of energy and water efficiency and distributed energy generation improvements that are permanently affixed to their properties, possibly without notice to or the consent of the mortgagee. These assessments may also have lien priority over the mortgages securing the Mortgage Loans, and may give rise to an event of default under the Mortgage Loan. No assurance can be given that any Mortgaged Property so assessed will increase in value to the extent of the assessment lien. Additional indebtedness secured by the assessment lien would reduce the amount of the value of the Mortgaged Property available to satisfy the affected Mortgage Loan. The Seller has not brought title work forward from the date of the original Mortgage Loan to check for such additional liens. The Seller makes no representations or warranties with respect to any such lien nor will Seller be required to monitor or take any actions or be subject to any liability with respect to any such lien.

In addition, certain of the Mortgaged Properties may not conform to current zoning laws or municipal codes at the time of origination of the related Mortgage Loan. As part of the underwriting process for such Mortgage Loans, the Originator assesses the materiality of such zoning or code noncompliance and the related Borrower's rehabilitation plan to bring the Mortgaged Property into compliance. However, we cannot assure you that the related Borrower will ultimately bring the Mortgaged Property into compliance with all applicable laws, regulations and ordinances.

The failure of a Mortgaged Property to comply with applicable zoning laws or municipal codes may adversely affect the market value of the Mortgaged Property or may necessitate material additional expenditures to remedy non-conformities. Additionally, continued noncompliance could result in fines or the imposition of a lien on the Mortgaged Property by the applicable municipality or regulatory authority, which lien may have priority over the mortgage securing the related Mortgage Loan. Although no Mortgaged Property is subject to a lien related to noncompliance with any zoning law or municipal code as of the Closing Date, we cannot assure you that any such lien will not be imposed in the future.

In some jurisdictions it is possible that the first lien of a mortgage may be extinguished by super priority liens of homeowners' associations or condominium associations (collectively, for purposes of this Offering Memorandum, "HOA"), potentially resulting in a loss of the mortgage loan's outstanding principal balance. In at least 20 states and the District of Columbia, HOA or condominium association assessment liens can take priority over first lien mortgages under certain circumstances. There can be no assurance that Mortgaged Properties are not subject to a mandatory HOA. The number of these so-called "super lien" jurisdictions has increased in the past few decades and may increase further. Recent rulings by the highest courts in Washington, Nevada, Rhode Island and the District of Columbia have held that the "super lien statute" provides the HOA or condominium association with a true lien priority rather than a payment priority from the proceeds of the sale, creating the ability to extinguish the existing senior mortgage and greatly increasing the risk of losses on mortgage loans secured by homes whose owners fail to pay HOA or condominium fees.

The laws of "super lien" jurisdictions that provide for HOA super liens vary in terms of: (a) the duration of the priority period (with many at six months and some with no limitations); (b) the assessments secured by the HOA lien (charges can include not only unpaid HOA assessments, but also late charges, collection costs, attorney fees, foreclosure costs, fines and interest); (c) whether the HOA must give lenders with liens encumbering the mortgaged property notice of the homeowner's failure to pay the assessment; (d) the statute of limitations on HOA foreclosure rights; (e) rights of redemption of the foreclosed lien holder; and (f) whether the super priority lien applies to condominiums, planned unit developments, cooperatives.

There is currently no efficient mechanism available to loan servicers, including the Servicer, to track the status of Borrowers' payments of HOA assessments that are governed by super lien statutes. In fact, there is neither a unified database for HOA information nor a centralized place for HOAs and loan servicers to contact one another. Consequently, in some of the super lien jurisdictions there often is no practical, systemic method for the Servicer to determine when an HOA assessment is unpaid or when the HOA initiates foreclosure of its lien. In some circumstances the Servicer may make Servicing Advances to pay delinquent HOA dues, charges and fees or for the costs of determining whether any Mortgaged Property is subject to a homeowner association assessment or a related lien.

If an HOA, or a purchaser of an HOA super lien, completes a foreclosure in respect of an HOA super lien on a Mortgaged Property, the underlying Mortgage Loan may be extinguished. In those instances, Noteholders could suffer a loss of the entire outstanding principal balance of the Mortgage Loan, plus interest. The Servicer might be able to attempt to recover on an unsecured basis by suing the related Borrower personally for the balance, but recovery in these circumstances will be problematic if the Borrower has no meaningful assets against which to recover.

The Mortgage Loans May Have Limited Recourse to the Related Mortgagor, Which May Result in Losses with Respect to These Mortgage Loans

Some or all of the Mortgage Loans will be loans for which recourse may be restricted or unenforceable. Generally, the Mortgage Loans provide for full recourse to a Borrower or guarantor that is an individual. However, even with respect to those Mortgage Loans that provide for recourse against a Borrower or guarantor and their assets generally, there can be no assurance that enforcement of the recourse provisions will be practicable or permitted by applicable law, or that the other assets of the Borrower or the guarantor will be sufficient to permit a recovery in respect of a defaulted Mortgage Loan in excess of the liquidation value of the related Mortgaged Property. In addition, the Servicer has no obligation, and may be reluctant, to pursue deficiency judgments, even where permitted by applicable law. Any risks associated with Mortgage Loans with limited recourse may affect the yields to maturity of the Notes to the extent losses caused by these risks are not covered by credit enhancement or covered by the repurchase, indemnification or substitution remedies with respect to breaches of representations and warranties or Material Document Defects.

Failures or Delays in Endorsing Notes and Recording Assignments of Mortgage Could Increase Risk of Loss

After the Closing Date, assignments of the mortgages to the Issuer are required to be prepared and delivered to the Custodian, but none of those assignments will be recorded. As a result, record title for every Mortgage Loan will not be assigned to the Issuer. Similarly, the Mortgage Notes will not be endorsed to the Issuer, but endorsements in blank are required to be delivered to the Custodian.

The failure to record (or delay in recording) the assignments of the mortgages in the name of the Issuer could result in the loss of the underlying mortgage liens. For example, a loss of the underlying mortgage lien could occur if a governmental authority foreclosed on the Mortgaged Property and notice to the record owner was not forwarded to the Servicer in a timely manner.

In addition, the failure to record (or delay in recording) the assignments of the mortgages could impair the ability of the Servicer to take timely servicing actions with respect to the Mortgage Loans, which could reduce the value realized from such Mortgage Loans. Some of the assignments may be assignments in blank that have been filled in. Questions have been raised about the validity and enforceability of assignments in blank. The Servicer may have to record the related assignments of mortgage prior to filing a foreclosure proceeding. The expenses of recording will be treated as Servicing Advances and will reduce the amount available to make payments on the Notes. There could be delays in commencing the foreclosure proceedings as a result of the need to record assignments of mortgages, which could lead to delays or reductions in payments on the Notes. If the related assignments cannot be located at the time of foreclosure, if an assignment is missing in the chain of title or if an assignment in blank that has been filled in cannot be recorded, it may not be possible to foreclose.

In addition, it may not be possible to commence foreclosure proceedings until the related Mortgage Note has been endorsed to the Indenture Trustee. If a necessary endorsement is missing and cannot be obtained, it may not be possible to foreclose.

Also, due to a backlog of cases as a result of the COVID-19 pandemic, foreclosures may be delayed as courts suspended certain types of litigation, including foreclosure actions and similar proceedings. As a result, there can be no assurance that such otherwise routine actions such as foreclosures, will be performed or processed on a regular or predictable timeframe. See "—*Risks Associated with the COVID-19 Pandemic*" in this Offering Memorandum for a description of the foreclosure and eviction moratoria that were adopted by the federal government.

Furthermore, the inability of the Servicer, because it is not the mortgagee of record, to timely release the lien of the mortgage on a Mortgage Loan that has been paid off could expose the Issuer to claims and liability for violations of applicable law, thus reducing the amount available to make payments on the Notes.

The occurrence of any of these circumstances could result in delays or reductions in payments on the Notes, or other losses.

Wet-Ink Mortgage Loans Could Increase Risk of Loss

Additional Mortgage Loans acquired by the Issuer during the Reinvestment Period may consist of Wet-Ink Mortgage Loans. No more than 10.00% of the Mortgage Loans (by aggregate Principal Limit) at any time may consist of Wet-Ink Mortgage Loans. When a Wet-Ink Mortgage Loan is acquired by the Issuer, the Custodian will not have the Mortgage Loan Documents with respect to such Wet-Ink Mortgage Loan in its possession. It is possible that the related mortgage file will not be delivered to the Custodian, due to the mortgage file being lost in transit or for other reasons. If the Mortgage Loan Documents with respect to a Wet-Ink Mortgage Loan are not delivered to the Custodian in a timely manner, it could hinder or delay the Servicer's ability to undertake collection or loss-mitigation activity, to commence foreclosure proceedings on behalf of the Issuer or to take any other action with respect to such Wet-Ink Mortgage Loan, which could result in losses on the Notes. The Custodian will agree to deliver an updated exception report with respect to any Wet-Ink Mortgage Loans upon receipt of the related Mortgage Loan Documents pursuant to the timing set forth in the Custodial Agreement. This could create an increased administrative burden on the Custodian to monitor the receipt of Mortgage Loan Documents with respect to Wet-Ink Mortgage Loans, which could result in a failure of the Custodian to deliver an updated exception report in a timely manner.

The fact that the Custodian does not have possession of the Mortgage Loan Documents with respect to a Wet-Ink Mortgage Loan may also increase the risk that the Issuer does not have a first priority ownership interest in such Wet-Ink Mortgage Loan. Under Section 9-330(d) of the UCC, a purchaser of an instrument (which may include the Mortgage Loans) has priority over a security interest in the instrument perfected by a method other than possession if the purchaser gives value and takes possession of the instrument in good faith and without knowledge that the purchase violates the rights of the secured party. If the Originator were to sell a Wet-Ink Mortgage Loan to a third-party, and such third-party takes possession of the Mortgage Loan Documents before such Mortgage Loan Documents can be delivered to the Custodian, the Issuer's interest in such Wet-Ink Mortgage Loan could be junior to such third-party. If the Issuer's interest in a Wet-Ink Mortgage Loan becomes junior to that of another person, it could affect the ability of the Issuer or Indenture Trustee (or the Paying Agent on its behalf) for the benefit of the Noteholders to collect the payments on such Wet-Ink Mortgage Loan or to enforce its security interest against the Seller. The occurrence of any of these events could result in delays or reductions in payments, which may result in a loss on your investment in the Notes.

If, within fifteen (15) days of the Origination Date of a Wet-Ink Mortgage Loan, the Custodian has not issued an exception report without exceptions other than Permitted Exceptions, the Seller will be required to repurchase such Wet-Ink Mortgage Loan from the Issuer at the applicable Repurchase Price. However, no assurance can be given that the Seller will have the financial wherewithal to complete such required repurchase. See "—*Risk Related to the Sponsor and its Affiliates—Financial Condition of the Seller*" in this Offering Memorandum for more information.

Regulatory Oversight of the Mortgage Loans May Increase the Risk of Loss

The Mortgage Loans were originated as commercial-purpose loans, each secured by a first lien on non-owner-occupied single-family residences, attached and detached planned unit developments, condominium, two to four unit properties, manufactured housing properties and, potentially with respect to any Additional Mortgage Loans, multi-family (5-20 unit) properties. As a result, many federal and state consumer protection laws that place restrictions on creditors in connection with the extension of credit and collections on consumer loans and protection of sensitive consumer data obtained in the origination and servicing thereof are typically not applicable. However, the Mortgage Loans are secured by residential and multifamily property, and are generally made to or guaranteed by natural persons. As a result, some state or federal consumer protection regulations may apply. Some potentially applicable consumer protection laws include the following:

- the Fair Housing Act, which prohibits discrimination in certain real estate-related transactions on the basis of race, color, religion, sex, handicap, familial status, or national origin;

- the Federal Equal Credit Opportunity Act and Regulation B promulgated thereunder, which prohibit discrimination in the extension of credit on the basis of age, race, color, sex, religion, marital status, national origin, receipt of public assistance or the good faith exercise of any right under the Consumer Credit Protection Act;

- the Federal Fair Credit Reporting Act and Regulation V, which regulates the use and reporting of information related to each individual applicant's and guarantor's credit history;

- the Relief Act, which, in relevant part for the Mortgage Loans, imposes restrictions on enforcing obligations against United States servicemembers and, in certain cases, their dependents (that may be relevant to individual guarantors of Mortgage Loans), including restrictions on default judgments and requirements regarding stays and vacation of certain judgments, attachments, and garnishments;

- state mortgage licensing and regulatory laws, which may apply, in certain cases, to loans secured by residential property, and may establish licensing, disclosure, loan term, lending and servicing practice, or other requirements in connection with a Mortgage Loan;

- state usury or similar laws, which may set limitations on the amount of interest or fees that may be contracted for or charged in connection with a Mortgage Loan, or the manner in which such interest or fees are contracted for, charged, or collected;

- the Home Mortgage Disclosure Act and Regulation C, which require reporting of loan application and origination data, including the number of loan applications taken, approved, denied and withdrawn;

- the Fair Debt Collection Practices Act and Regulation F, which regulates the timing and content of debt collection communications and debt collection practices; and

- the California Consumer Privacy Act ("CCPA"), which requires certain businesses to deliver disclosures to California residents concerning the business privacy practices, and imposes certain limitations on the business' use of data collected from those consumers; the CCPA applies not only in borrowers in their individual capacities, it can also apply to in their business capacities.

In connection with the underwriting of each Mortgage Loan, each Borrower must identify its principal residence and must certify in writing that the proceeds of the Mortgage Loan will only be used for an investment purpose by signing a business purpose and occupancy statement, although neither the Originator, the Seller nor any other entity has independently verified the accuracy of such statements. In the event the Borrower has conveyed incorrect information as to the loan's purpose or if the Mortgaged Property subsequently becomes owner-occupied, a Borrower may subsequently claim that the Mortgage Loan is subject to applicable federal and state consumer protection laws. If any such claim is successful and the Mortgage Loan does not comply with consumer protection laws, such non-compliance may, among other things, limit the Servicer's ability to collect all or part of the principal of or interest on the Mortgage Loan or be enforced under its terms against the Borrower, possibly resulting in reduced payments on the Mortgage Loan or otherwise result in penalties. Moreover, certain of these consumer protection laws may make the Issuer, as assignee of the Mortgage Loan, liable to the Borrower for any violation by the Originator, subjecting the Issuer to damages that will be paid from the Trust Estate, resulting in a reduction of the amount of Available Funds otherwise available for payments on the Notes.

In addition, to the extent it is determined that the Seller is obligated to repurchase a Mortgage Loan, or with respect to a Liquidated Loan, make an indemnification payment, as a result of a breach of a representation and warranty as to the business purpose of such Mortgage Loan, there can be no assurance that the Seller will have adequate resources to make such repurchase or indemnification payment. See "*—Risk Related to the Sponsor and its Affiliates—Financial Condition of the Seller*" in this Offering Memorandum.

Stricter Enforcement of Foreclosure Rules and Documentation Requirements May Cause Delays and Increase the Risk of Loss

Recently courts and administrative agencies have been enforcing more strictly existing rules regarding the conduct of foreclosures, and in some circumstances have been imposing new rules regarding foreclosures. Some courts have delayed or prohibited foreclosures based on actual or perceived failures to comply with technical requirements. For instance, the Illinois Supreme Court has established new rules that provide borrowers with additional protections against perceived foreclosure abuses. State legislatures have been enacting new laws regarding foreclosure procedures. In some cases, law enforcement personnel have been refusing to enforce foreclosure judgments. In addition, more borrowers are using legal actions, including filing for bankruptcy, to attempt to block or delay foreclosures. As a result, the Servicer may be subject to delays in conducting foreclosures and the expense of foreclosures may increase, resulting in delays or reductions in payments on the Notes.

Borrowers have become increasingly successful in challenging or delaying foreclosures based on technical grounds, including challenges based on alleged defects in their mortgage loan documents and challenges based on alleged defects in the documents under which the mortgage loans were securitized. In a number of cases, such challenges have delayed or prevented foreclosures. Although the Custodian has or will conduct a review of the Mortgage Loan Documents in accordance with Custodial Agreement, such measures may not be sufficient to prevent document defects that could cause delays or prevent a foreclosure. In addition, while laws and regulations related to foreclosure are generally directed towards owner-occupied properties, it is possible that a Borrower may commit fraud by leasing a residential Mortgaged Property to a tenant prior to the resolution or liquidation of the related Mortgage Loan. It is also possible that there will be an increase in the number of successful challenges to foreclosures by Borrowers. Curing defective documents required to conduct a foreclosure will cause delays and increase costs, resulting in losses on the Notes.

Insurance Related to the Mortgaged Properties May Not Be Sufficient or Available to Compensate for Losses

Although a Mortgaged Property may be covered by insurance policies, such as hazard insurance or flood insurance, no assurance can be made that the proceeds from such policies will be used to repay any amounts owed in respect of the related Mortgage Loan or will be used to make improvements to the Mortgaged Property that have a value that is commensurate with the value of any of the damaged improvements. Moreover, no assurance can be made that such insurance will be available to a borrower at commercially reasonable rates. In addition, even though an insurance policy may cover the "replacement cost" of the improvements on any Mortgaged Property, the proceeds of such insurance policy may not be sufficient to cover the actual replacement cost of such improvements or the Appraised Value of the improvements on any such Mortgaged Property. In addition, the Servicer may, but will not be required to, make any Servicing Advances or other advances to force-place insurance with respect to any Mortgaged Property. Furthermore, no assurance can be given that the insurer related to any insurance policy will have sufficient financial resources to make any payment on any insurance policy or that any such insurer will not challenge any claim made with respect to any such insurance policy resulting in a delay or reduction of the ultimate insurance proceeds.

The Originator does not require Borrowers to maintain insurance against losses arising from acts of terrorism, and, in general, each of the insurance policies will exclude losses due to terrorist activities. In general, properties are not required to be insured for earthquake risk, floods and other water-related causes (except as specified above with respect to flood insurance), landslides and mudflow, vermin, nuclear reaction or war. In addition, certain of the insurance policies may specifically exclude coverage for losses due to mold, certain acts of nature or other insurable conditions or events. See "*The Sponsor, the Originator, the Servicer and the Asset Manager—General—Underwriting—Title and Hazard Insurance*" in this Offering Memorandum.

Risks Related to Blanket Insurance Policies

In certain cases, the related Borrower may maintain one or more forms of insurance under blanket insurance policies. Such blanket insurance policies may also cover other real properties, some of which may not secure Mortgage Loans in the Trust Estate.

When a Mortgaged Property is insured pursuant to a blanket policy, there is a risk that casualties at other properties, including properties owned directly or indirectly by the related loan sponsor that do not secure a Mortgage Loan in this securitization, insured under the same blanket policy can exhaust the available coverage and reduce the amount available to be paid in connection with a casualty at the subject Mortgaged Property; however, the Seller has obtained a statement of value which has the effect of mitigating the risk that the replacement cost for individual properties has been erroneously valued in such a way that policy limits could be disproportionately allocated among the constituent properties. The blanket insurance risk is magnified when affiliated Mortgage Loans in the Mortgage Pool are covered by the same blanket policy. Also, if a Borrower is permitted to maintain blanket insurance, the Mortgage Loan Documents do not require reserves for the payment of premiums on blanket insurance policies and the absence of adequate funds to pay the premiums may result in a lapse of coverage or inadequate coverage in the event the policies need to be increased, renewed or replaced.

Certain Statistical Information Included in this Offering Memorandum Is Based on Limited Verification and May Change After the Closing Date

Certain statistical information included in this Offering Memorandum is based on information that has been verified solely pursuant to the processes described herein. For example, information about owner occupancy is based primarily upon a representation made by the Borrower in connection with the Borrower's loan application. See "*Description of the Mortgage Loans— Review Procedures*" in this Offering Memorandum.

Information about Initial Loan-to-Cost Ratios included in this Offering Memorandum is based in part upon the Cost Basis of the Mortgaged Properties. Information about Loan-to-Value Ratios included in this Offering Memorandum is based in part upon (i) as-is value, as adjusted by KFI, for all Mortgage Loans where the Borrower is not planning to rehabilitate the related Mortgaged Property, or in connection with a Seasoned Refinance Mortgage Loan, and (ii) ARV for all Mortgage Loans where there is rehabilitation work being performed on the related Mortgaged Property. In all cases, in connection with establishing the ARV, the Originator may utilize available information, including (if applicable, as needed) public records, on-site and/or virtual property inspections, internal and/or external automated valuation models, broker price opinion reports, third-party vendor desktop appraisals, exterior appraisals, full interior appraisals, the property condition as illustrated through third-party or Borrower provided information at the time of evaluation, the rehabilitation scope of work to be performed by the Borrower and/or a comparable sales analysis. As described in this Offering Memorandum, these appraisals are of limited value in determining the value of the related Mortgaged Property. The information in this Offering Memorandum regarding Initial Loan-to-Cost Ratios does not represent the actual value of the Mortgaged Property, only the value derived internally by KFI in connection with the origination of the Mortgage Loan. See "*—Loan-to-Value Ratios Calculated Based on Internal and/or Appraised Values May Not Be an Accurate Reflection of Current Market Value*" above. In addition, the values of the Mortgaged Properties may have declined significantly since the time of the origination of the Mortgage Loans.

Investors should note that the statistical information included in this Offering Memorandum presented on a weighted average basis or any statistic based on the Unpaid Principal Balance of the Initial Mortgage Loans as of the Initial Cut-off Date is subject to a variance of *plus* or *minus* 5%.

In addition, the characteristics of the Mortgage Loans, including Initial Loan-to-Cost Ratios and Loan-to-Value Ratios, may change over time. For example, the creditworthiness of the Borrowers will change over time, and any related information included in this Offering Memorandum, such as credit scores, may be different from the time it was obtained.

Borrowers who are able to maintain their creditworthiness over time will have a greater ability to refinance their Mortgage Loan or to obtain a new mortgage loan in the event they want to sell their property and finance a new Mortgaged Property. As a result, the overall credit quality of the Borrowers for the Mortgage Loans included in the Mortgage Pool may decline over time if these Borrowers prepay more quickly than the other Borrowers.

One Action Rules May Limit Remedies

Several states, including California, have laws that prohibit more than one "judicial action" to enforce a mortgage obligation, and some courts have construed the term "judicial action" broadly. Accordingly, the servicer or subservicer, as applicable, is required to obtain advice of counsel prior to enforcing any of the Issuer's legal rights under any of the Mortgage Loans that are secured by Mortgaged Properties located where the "one action" rules could be applicable. In the case of a Mortgage Loan that is secured by Mortgaged Properties located in multiple states, the servicer or subservicer, as applicable, may be required to foreclose first on properties located in states where the "one action" rules apply, and where non-judicial foreclosure is permitted, before foreclosing on properties located in states where judicial foreclosure is the only permitted method of foreclosure.

Ability to Incur Other Borrowings Entails Risk

When a Borrower (or its constituent members) also has one or more other outstanding loans or home equity investments, the Mortgage Loan is subjected to additional risk. None of the Sponsor, the Seller, the Depositor, the Servicer or the Asset Manager has made any investigation as to whether any Borrower undertook additional borrowings following the closing of the related Mortgage Loan, whether a Borrower applied for multiple loans concurrently with the application of the related Mortgage Loan, or whether there may have been additional borrowings related to a Borrower that were not identified to the Seller at the time of origination of the related Mortgage Loan. Additionally, a Borrower or its affiliates may obtain other financing or equity investment products that may be offered by KFI from time to time and could result in the creation of subordinate financing or junior liens on the related Mortgaged Property. The Borrower may have difficulty making monthly payments and repaying multiple loans. The existence of another loan or home equity investment will generally also make it more difficult for the Borrower to obtain refinancing of its Mortgage Loan and may thereby jeopardize repayment of the Mortgage Loan. Moreover, the need to service additional debt may reduce the cash flow available to the Borrower to operate and maintain the Mortgaged Property. In addition, if a Borrower obtains subordinate financing secured by the related Mortgaged Property, the consent of the junior lender may be required in connection with loan modifications, short sales and deeds-in-lieu of foreclosure, which may delay or prevent the loss mitigation activities taken by the Servicer. Any such delay or inability to pursue loss mitigation activities could result in losses on the Notes.

Mortgage Loans Made to Non-Individual Borrowers May Result in Increased Expense; Non-Individual Borrowers May be Susceptible to Legal Proceedings

All of the Initial Mortgage Loans are made to limited liability companies, partnerships, corporations, trusts or other legal entities. Such Mortgage Loans may entail risks of loss that are greater than those of Mortgage Loans made to individuals. Even when there is an individual guarantor of the Mortgage Loan, the Borrower's sophistication and form of organization may increase the likelihood of protracted litigation or bankruptcy in default situations.

None of the Issuer, the Sponsor, the Seller, the Depositor, the Servicer, the Asset Manager, the Indenture Trustee, the Paying Agent, the Note Registrar, the Certificate Registrar, the Custodian, the Owner Trustee or the Initial Purchasers has made any investigation as to whether the Borrowers under the Mortgage Loans were the subject of material litigation at the time of the closing of the Mortgage Loans or as to whether any Borrower is currently involved in material litigation.

There may be legal proceedings pending and, from time to time, threatened against the Borrowers and their affiliates relating to the business of or arising out of the ordinary course of business of the Borrowers and their affiliates. There can be no assurance that such litigation will not have a material adverse effect on payments due under the related Mortgage Loans or the value of the related Mortgaged Property and, therefore, on the distributions to the Notes.

The Recording of the Mortgages in the Name of MERS May Affect the Yields on the Notes

The Mortgages or assignments of mortgage for some of the Mortgage Loans may be recorded in the name of Mortgage Electronic Registration Systems, Inc. ("MERS"), solely as nominee for the Originator and its successors and assigns, including the Indenture Trustee for the benefit of the Noteholders. If a Mortgage or assignment of mortgage is recorded in the name of MERS, MERS electronically records the identity of the beneficial owner of that

Mortgage internally on the MERS system. Subsequent assignments of those Mortgages or assignments of mortgage are registered electronically in MERS records but not in the applicable county or other local land records.

The making of and recording of mortgages and assignments of mortgage in the name of MERS, and the operation of the related MERS registration system, has been challenged through the judicial system and there has been public disclosure that MERS is facing or has faced government investigations relating to its operations. Most judicial decisions have accepted MERS as mortgagee or beneficiary, have upheld the validity of mortgages and deeds of trust in which MERS is a named party, and have confirmed the authority of MERS or its assignees (including securitization trustees to whom a post-transfer assignment is made) to foreclose as mortgagee or beneficiary or nominee, and most related challenges to MERS have not been successful. However, there have been some court decisions where the result was not favorable to MERS. For instance, judicial precedent established by the Supreme Judicial Court of Maine does not permit mortgage Noteholders to foreclose where MERS is named as the lender's nominee in the mortgage. Unless or until Maine's courts or legislature provide further guidance, Maine courts require an assignment of mortgage from the original lender or successor-in-interest and an assignment from MERS to proceed in foreclosure. Moreover, assignments from the original lender to MERS as nominee may also be deemed ineffective to convey the lender's full powers under the mortgage. In addition, several court decisions in Maine have denied lenders the right to institute a second foreclosure action on a mortgage if the first foreclosure action was dismissed, quieting title in favor of the mortgagors. In addition, the Kansas Supreme Court ruled that MERS was not a contingently necessary party to a mortgage foreclosure suit, although it was a named party to a mortgage, because MERS did not have an economic interest that was impaired by its failure to receive notice of the foreclosure suit. While the court specifically did not decide whether MERS was entitled to notice and service of the foreclosure action, a lower Kansas court or a court in another jurisdiction could follow the dicta in this case as supportive of some finding adverse to the validity of MERS' interest insofar as MERS has no right to repayment of the mortgage debt. The Washington Supreme Court has likewise ruled that if MERS is not the holder of a mortgage note, then it is not considered to be the "beneficiary" for purposes of non-judicial foreclosures in Washington state. To the extent non-judicial foreclosures are commenced in the State of Washington with MERS as beneficiary rather than as agent for the holder of the mortgage note, such foreclosures may need to be restarted. Furthermore, to the extent that in other jurisdictions the "beneficiary" is defined as the holder of the mortgage instrument, state courts in such jurisdictions may reach a similar decision as the one reached by the Washington Supreme Court. Lastly, the United States Bankruptcy Court for the Eastern District of New York has issued a memorandum decision addressing whether the alleged holder of a mortgage loan had sufficient status as a secured creditor to seek relief from the automatic bankruptcy stay to pursue a foreclosure action. After resolving the primary issue in controversy on procedural grounds and granting the requested relief, the court made certain observations in dicta about whether the trustee in the case before it, which had been assigned the mortgage by MERS, qualified as a secured creditor under New York law with standing to file a motion for relief from stay. The court noted that (i) neither the mortgage loan servicer (acting on behalf of the noteholder, a trustee for a securitization trust) nor MERS (as intervenor in the case) had proven in that proceeding that the trustee was the holder or owner of the related mortgage note and (ii) there was no proof in that proceeding that MERS had acted within the scope of its agency relationship when it assigned the mortgage. The bankruptcy court, therefore, concluded that MERS had lacked sufficient legal authority to validly assign the mortgage to the trustee. While the bankruptcy court's analysis of MERS was not essential to the actual holding of the case, it was intended to provide guidance in other cases before that court where a motion for relief from stay was pending and arguments were being made that the creditor, which had taken an assignment of mortgage from MERS, had no standing. The decision was appealed to the United States District Court for the Eastern District of New York, which vacated the above-referenced portions of the bankruptcy court's opinion that discussed the creditor's standing as an "unconstitutional advisory opinion." An adverse decision in any jurisdiction may delay foreclosures, increase costs and adversely affect payments on the Notes.

Governmental authorities have also raised legal challenges to the operations of MERS. A suit was filed by the Massachusetts Attorney General against MERS and several lender/servicers; the claims against MERS in that case were dismissed, and the suit ultimately settled between the remaining parties. Suits filed by the New York Attorney General, the Kentucky Attorney General and the Delaware Attorney General against MERS have been settled. Many cases involving issues related to MERS and the MERS system are pending, and more may continue to be filed. The law in this area continues to develop, and the course of decisions and their implications cannot be predicted.

Challenges to MERS, of these types and others, could result in delays and additional costs in commencing, prosecuting and completing foreclosure proceedings and conducting foreclosure sales of mortgaged properties, or in adverse results that may affect the ability to foreclose. In addition, if use of MERS or the MERS system is discontinued in any particular jurisdiction, if a monthly payment on a Mortgage Loan registered on the MERS system has not been received within ninety (90) days of its due date, if a court of competent jurisdiction rules against the use of MERS, MERS discontinues the MERS system, or if MERS goes into bankruptcy or becomes the subject of a receivership or conservatorship, it will become necessary or appropriate for the Depositor, the Asset Manager or the Servicer to record or cause the recordation of assignments of those mortgages to the Indenture Trustee. See "*—Failures or Delays in Endorsing Notes and Recording Assignments of Mortgage Could Increase Risk of Loss*" in this Offering Memorandum. Any expenses relating thereto will be paid from the assets of the Issuer and will reduce the amounts available to make distributions on the Notes. These delays and additional costs, and any adverse results, could increase the amount of losses on the Mortgage Loans and result in delays and reductions in the distribution of liquidation proceeds to Noteholders.

Finally, mortgagors are raising new challenges to the recording of mortgages in the name of MERS, including challenges questioning the ownership and enforceability of mortgage loans registered in MERS. Currently, MERS is the primary defendant in several class action lawsuits in various state jurisdictions, where the plaintiffs allege improper mortgage assignment and the failure to pay recording fees in violation of state recording statutes. The plaintiffs in such actions generally seek to compel defendants to record all assignments, restitution, compensatory and punitive damages and appropriate attorneys' fees and costs.

Failure by the Seller to Timely Remedy with Respect to a Breach of Representation or Warranty May Have an Adverse Effect on the Notes

A significant risk for investors in the Notes is that losses may be incurred as a result of a defect with respect to a Mortgage Loan, generally unrelated to the credit characteristics of such Mortgage Loan, that results in a loss. However, the Seller has made representations and warranties with respect to the Mortgage Loans related to some of these potential defects.

Investors in the Notes are strongly encouraged to review "*Description of the Mortgage Loans—Review Procedures—Sample Diligence Reviews*" in this Offering Memorandum for the mechanism whereby Mortgage Loans not previously reviewed are reviewed to determine if Material Breaches of representations and warranties have occurred.

The representations and warranties being made by the Seller are numerous and complex. These representations and warranties cover a number of potential defects with respect to each Mortgage Loan, but may not cover every potential defect that may result in a delinquency, realized loss, cumulative interest shortfall amount or an Available Funds Shortfall Amount. In addition, certain of the representations and warranties are limited to the knowledge possessed by the Seller at the time the representation or warranty is made. In the event of a Sample Diligence Review, the review process may uncover breaches of representations and warranties, but your ability to enforce the Seller's obligation to repurchase a mortgage loan may be limited.

In the event an Additional Mortgage Loan becomes a Review Mortgage Loan and the Asset Manager makes a determination that a Material Breach exists with respect to any Mortgage Loan, the Asset Manager is required to provide written notice of the Material Breach to the Seller, the Depositor, the Issuer, the Servicer and the Indenture Trustee. Within ninety (90) days of such notice, the Seller is required to cure any such Material Breach, repurchase the affected Mortgage Loan from the Issuer or, with respect to a Liquidated Loan, make an indemnification payment equal to the Make-Whole Amount. If the Seller is unable or otherwise fails to repurchase the affected Mortgage Loan from the Issuer, cure such Material Breach, or, if applicable, pay the Make-Whole Amount for such Mortgage Loan, Noteholders may suffer losses. No assurance can be given that the Seller will provide a remedy with respect to an affected Mortgage Loan when notice of Material Breach is made, due to the Seller's financial condition or otherwise. See "*—Risks Related to the Sponsor—Financial Condition of the Seller*" in this Offering Memorandum.

Under New York contract law, parties have six years from the date a representation or warranty is made to assert a claim related to a breach of representation or warranty. After such time, no contractual remedy will be available against the Seller in connection with a breach of representation or warranty. Thus, investors in the Notes may not be able to assert claims for breach of representations or warranties if, among other things, a breach is discovered more than six years after the date such representations and warranties were made.

There may be an additional delay between a determination by the Asset Manager of a Material Breach and the repurchase, cure or, if applicable, the payment of the Make-Whole Amount with respect to such Mortgage Loan. In addition, the Seller may not repurchase or may be delayed in repurchasing a Mortgage Loan following a Material Breach, Material Document Defect or deficient finding in the Eligibility and Data Integrity Review or Sample Reviews of an Additional Mortgage Loan. Such Mortgage Loan will generally remain as an asset of the Issuer and the Issuer's continued ownership of the Mortgage Loan may lead to greater Realized Losses. As a result, any such delay or failure to repurchase will reduce amounts available to make distributions of principal and interest on the Notes.

Nature of the Mortgage Loans

The Mortgage Loans consist of performing, fixed-rate, interest-only, non-owner occupied mortgage loans to real estate investors, each secured by a first lien fee and/or leasehold interest on either single-family residential, attached and detached planned unit development, condominium, two-to-four unit, manufactured housing properties and, potentially with respect to any Additional Mortgage Loans, multi-family (5-20 unit) properties, and with original terms to maturity of twelve (12) to twenty-four (24) months. As such, these Mortgage Loans contain risks that are not present in typical residential mortgage loans made to consumers. These risks include:

- the Mortgage Loans are short-term interest-only loans, with the full amount of principal due at maturity, and the related Borrower generally relies on the sale or refinancing of the related Mortgaged Property to generate the funds necessary to repay the Balloon Payment due at maturity;
- the Mortgage Loans are secured by non-owner-occupied Mortgaged Properties;
- Borrowers are often business entities, in some instances, with individual guarantors;
- the related Mortgaged Properties often may be in a general state of disrepair and require construction repairs or rehabilitation projects, and construction delays and cost overruns can cause risks associated with an investment in the Notes;
- certain of the Mortgage Loans may be Extensive Rehabilitation Loans, which involve a greater scope of work compared to a repair or rehabilitation project, which, in turn, increases the likelihood of additional risks and issues, including, but not limited to, planning issues, labor shortages, supply and equipment interruptions, scheduling conflicts, construction delays, cost overruns, zoning, permitting and completion risks, all of which can cause risks associated with an investment in the Notes;
- multiple Mortgage Loans may have been made to the same Borrower, or in reliance upon the same guarantor, and the construction repairs, rehabilitation projects or the ability to sell the related Mortgaged Properties may cause financial difficulties for the related Borrower or guarantor;
- the ability of a Borrower to repay a Mortgage Loan presumes the ability to sell the related Mortgaged Property or the ability to refinance the Mortgage Loan into a longer-term loan;
- the Mortgage Loans may have their maturity dates extended following the Closing Date if the Borrower is unable to make the required Balloon Payment;
- the Mortgage Loans may have longer than expected liquidation timelines upon the occurrence of an event of default; and
- the entity Borrowers may be thinly capitalized and individual Borrowers or guarantors may have insufficient assets with which to satisfy debts following an event of default.

These unique risks may lead to an increased risk of loss on the Notes if losses on the Mortgage Loans are greater than anticipated, especially if the residential real estate market in the relevant jurisdictions decline as described in "*—Risks Related to Residential Real Estate—Developments in the Residential Mortgage Market May Adversely Affect the Performance and Market Value of Your Notes*" or if Borrowers are unable to sell their Mortgaged Properties for any other reason in an amount sufficient to pay the principal balances of the Mortgage Loans. See "*Summary Information—Mortgage Pool*" and "*Description of the Mortgage Loans*" in this Offering Memorandum.

In addition, if a Servicer Default were to occur, or the Servicer resigns or is removed, it may be difficult to identify a successor servicer with the necessary experience servicing mortgage loans similar to the Mortgage Loans, which could result in greater loss on your investment in the Notes or further delay the receipt of principal repayments. See "*—Risks Related to the Notes—Failure of the Servicer to Perform, Servicer Event of Default, Servicer Termination or Servicer Resignation May Cause the Notes to Suffer Delays or Shortfalls in Payments*" in this Offering Memorandum.

Seasoned Mortgage Loans Present Additional Risks of Repayment

Although, none of the Initial Mortgage Loans are "seasoned" loans, Additional Mortgage Loans could be "seasoned" loans. There are a number of risks associated with seasoned Mortgage Loans that are not present, or are present to a lesser degree, with more recently originated Mortgage Loans, which could result in losses on the Notes. For example:

- property values and the surrounding areas have likely changed since origination;
- origination standards at the time the Mortgage Loans were originated may have been different than current origination standards;
- the business circumstances and financial condition of the related Borrowers and tenants may have changed since the Mortgage Loans were originated;
- the environmental circumstances at the mortgaged properties may have changed since the Mortgage Loans were originated;
- the physical condition of the mortgaged properties or improvements may have changed since origination; and
- the circumstances of the mortgaged properties, the Borrowers and the tenants may have changed in other respects since origination.

Any appraisals and property condition assessments obtained in connection with the origination of the Mortgage Loans will not be updated in connection with this securitization transaction for any Mortgage Loan, including Mortgage Loans originated more than 12 months prior to this securitization transaction.

RISKS RELATED TO THE NOTES

The Notes May Not Be a Suitable Investment for You and Are Subject to Significant Transfer Restrictions

The Notes are not suitable investments for all investors. In particular, you should not commit to purchase the Notes unless you understand and are able to bear the prepayment, credit, liquidity and market risks associated with the Notes (particularly in light of the unknown impact of higher inflation and elevated interest rates on the residential mortgage market). As described below in more detail in this section of this Offering Memorandum, the yields to maturity and the aggregate amount and timing of payments on the Notes are subject to material variability from period to period and over the life of the Notes. The interaction of the following factors and the other factors described in this Offering Memorandum and their effects are impossible to predict and are likely to change from time to time. As a result, an investment in the Notes involves substantial risks and uncertainties and should be considered only by sophisticated institutional investors with substantial investment experience with similar types of securities and who have conducted appropriate diligence.

The Notes are being offered in a private placement to a limited number of "qualified institutional buyers" as defined in Rule 144A under the Securities Act in the United States or to institutions that (a) are "qualified institutional buyers" (with the meaning of Rule 144A under the Securities Act) and (b) are not "U.S. persons" acquiring the securities in an offshore transaction under Regulation S, and will not be registered under the Securities Act or any state or foreign securities or "blue sky" laws, and no party is obligated to register the Notes under the Securities Act or any such other laws. No transfer or sale of the Notes offered hereby will be made unless such transfer is not subject to registration under the Securities Act or any applicable state securities laws and is made in accordance with the other restrictions on transfer described in this Offering Memorandum. As a result, Notes may be resold or transferred only to "qualified institutional buyers" as defined in Rule 144A under the Securities Act and in compliance therewith or to institutions that (a) are "qualified institutional buyers" (with the meaning of Rule 144A under the Securities Act) and (b) are not "U.S. persons" acquiring the securities in an offshore transaction under Regulation S and in compliance therewith.

The Notes are subject to additional restrictions on transfer as described under "*Description of the Notes—Limitations on Transfers of Notes*," "*Certain Considerations for ERISA and Other Employee Benefit Plans*" and "*Notice to Investors*" in this Offering Memorandum.

Investors Are Receiving No Assurance, Guarantee or Representation and Should Make Their Own Determinations and Seek Independent Advice

None of the Sponsor, the Seller, the Depositor, the Issuer, the Initial Purchasers, the Indenture Trustee, the Paying Agent, the Note Registrar, the Certificate Registrar, the Owner Trustee, the Custodian, the Originator, the Servicer, the Asset Manager or any of their respective affiliates makes any assurance, guarantee or representation as to the expected or projected success, return, timing or amount of payments, performance result, effect, consequence or benefit (including legal, regulatory, tax, financial, accounting, regulatory capital, legal investment or otherwise) to any investor of ownership of the Notes, and none of the foregoing will have a fiduciary relationship with respect to any investor or prospective investor in the Notes. No investor may rely on any such party for a determination of expected or projected success, return, performance result, effect, consequence or benefit (including legal, regulatory, tax, financial, accounting or otherwise) in connection with its ownership of the Notes. Each potential investor in the Notes should consult with its own legal, regulatory, tax, business, investment, financial and accounting advisors regarding investment in the Notes as it has deemed necessary.

The Notes May Be Purchased by the Issuer

On any date on or after the date which the Note Amount of the Notes is reduced to an amount less than or equal to 25% of the Initial Note Amount of the Notes as of the Closing Date, the Issuer will have the right, but not the obligation, to redeem all of the Notes and direct the Indenture Trustee to sell the Mortgage Loans at a price equal to or greater than the Redemption Price. If prevailing interest rates for securities similar to the Notes are lower than the then current Note Rate of the Notes, the Issuer may be more likely to exercise its purchase right. Conversely, if prevailing interest rates for securities similar to the Notes are higher than the then current Note Rate of the Notes, the Issuer or the Depositor, as applicable, may be less likely to exercise its purchase right. There can be no assurance that the Issuer will purchase the Notes on any Payment Date. It will not be an Event of Default, a Step-Up Event or a breach of any covenant by the Issuer if the Issuer declines to exercise its purchase option. You should carefully consider the impact of the optional purchase feature on your potential investment in the Notes prior to purchasing any Notes.

The Mortgage Loans May Be Purchased by the Depositor

On any Payment Date following the termination of the Reinvestment Period, the Depositor, may, at its option, purchase all of the Mortgage Loans; *provided* that no less than fifty percent (50%) of the Issuer's assets on any such date of redemption in full of the Class A2 Notes and the Class M Notes consists of Mortgage Loans and/or REO Properties, without duplication, which will be calculated based on the Issuer's assets following the distribution of Available Funds in accordance with the Priority of Payments on such Payment Date. There can be no assurance that the Depositor will purchase all of the Mortgage Loans on any such Payment Date. The failure by the Depositor to purchase all of the Mortgage Loans on or after an Optional Redemption Date will not be an Event of Default, a Step-Up Event or a breach of any covenant by the Depositor. You should carefully consider the impact of the optional purchase feature on your potential investment in the Notes prior to purchasing any Notes.

The Notes Will Not Be Rated

The Notes have not been rated by any rating agency and the Issuer has not requested a rating of the Notes by any rating agency and does not currently intend to request that a rating be assigned to the Notes. The lack of a rating reduces the potential liquidity of the Notes and this may affect the market value of the Notes. In addition, the lack of a rating will reduce the potential for, or increase the cost of, financing the purchase and/or holding of the Notes. If your investment is subject to legal investment laws and regulations, regulatory capital requirements or review by regulatory authorities, then you may be subject to restrictions on investment in the Notes. Investors subject to capital requirements may be required to hold more capital against the Notes than would have been the case had the Notes been rated. You should consult your own legal advisors for assistance in determining the suitability and consequences to you of purchase, ownership and sale of the Notes.

There will be no Principal Payments for the Notes During the Reinvestment Period so long as the Class A Minimum Credit Enhancement Test is Satisfied

On each Payment Date during the Reinvestment Period, as described in "*Description of the Notes—Priority of Payments*," holders of the Notes will not receive any payments of principal during the Reinvestment Period so long as the Class A Minimum Credit Enhancement Test is satisfied. Failure to reduce the Note Amount of the Notes with amounts that would otherwise be used to pay principal on the Notes may have an impact on the marketability, yield and liquidity of the Notes and could affect the related Seller's ability to repurchase the Mortgage Loans or, with respect to a Liquidated Loan, make an indemnification payment. Investors should consider that the Note Amount of the Notes may not be reduced, even though collections on the Mortgage Loans are being received and would otherwise be used to pay principal on the Notes in order of payment priority were it not for the deposits to the Accumulation Account on any Payment Date on which the Class A Minimum Credit Enhancement Test is satisfied, which will extend the life and may adversely affect the yield on the Notes.

Underwriting Guidelines That Do Not Identify or Appropriately Assess Repayment Risks and Exceptions to Those Guidelines Could Result in Losses on Your Notes

As described under "*The Sponsor, the Originator, the Servicer and the Asset Manager—Underwriting—Underwriting Guidelines*" in this Offering Memorandum, the Originator, when originating the related Mortgage Loans, generally did so in accordance with the applicable Underwriting Guidelines it has established and, in certain cases, based on exceptions to those guidelines. The Underwriting Guidelines are subject to change from time to time by the Originator, but each Mortgage Loan sold to the Issuer following the Closing-Date will be an Eligible Mortgage Loan as described herein. Approximately 75.77% of the Initial Mortgage Loans, by aggregate Unpaid Principal Balance as of the Initial Cut-off Date, have Unfunded Commitments and there can be no assurance as to the performance of the Mortgage Loans because there is no historic performance history available for such Mortgage Loan. No representation is made as to how quickly Unfunded Commitments will be funded. It is possible that large, early fundings of Unfunded Commitments may increase risk of loss if the related Borrowers default.

The underwriting of the Mortgage Loans was conducted by individuals who may have made errors or mistakes in connection with the underwriting of the Mortgage Loans. Different people may have different opinions regarding whether or not a Mortgage Loan satisfies certain of the Underwriting Guidelines described in this Offering Memorandum. As a result, there may be Mortgage Loans that do not conform to the related Underwriting Guidelines. The Pre-Offering Review of the Mortgage Loans is limited, only evaluates conformance with the Underwriting Guidelines and/or the criteria with respect to Eligible Mortgage Loans, only reviewed a sample of the Mortgage Loans and may not reveal every variance from such Underwriting Guidelines. See "*Description of the Mortgage Loans—Review Procedures*" in this Offering Memorandum.

In addition, the Originator's Underwriting Guidelines may change from time to time at the Originator's sole discretion. Any Additional Mortgage Loans may be underwritten at a different time or circumstance that may not satisfy the Originator's Underwriting Guidelines had they been originated as of the Closing Date.

The Seller will represent that the Mortgage Loans have been underwritten in conformance with the related Underwriting Guidelines, subject, in certain cases, to exceptions to those guidelines. The sole remedy of the Noteholders in connection with a Mortgage Loan that did not satisfy this representation and warranty is the obligation of the Seller to cure the related Material Breach, repurchase such Mortgage Loan or, with respect to a Liquidated Loan, to pay the related Make-Whole Amount.

In addition, the Sponsor reviewed reports from the Securitization Diligence Provider to assess compliance with the related Underwriting Guidelines (or alternatively, that documented exceptions to such Underwriting Guidelines were present). The Underwriting Guidelines may not identify or appropriately assess the risk that the interest and principal payments due on a Mortgage Loan will be repaid when due, or at all, or whether the market value of the related Mortgaged Property will be sufficient to otherwise provide for recovery of such amounts. In addition, with respect to any exceptions made to the Underwriting Guidelines, those exceptions may increase the risk that principal and interest amounts may not be received or recovered and compensating factors, if any, which may have been the premise for making an exception to the Underwriting Guidelines may not, in fact, compensate for any additional risk. No assurance can be given that any Mortgage Loans complied with the Underwriting Guidelines or that any Mortgage Loans had compensating factors in the event that those Mortgage Loans did not comply with the Underwriting Guidelines. Furthermore, to the extent that the Underwriting Guidelines were not followed when originating or underwriting the Mortgage Loans, there could be an increased risk that principal and interest amounts may not be received or recovered. However, Mortgage Loans underwritten in accordance with the Underwriting Guidelines may still incur losses.

Certain Mortgage Loans may not have been originated or underwritten in compliance with the Underwriting Guidelines and may have taken into account certain compensating factors. Certain of the Mortgage Loans may have been originated or underwritten in accordance with Underwriting Guidelines that do not identify or appropriately assess repayment risk. However, the Sponsor elected to include such Mortgage Loans in the assets of the Issuer when the Sponsor evaluated such Mortgage Loans and took into account any compensating factors. The inclusion of such Mortgage Loans could result in losses on your Notes.

In any event, principal and interest amounts may not be received or recovered, regardless of whether the Mortgage Loans were underwritten in accordance with the Originator's Underwriting Guidelines.

Even without any exceptions, strict adherence to Underwriting Guidelines does not guarantee that a Borrower will fulfill its financial obligations. Investors are encouraged to make their own assessment of the exceptions.

Investors should note that all investments in mortgage-backed securities, such as the Notes, involve a high level of risk, and there can be no assurance that Realized Losses on the Mortgage Loans will be less than other previous securitizations of other types of mortgage loans.

Changes in the Market Value of the Notes May Not Be Reflective of the Performance or Anticipated Performance of the Mortgage Loans Underlying the Notes

The market value of the Notes can be volatile. Market values can change rapidly and significantly, and changes can result from a variety of factors. However, a decrease in market value may not necessarily be the result of deterioration in the performance or anticipated performance of the Mortgage Loans. For example, changes in interest rates, perceived risk, supply and demand for similar or other investment products, accounting standards, capital requirements that apply to regulated financial institutions, and other factors that are not directly related to the Mortgage Loans can adversely and materially affect the market value of the Notes.

In particular, the market value of the Notes may decline as a result of changes in interest rates. The Mortgage Loans have fixed Mortgage Interest Rates. As a result, in the event the general level of interest rates increases, the value of the Notes may decline. In addition, the weighted average lives of the Notes may be extended, as an increase in the general level of interest rates, to the extent mortgage rates also increase, may act as a disincentive to the refinancing of the Mortgage Loans by the Borrowers or their ability to sell their Mortgaged Properties. In addition, an increase in interest rates, to the extent mortgage rates also increase, may result in a decrease in the value of Mortgaged Properties generally. There can be no assurance that the current level of interest rates will be stable. The rate of any change may be rapid and may adversely affect the value of the Notes, even in the absence of losses.

The Rate of Principal Payments, Including Principal Prepayments, on the Mortgage Loans Will Affect the Yields on the Notes

The rate of payments of principal and the yields to maturity on the Notes will be directly related to, among other things, (i) the rate and timing of scheduled payments of principal upon maturity and Principal Prepayments on the Mortgage Loans, including voluntary prepayments on the Mortgage Loans and any other recovery of principal in advance of the scheduled Due Date, such as payments received in connection with the repurchase of a Mortgage Loan, indemnification payments with respect to a Liquidated Loan, and payments received in connection with Mortgage Loan liquidations due to default, casualty, condemnation or otherwise and (ii) the amount and timing of defaults by Borrowers that result in losses on the Mortgage Loans. The Mortgage Loans may be prepaid in whole or in part at any time without payment of a prepayment penalty. The principal payments on the Mortgage Loans may be in the form of scheduled principal payments upon maturity or Principal Prepayments. Any of these prepayments may result in payments to you of amounts that would otherwise be distributed over the remaining term of the Mortgage Loans. You must make your own decisions as to the appropriate prepayment and default assumptions to be used when purchasing Notes. Principal payments, including Principal Prepayments, and yield on the Notes and on the Mortgage Loans will be affected by the following:

- during the Reinvestment Period, the amount of funds on deposit in the Accumulation Account;
- the priority of the allocation of principal to various Classes of Notes;
- the final repayment date of the Mortgage Loans;
- the rate of partial prepayments and full prepayments by Borrowers due to refinancing, changes in property values or other factors;
- the Issuer redeeming or failing to redeem the Notes on the related Optional Redemption Date, Class A2 Note Expected Redemption Date or Class M Note Expected Redemption Date, as applicable;
- the Depositor purchasing or failing to purchase the Mortgage Loans on the related Optional Redemption Date;
- Note Rates on the Notes (which will be subject to increase following the applicable Step-Up Event);
- the price paid for your Notes;
- the absence or occurrence of losses on the Mortgage Loans;
- liquidation of, modifications in reduction of the principal balance of, delinquencies of and defaults on the Mortgage Loans and the availability of loan modifications for such delinquent or defaulted Mortgage Loans, including extensions of maturity or other dates;
- the time it takes for defaulted Mortgage Loans to be modified or liquidated;
- the exercise of due-on-sale clauses by a Servicer in connection with transfers of Mortgaged Properties;
- the funding of Unfunded Commitments and of purchases of Additional Mortgage Loans;
- reimbursement to the Servicer or its designee of Servicing Expenses and other expenses, costs, indemnity amounts and liabilities;
- whether the Issuer redeems or fails to redeem the Notes or the Depositor purchases or fails to purchase the Mortgage Loans, in each case, on or after an Optional Redemption Date or a Step-Up Event occurs (including the resulting increase in the Note Rate for each class of Notes);
- the optional sale of the Mortgage Loans by the Issuer;
- whether amounts on deposit in the Accumulation Account are used to fund Unfunded Commitments and to purchase Additional Mortgage Loans during the Reinvestment Period;
- rate and timing of collections of principal and interest on the Mortgage Loans, including Principal Prepayments;
- repurchases of Mortgage Loans by the Seller or indemnification payments made by the Seller for certain Material Breaches of representations or warranties made by Seller, any Material Document Defect relating to any Mortgage Loan in the First Step Mortgage Loan Purchase Agreement and assigned to the Issuer pursuant to the Second Step Mortgage Loan Purchase Agreement, in the event of a deficient

finding during the Sample Diligence Review, Subsequent Review or Eligibility and Data Integrity Review, or with respect to any Wet-Ink Mortgage Loan, the Custodian does not issue an exception report without exceptions other than Permitted Exceptions within fifteen (15) days of the related Origination Date of such Wet-Ink Mortgage Loan, or as a result of the exercise by Depositor of its Repurchase Option;

- sales of Mortgage Loans by the Issuer pursuant to the Indenture;
- loss mitigation modifications of Mortgage Loans;
- refinancing of Mortgage Loans, including short refinancing;
- extensions of maturity and other applicable due dates of Mortgage Loans by the Asset Manager for loss mitigation purposes;
- a reduction in interest received due to prepayments on the Mortgage Loans and the application of the Relief Act or similar legislation; and
- reimbursement of expenses and indemnification.

The rate of principal payments, including Principal Prepayments on the Mortgage Loans will depend greatly on the level of Mortgage Interest Rates. If prevailing interest rates for similar mortgage loans fall below the interest rates on the Mortgage Loans, the rate of prepayment is likely to increase. Conversely, if prevailing interest rates for similar mortgage loans rise above the Mortgage Interest Rates on the Mortgage Loans, the rate of prepayment is likely to decrease. In general, a contraction of the availability of or an increase in the cost of credit may decrease refinancing activity, which would be expected to decrease the rate of prepayment even if interest rates are comparably low relative to the Mortgage Interest Rates of the Mortgage Loan. However, the expansion of credit could result in an increase in refinancing activity even in a high interest rate environment if credit standards are relaxed and the Originator's Underwriting Guidelines are expanded.

No representation is made as to the rate of principal payments, including Principal Prepayments, on the Mortgage Loans or as to the yield to maturity of the Notes. In addition, there can be no assurance that any of the Mortgage Loans will or will not be prepaid prior to maturity. An investor is urged to make an investment decision with respect of Notes based on the anticipated yield to maturity of the Notes resulting from its purchase price and the investor's own determination as to anticipated mortgage loan prepayment and default rates under a variety of scenarios. The extent to which the Notes are purchased at a discount or a premium and the degree to which the timing of payments on the Notes is impacted by prepayments will determine the extent to which the yield to maturity of the Notes may vary from the anticipated yields.

If you are purchasing Notes at a discount, you should consider the risk that if principal payments on the applicable Mortgage Loans occur at a rate slower than you expected, your yield will be lower than you expected. If you are purchasing Notes at a premium you should consider the risk that if principal payments on the Mortgage Loans occur at a rate faster than you expected, your yield may be lower than you expected. See "*Prepayment and Yield Considerations*" in this Offering Memorandum.

The timing of changes in the rate of prepayments may significantly affect the actual yield to you, even if the average rate of principal prepayments is consistent with your expectations. In general, the earlier the payment of principal of the Mortgage Loans, the greater the effect on your yield to maturity. As a result, the effect on your yield of principal prepayments occurring at a rate higher (or lower) than the rate you anticipate during the period immediately following the issuance of the Notes may not be offset by a subsequent like reduction (or increase) in the rate of principal prepayments.

Interest Shortfalls on the Mortgage Loans Resulting from Principal Prepayments and the Servicemembers Civil Relief Act and Similar State Laws May Cause Interest Shortfall on the Notes and Reduce Available Funds

When a Mortgage Loan is prepaid in full, the Borrower is charged interest only up to the date on which payment is made, rather than for an entire month (unless the Mortgage Loan is repaid in its first month following origination). When a Borrower makes a partial Principal Prepayment on a Mortgage Loan, the Borrower is not charged interest in the amount prepaid for the month in which such Principal Prepayment was received. This will reduce available funds for payment on the next Payment Date. The Servicer is not required to cover any shortfall in interest collections that is attributable to prepayments in full and partial prepayments on the Mortgage Loans.

Additionally, Available Funds may be reduced as a result of restrictions on the servicing and/or enforcement of a Mortgage Loan due to the Relief Act.

The Relief Act and similar state laws provide relief to servicemembers who enter active military service, and to servicemembers in reserve status who are called to active duty after the origination of a Mortgage Loan. The Relief Act provides generally that a servicemember who is covered by the Relief Act may not be charged interest on a mortgage loan in excess of 6% *per annum* during the period of the servicemember's active duty and one year thereafter. The Relief Act also limits the ability of servicers to foreclose on a mortgage loan secured by property owned by a servicemember during the servicemember's period of active duty and, in some cases, during an additional one-year period thereafter. The Relief Act also imposes limitations on the ability to enforce obligations against servicemembers and certain of their dependents, including restrictions on default judgments and requirements related to stays or vacation of judgments, attachments, and garnishments. Current or future military operations of the United States may result in an increase in the number of servicemembers who may be in active military service, and the activation of additional U.S. military reservists or members of the National Guard, which may in turn significantly increase the proportion of mortgage loans whose mortgage rates are reduced by application of the Relief Act. Certain protections under the Relief Act may apply during the servicing and/or enforcement of Mortgage Loans guaranteed by an individual who is a servicemember or certain dependents of a servicemember. In addition, Mortgage Loans in the Mortgage Pool that have not been identified as such may already be subject to the Relief Act. The funds available for payment to Noteholders will be reduced by any reductions in the amount of funds collectible as a result of application of the various protections under the Relief Act or similar state or local laws, and neither the Servicer or any other party will be required to fund any shortfall caused by any these reductions. Moreover, there may be delays in payment and increased losses on the Mortgage Loans due to application of protections available to servicemembers under the Relief Act. It is unknown how many Mortgage Loans have been or may be affected by the application of the Relief Act or similar legislation or regulations.

Shortfalls in interest resulting from the foregoing factors may result in a reduction of the yield on your Notes. See "*Certain Legal Aspects of the Mortgage Loans—Servicemembers Civil Relief Act and Similar State Laws*" in this Offering Memorandum.

Certain Issuer Expenses Will Reduce the Amount Available for Payments on the Notes

The Issuer may incur certain extraordinary expenses payable on a Payment Date to various transaction parties in reimbursement of certain fees, charges and other costs, such as indemnification amounts and other amounts incurred as a result of taking actions in connection with breaches of representations and warranties or Material Document Defects. Any such expenses incurred will reduce the Available Funds for distribution on any Payment Date. See "*The Indenture—Fees and Expenses; Indemnification*" in this Offering Memorandum.

The Servicer and Asset Manager May Be Reimbursed from General Collections

The Servicer and Asset Manager are required to advance amounts constituting "out-of-pocket" costs and expenses relating to the preservation, restoration, inspection and protection of the Mortgaged Properties, unpaid Borrower taxes and insurance payments, enforcement or judicial proceedings, including foreclosures and certain other customary amounts described in the Servicing Agreement and Asset Management Agreement, respectively.

Pursuant to the Transaction Documents, the Servicer is entitled to reimbursement of Servicing Advances from (i) escrow amounts and liquidation proceeds from the related Mortgage Loan, (ii) Collections in respect of all of the Mortgage Loans, (iii) the Priority of Payments pursuant to the Indenture, and (iv) amounts in the Payment Account and the Accumulation Account, as determined by the Asset Manager. The ability of the Servicer to reimburse itself from Collections, as well as the ability of the Asset Manager to elect to reimburse the Servicer for Servicing Advances from Collections, may affect the amount and timing of payments on the Notes.

The Asset Manager is required to pay all expenses incurred by it in connection with its asset management activities under the Asset Management Agreement and is entitled to be reimbursed for all customary, reasonable and necessary "out-of-pocket" costs incurred with its performance under the Asset Management Agreement. The reimbursements for such expenses, costs and liabilities incurred pursuant to the Asset Management Agreement may be paid, directly by the Paying Agent, unless an Event of Default has occurred or is continuing, at the Asset Manager's discretion, from amounts on deposit in the (i) Payment Account or (ii) to the extent not already paid from the Payment Account, the Accumulation Account. The ability of the Asset Manager to elect to direct the Paying Agent to reimburse the Asset Manager for such expenses may affect the amount and timing of payments on the Notes.

The Servicer's and Asset Manager's Discretion over the Servicing of the Mortgage Loans and the Servicer's and Asset Manager's Compliance with the Terms of the Servicing Agreement and the Asset Management Agreement, as Applicable, May Impact the Amount and Timing of Funds Available to Make Payments on the Notes

The Servicer is obligated to service the Mortgage Loans in accordance with accepted servicing practices which provide the Servicer certain discretion in servicing the Mortgage Loans. The Servicer also has advance recoverability and determination procedures. In addition, the accepted servicing practices employed by the Servicer may change from time to time, subject to the terms of the Servicing Agreement, and those changes could reduce Collections on the Mortgage Loans or increase prepayments of the Mortgage Loans. Consequently, the manner in which the Servicer exercises its servicing discretion (including through activities that cause a prepayment of Mortgage Loan, or through the Servicer's decision to fund an Unfunded Commitment) could have an impact on the amount and timing of Collections on the Mortgage Loans, which will impact the amount and timing of funds available to make payments on the Notes.

The Asset Manager is obligated to manage the Mortgage Loans in accordance with the terms of the Asset Management Agreement, which provides the Asset Manager certain discretion in performing certain Servicing Oversight functions, including the ability to waive or modify terms of a Mortgage Loan and to determine the timing and method of collection and foreclosure procedures. Consequently, the manner in which the Asset Manager exercises its asset management discretion (including through activities that cause a prepayment of Mortgage Loan) could have an impact on the amount and timing of collections on the Mortgage Loans, which will impact the amount and timing of funds available to make payments on the Notes.

The current servicing practices described in this Offering Memorandum may change as the Servicer adapts its policies and procedures in light of changes in law, regulations and other guidance relating to, or commercial and economic developments impacting the mortgage servicing industry.

Failure of the Servicer to Perform, Servicer Event of Default, Servicer Termination or Servicer Resignation May Cause the Notes to Suffer Delays or Shortfalls in Payments

If the Servicer is unable to perform any of its obligations under the Servicing Agreement, it could result in reductions or delays in the payments on the Notes. In the event the Servicer is terminated in connection with a Servicer Default, the Issuer will appoint a successor servicer meeting the requirements of the Servicing Agreement as described under "*The Servicing Agreement—Rights upon Servicer Defaults*," although there can be no assurance that this process will result in the appointment of a successor servicer. Additionally, it is possible that the resignation or termination of the Servicer and the transfer of the rights, duties and obligations of the Servicer under the Servicing Agreement to a successor servicer could adversely affect the servicing of the Mortgage Loans. For example, transfers of servicing involve the risk of disruption in collections due to data input errors, misapplied or misdirected payments, system incompatibilities and other reasons, and the risk of disruption in other functions performed by the Servicer. In addition, the servicing of mortgage loans similar to the Mortgage Loans differs from servicing residential mortgage loans made to consumers, so the Sponsor may have difficulty identifying a successor servicer capable of servicing the Mortgage Loans. If such a transfer were to take place, the rate of delinquencies and defaults on the Mortgage Loans could increase, resulting in reductions or delays in the payments on the Notes. See "*The Servicing Agreement—Rights Upon Servicer Defaults*" and "*—Assignment and Resignation of the Servicer*" in this Offering Memorandum.

If the Servicer experiences financial difficulties, it may not be able to perform its servicing duties. Furthermore, an increased level of delinquencies in mortgage loans serviced by the Servicer may result in delays in foreclosure proceedings on the Mortgage Loans. In addition, federal, state and local authorities have enacted and continue to propose new legislation, rules and regulations relating to the origination, servicing and treatment of mortgage loans in default or in bankruptcy. These initiatives could result in delayed or reduced collections from Borrowers, limitations on the foreclosure process and generally increased servicing costs. Certain of these initiatives could also permit the Asset Manager to take actions (subject to the conditions set forth in the Indenture), including modification of Mortgage Loans, that might adversely affect the Notes without any remedy or compensation to the holders of the Notes. In addition, the Servicer may not be able to individually address the needs of each Borrower if they are forced to confront an overwhelming number of requests for modifications.

There is no assurance that the Servicer will not resign (or, following an event of default in respect of the Servicer, will not be terminated) as the servicer of the Mortgage Loans, and the cost of replacing the Servicer may adversely affect the Notes. The replacement of the Servicer may also adversely affect the future performance of the related Mortgage Loans. See "*The Servicing Agreement—Assignment and Resignation of the Servicer*" and "*—Failure of the Servicer to Perform, Servicer Event of Default, Servicer Termination or Servicer Resignation May Cause the Notes to Suffer Delays or Shortfalls in Payments*" in this Offering Memorandum. From time to time, investors in securities similar to the Notes may have alleged that a particular servicer may not have serviced mortgage loans properly in a securitization vehicle similar to the Issuer. The Servicer is not aware of any such allegations at this time, but no assurance can be given that such allegations will not be made against the Servicer in the future.

Further, certain governmental authorities, including U.S. federal, state or local governments, could enact, and in some cases already have enacted, laws, regulations, executive orders or other guidance that allow Borrowers to forgo making scheduled payments for some period of time, require modifications to the Mortgage Loans, preclude creditors from exercising certain rights or taking certain actions with respect to collateral or mandate limited operations or temporary closures of the Servicer's vendors as "non-essential businesses" or otherwise.

The Credit Enhancement Features may be Inadequate, Resulting in Realized Losses on the Notes

The Notes are not insured by any financial guaranty insurance policy. The credit enhancement features of payment subordination and loss allocation are intended to enhance the likelihood that holders of the Notes will receive regular payments of interest and principal, but these credit enhancement features are limited in nature and may be insufficient to cover all losses on the Mortgage Loans. Collections on the Mortgage Loans, overcollateralization, excess interest, amounts on deposit in the Pre-Funding Interest Account (which will be available for distribution pursuant to the Priority of Payments only for the Payment Dates occurring in July 2024, August 2024 and September 2024 and certain amounts available on deposit in the Redemption Account and the Accumulation Account after the Reinvestment Period are the sole source of funds from which credit enhancement is provided. See "*Summary Information—Credit Enhancement*" in this Offering Memorandum.

On any Payment Date, payments of principal and interest will be made to the Notes in the order of priority described under "*Description of the Notes—Priority of Payments.*" Be aware that to the extent credit enhancement for the holders' Notes is insufficient, the holders of the Notes will bear all the risks resulting from Realized Losses on the Mortgage Loans.

You should fully consider the risks of investing in a Note, including the risk that you may not fully recover your initial investment as a result of the allocation of Realized Losses.

Investors Have No Direct Right to Enforce Remedies

Noteholders generally do not have the right to institute any suit, action or proceeding in equity or at law upon or under or with respect to the Indenture, but instead must rely on the Indenture Trustee to enforce their rights under these agreements. If the Indenture Trustee is not required or does not have the right to take action under the terms of the Indenture or fails to take action, Noteholders could experience losses.

The Noteholders Have Limited Control over Amendments, Modifications and Waivers to the Indenture

Certain amendments, modifications or waivers to the terms of the Indenture may require the consent of holders of only a certain specified percentage of the voting rights of the Notes, and certain amendments, modifications or waivers to the Indenture may not require the consent of any holder of Notes. As a result, certain amendments, modifications or waivers to the terms of the Indenture may be effected even without your consent. A holder of Notes seeking an amendment does not have a right to discover the identity of the other holders of Notes, which may adversely affect such Noteholder's ability to amend the Transaction Documents. See "*The Indenture—Amendments*" in this Offering Memorandum.

Book-Entry System for the Notes May Decrease Liquidity, Delay Payment and Have Other Adverse Consequences

The Notes will be initially represented by one or more Notes registered in the name of Cede & Co., as the nominee for DTC, and will not be registered in your name. As a result, you will not be recognized as a Noteholder or as a holder of record of the Notes. As a consequence, investors may experience difficulties in identifying or communicating with other investors in the Notes for the purpose of exercising remedies, taking collective action or otherwise.

Because transactions in the classes of book-entry Notes generally can be effected only through DTC, DTC participants and indirect DTC participants,

- your ability to pledge book-entry Notes to persons that do not participate in the DTC system, or to otherwise take action relating to your book-entry Notes, may be limited due to the lack of a physical security representing the Notes;
- your access to information regarding the Notes may be limited since conveyance of notices and other communications by DTC to its participating organizations, and directly and indirectly through those participating organizations to you, will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect at that time;
- you may experience delays in your receipt of payments of interest and principal on book-entry Notes because payments will be made by the Paying Agent to Cede & Co., as nominee for DTC, rather than directly to you, which then will be required to credit those payments to the accounts of its participating organizations and only then will they be credited to your account either directly or indirectly through DTC's participating organizations; and
- you may experience delays in your receipt of payments on book-entry Notes in the event of misapplication of payments by DTC, DTC participants or indirect DTC participants or bankruptcy or insolvency of those entities, and your recourse will be limited to your remedies against those entities.

See "*Description of the Notes—Book-Entry Notes*" in this Offering Memorandum.

Financial Difficulties May Impact the Return on the Notes

The financial difficulties of originators, servicers and subservicers of residential mortgage loans may be exacerbated by higher delinquencies and defaults that reduce the value of mortgage loan portfolios, requiring originators to sell their portfolios at greater discounts to par (particularly in light of higher inflation and elevated interest rates). The value of many residual interests retained by sellers of mortgage loans in the securitization market has also been declining in these market conditions. Overall origination volumes are down significantly from peak volume, particularly for non-Freddie Mac, Fannie Mae or Ginnie Mae mortgage products. Many originators and aggregators that also have large servicing portfolios may be experiencing rising costs of servicing as mortgage loan delinquencies have increased, without an increase in servicing compensation. In addition, any regulatory oversight, proposed legislation and/or governmental intervention may have an adverse impact on originators and servicers. These factors, among others, may have the overall effect of increasing costs and expenses of originators, servicers and subservicers while at the same time decreasing servicing cash flow and loan origination revenues. Financial difficulties of originators, servicers and subservicers may result in the inability of representing parties to repurchase mortgage loans in the event of loan representation and warranty breaches. See also, "*—Risk Related to the Sponsor and its Affiliates—Financial Condition of the Seller*" in this Offering Memorandum.

Financial difficulties may also have a negative effect on the ability of servicers and subservicers to pursue collections on mortgage loans that are experiencing increased delinquencies and defaults and to maximize recoveries on the sale of underlying properties following foreclosure. The Servicer will have the right to determine, in accordance with the Servicing Standard, the necessity for all Servicing Advances under the Servicing Agreement. The Servicer will advance all funds as are necessary for the purpose of effecting the payment of any Servicing Advance in connection with the servicing and administering of the Mortgage Loans; *provided, however,* that notwithstanding anything contrary in the Servicing Agreement, the Servicer will not be required to make any Servicing Advance that would be a nonrecoverable Servicing Advance. If the Servicer experiences financial difficulties, it may not be able to perform its advancing obligations. Due to application of provisions of bankruptcy law, if the Servicer were to seek bankruptcy protection, it may be relieved of its obligation to make Servicing Advances to the Issuer. If the Servicer does not fulfill its obligation to make Servicing Advances for whatever reason, the timing and amount of payments available for payment to the Noteholders may be adversely affected.

A Bankruptcy or Insolvency of the Servicer Could Result in Losses on the Notes

The Servicer will be permitted to commingle Collections on the Mortgage Loans with funds collected by it for its own benefit or the benefit of another person for up to three (3) business days. In addition, to the extent that the Servicer has commingled Collections of Mortgage Loans with its own funds, the holders of the Notes may be required to return to Servicer certain payments received on the Notes if erroneously paid from the Servicer's own funds. In the event the Servicer goes into bankruptcy or becomes the subject of a receivership or conservatorship, the Issuer, the Indenture Trustee, the Paying Agent and the holders of the Notes may not have a perfected or priority interest in any collections on the Mortgage Loans that are in the Servicer's possession or have not been remitted to the Payment Account at the time of the commencement of the bankruptcy or similar proceeding. The Servicer may not be required to remit to the Payment Account any Collections on the Mortgage Loans that are in its possession or have not been remitted to the Payment Account at the time it goes into bankruptcy or becomes subject to a similar proceeding.

If the Servicer were to go into bankruptcy or become the subject of a receivership or conservatorship, then the parties may be prohibited (unless authorization is obtained from the court or the receiver or conservator) from taking any action to enforce any obligations of the Servicer under the Indenture or to collect any amount owing by the Servicer under the Indenture, and the parties may be prohibited from terminating the Servicer and appointing a successor servicer. If the Servicer were to become a debtor under the Bankruptcy Code, the Servicing Agreement provides that such an event would be a termination event entitling the Indenture Trustee to terminate the Servicer, but the provision would most likely not be enforceable. However, a rejection of the Servicing Agreement by the Servicer in a bankruptcy proceeding would be treated as a breach of the Indenture and give the Issuer a claim for damages against the Servicer and the ability to appoint a successor servicer. An assumption of the Servicing Agreement under the Bankruptcy Code would require the Servicer to cure its pre-bankruptcy defaults, if any, and demonstrate that it is able to perform following such assumption. The bankruptcy court may permit the Servicer to assume the Indenture or the Servicing Agreement and assign it to a third party. An insolvency by an entity governed by state insolvency law would vary depending on the laws of the particular state. We cannot assure you that a bankruptcy or receivership of the Servicer would not adversely impact the servicing of the Mortgage Loans or the Issuer would be entitled to terminate the Servicer in a timely manner or at all.

It is possible that a period of adverse economic conditions resulting in high defaults and delinquencies on the Mortgage Loans and other mortgage loans serviced by the Servicer will increase the risk of the Servicer becoming subject to bankruptcy or receivership proceedings if its servicing compensation is less than its cost of servicing.

The occurrence of any of these events could result in delays or reductions in payments on, or other losses with respect to, the Notes. There may also be other possible effects of a bankruptcy, receivership or conservatorship of the Servicer that could result in delays or reductions in payments on, or other losses with respect to, the Notes. Regardless of any specific adverse determinations in a bankruptcy, receivership or conservatorship of the Servicer, the fact that such a proceeding has been commenced could have an adverse effect on the value of the Mortgage Loans and the liquidity and value of the Notes.

Modification of a Mortgage Loan May Adversely Affect Your Notes

As of the Initial Cut-off Date, none of the Initial Mortgage Loans have had their maturities extended.

While the Servicer may extend the maturity or modify Mortgage Loans following the Closing Date, investors should make their own determination on the potential impact of these extensions and modifications on collections on the Mortgage Loans. An extension of the maturity of a Mortgage Loan may indicate that the related Borrower was unable to sell the related Mortgaged Property due to adverse conditions in the area in which the Mortgaged Property is located or due to delay in repairing the Mortgaged Property to a sufficient extent to enable the Mortgaged Property to be sold, or to complete the required repair and renovation projects, which may continue and could impact the collections to be received on the related Mortgage Loans.

To limit losses on delinquent Mortgage Loans and maximize collections, the Asset Manager may use loss mitigation measures, including forbearance agreements and other modification agreements and pre-foreclosure sales in connection with any modifications, waivers and amendments of a Mortgage Loan that (1) extend the scheduled final maturity date of the Mortgage Loan, (2) waive, reduce or postpone any scheduled repayment, (3) reduce the Mortgage Interest Rate (except for a reduction of interest payments resulting from the application of the Relief Act or any similar state statutes) or (4) extend the time for payment of any interest or fees. Modifications of Mortgage Loans implemented by the Asset Manager in order to maximize ultimate proceeds of the Mortgage Loans may have the effect of, among other things, reducing the Mortgage Interest Rate, forgiving payments of principal, interest or other amounts owed under the Mortgage Loan, such as taxes or insurance premiums, extending the maturity date of the Mortgage Loan, capitalizing or deferring delinquent interest and other amounts owed under the Mortgage Loan, reducing the Unpaid Principal Balance of the Mortgage Loan or any combination of these or other modifications. Any modified Mortgage Loan may remain as an asset of the Issuer, and the reduction in collections resulting from a modification may result in reduced payments of interest on or principal of the Notes. If the Asset Manager directs the Servicer to reduce the Mortgage Interest Rate, extend the payment period or accept a lesser amount than stated in the Mortgage Note in satisfaction of the Mortgage Note, or charge off or sell the Mortgage Loan, amounts available to make payments on the Notes will be reduced. The actual final Payment Date might be later, and could be significantly later, than the final scheduled Payment Date if the Servicer extends the maturity date of a Mortgage Loan beyond the final scheduled Payment Date for the Notes.

While it is likely that the Servicer will extend or otherwise modify the terms of any Mortgage Loans, it is not certain what form any such modified terms may take, how or when such modifications may be implemented, or how the Notes may be impacted by such modifications. Both the failure of the Servicer to modify a Mortgage Loan that results in a default and liquidation of the Mortgage Loan and the modification of a Mortgage Loan that reduces the payment of amounts payable under the related Mortgage Note may have an adverse effect on the Notes.

Any increase in the number of delinquencies and other loss mitigation activities described above and elsewhere herein, coupled with obligations to fund advances, may adversely impact the Servicer's performance and could increase the risk that servicing will be required to be transferred. See "*Risk Factors—Risks Related to the Notes—Failure of the Servicer to Perform, Servicer Event of Default, Servicer Termination or Servicer Resignation May Cause the Notes to Suffer Delays or Shortfalls in Payments*" in this Offering Memorandum.

Proposals to Acquire Mortgage Loans by Eminent Domain May Adversely Affect Your Notes

Over the past several years, certain localities have considered voluntary purchases or the use of eminent domain to acquire "underwater" mortgage loans in an effort to assist homeowners facing, or at risk of facing, foreclosure. In the event that any municipality or governmental authority elects to pursue the acquisition of mortgage loans by eminent domain, there is no assurance whether any mortgage loans sought to be so acquired will be Mortgage Loans included in the Mortgage Pool or what would be paid for any such Mortgage Loans. Any such actions could have a material adverse effect on the market value of the Notes. There is also no certainty as to whether any such action without the consent of investors would face legal challenge, and, if so, the outcome of any such challenge.

Recent federal appropriations bills included provisions that discourage the use of eminent domain programs like the programs described above. Under these provisions, appropriated federal funds cannot be used to insure, securitize or guarantee any mortgage or mortgage-backed security that refinances a mortgage that has been subject to eminent domain condemnation or seizure. Laws that limit access to federally guaranteed loans will likely make it difficult for governmental entities to fund such eminent domain programs. While these developments may discourage governmental entities from using eminent domain programs, they do not prohibit such programs and there can be no assurance that governmental entities will not adopt such programs in the future or that the policy of discouraging such eminent domain programs will be repeated in future federal appropriations legislation. If there is an eminent domain proceeding, it could delay or reduce the proceeds on the Notes, which could have an adverse effect on the Noteholders.

The Weighted Average Lives of Your Notes May Differ from the Weighted Average Lives Shown in the Sensitivity Tables and Could Adversely Affect the Return on Your Notes

The structuring tables appearing under the heading "*Prepayment and Yield Considerations*" have been prepared on the basis of the modeling assumptions set forth under "*Prepayment and Yield Considerations—Structuring Assumptions*." The models used in this Offering Memorandum for prepayments do not purport to be an historical description of the prepayment experience or a prediction of the anticipated rate of prepayments or extension of the terms of any pool of mortgage loans, including the Mortgage Loans. There can be no assurance that the Mortgage Loans will be extended at any of the rates specified or that losses will be incurred according to one particular pattern. The prepayment assumptions are for illustrative purposes only. Whether the Issuer redeems or fails to redeem the Notes or the Depositor purchases or fails to purchase all of the Mortgage Loans, in each case, on or after the Step-Up Date will affect the weighted average lives of the Notes, and as a result the weighted average lives of the Notes may differ from the weighted average lives shown in the table appearing under the heading "*Prepayment and Yield Considerations*."

Combination or "Layering" of Multiple Risk Factors May Significantly Increase Your Risk of Loss

Although the various risks discussed in this Offering Memorandum are generally described separately, prospective investors in the Notes should consider the potential effects of the interplay of multiple risk factors. Where more than one significant risk factor is present, the risk of loss to an investor may be significantly increased. For example, the Mortgage Pool may include Mortgage Loans that not only have relatively high Initial Loan-to-Cost Ratios and Loan-to-ARV Ratios but also may have other features such as lower credit scores or are Seasoned Refinance transactions. Certain of these Mortgage Loans may be secured by properties in regions that are experiencing home price depreciation. There are many other circumstances in which layering of multiple risks with respect to the Mortgage Loans and the Notes may magnify the effect of those risks. In considering the potential effects of layered risks, you should carefully review the descriptions of the Mortgage Loans and the Notes.

Forfeiture for Drug, RICO and Money Laundering Violations

Federal law provides that property purchased or improved with assets derived from criminal activity or otherwise tainted, or used in the commission of certain offenses, can be seized and ordered forfeited to the United States of America. The offenses that can trigger such a seizure and forfeiture include, among others, violations of the Racketeer Influenced and Corrupt Organizations Act, the Bank Secrecy Act, the anti-money laundering laws and regulations, including the USA PATRIOT Act of 2001 and the regulations issued pursuant to that Act, as well as the narcotic drug laws. In many instances, the United States may seize the property even before a conviction occurs.

In the event of a forfeiture proceeding, a lender may be able to establish its interest in the property by proving that (1) its mortgage was executed and recorded before the commission of the illegal conduct from which the assets used to purchase or improve the property were derived or before the commission of any other crime upon which the forfeiture is based, or (2) the lender, at the time of the execution of the mortgage, "did not know or was reasonably without cause to believe that the property was subject to forfeiture." However, there is no assurance that such a defense will be successful.

The Issuer Could Become a Taxable Entity or Required to Withhold

As discussed under "*Certain U.S. Federal Income Tax Consequences*" and subject to the assumptions, representations and covenants discussed therein, Winston & Strawn LLP, counsel to the Issuer, will deliver an opinion to the effect that, although no transaction closely comparable to that contemplated herein has been the subject of any Treasury regulations, revenue ruling or judicial decision, the Issuer will not be subject to taxation on its net income as an association taxable as a corporation, a publicly traded partnership taxable as a corporation or a taxable mortgage pool taxable as a corporation, each as defined for U.S. federal income tax purposes. Opinions of counsel are not binding on the IRS or the courts and are based on certain assumptions, representations and covenants. If the Issuer were characterized as a corporation for U.S. federal income tax purposes, any tax imposed upon the Issuer could reduce cash flow that would otherwise be available to make payments on the Notes. Moreover, if the Issuer were characterized as a taxable mortgage pool, in addition to being taxed as a corporation, it would not be able to file a consolidated U.S. federal income tax return with any other corporation.

In addition, tax counsel to the Issuer will issue an opinion as of the Closing Date that, under current law, when held as of the Closing Date by persons unrelated to the Issuer or its owners, the Class A1 Notes, the Class A2 Notes and the Class M Notes that are acquired on the Closing Date by a Noteholder will be treated as debt for U.S. federal income tax purposes. If the IRS successfully contended that the Notes should be recharacterized as equity interests in the Issuer, negative consequences to the Issuer and the Noteholder could result, including the possibility that if the beneficial ownership of a recharacterized Note is held (directly or indirectly) by a non-U.S. person, the IRS could take the position that the Issuer is subject to U.S. withholding in respect of collections on the Mortgage Loans, or the Issuer may be liable for failing to withhold tax with respect to income of such non-U.S. person (and for interest and penalties relating to such liability), which could have a material adverse effect on the Issuer's ability to make payments on the Notes.

FATCA

Under the Foreign Account Tax Compliance Act ("FATCA"), Non-U.S. Noteholders may be subject to a 30% withholding tax on interest payments on the Notes unless they establish an exemption from the withholding tax. Holders are required to provide the Issuer and its agents with any documentation that may be required for the Issuer to make payments to the holders without deduction or withholding.

The Notes Lack SMMEA Eligibility and May Lack Liquidity, Which May Limit Your Ability to Resell the Notes

As of the Closing Date, the Notes do not constitute "mortgage related securities" for purposes of the Secondary Mortgage Market Enhancement Act of 1984 ("SMMEA"). Accordingly, many institutions with legal authority to invest in SMMEA-eligible securities will not be able to invest in the Notes, thereby limiting the market for such Notes. In addition, the Notes are backed by Mortgage Loans that may not have the same resale value as notes backed by a mortgage pool composed of more conventional mortgage products, including those that would make the related notes SMMEA-eligible. As a result, the resale market for the Notes may be limited.

Lack of control over eMortgage Loans in the form of electronic contracts may jeopardize perfection or priority of the Indenture Trustee's interest in such Mortgage Loans.

The Originator may elect, with respect to certain Additional Mortgage Loans, to originate such Additional Mortgage Loans with some or all of the Mortgage Loan Documents, including eNotes and eLoan Agreements, being executed only in electronic format using digital signatures ("Electronic Contracts"). The Originator may use the services of DocuSign, Inc. or some other entity (the "Electronic Vendor"), in the Originator's sole and absolute discretion, to create such Electronic Contracts. The use of such Electronic Contracts is new, and may raise novel questions about the authenticity, validity, authority and enforceability of such Electronic Contracts. In the event the Originator elects to originate such Additional Mortgage Loans as eMortgage Loans, the Originator will receive and store the related Electronic Contracts in an electronic vault ("e-Vault") or in some manner intended to satisfy the requirements to establish "control" (within the meaning of Section 9-105 of the UCC) over each Electronic Contract in favor of the designated "secured party" within the meaning of Section 9-105 of the UCC if such Electronic Contracts constituted "electronic chattel paper" as defined in Article 9 of the UCC. However, there can be no assurance that eMortgage Loans will be considered electronic chattel paper under the UCC.

If necessary, the Seller will transfer (or cause to be transferred) the Electronic Contract related to such Additional Mortgage Loan sold to a new e Vault and the parties may enter into an electronic collateral control agreement or other similar agreement under which the parties will each agree to maintain the e-Vault and the Electronic Contracts in accordance with an electronic collateral control agreement or other similar agreement (the "Electronic File Procedures").

Although the eMortgage Loans may not be considered electronic chattel paper under the UCC, the Originator's procedures that it may establish in the future will be made for creating, vaulting and assigning Electronic Contracts and the Electronic File Procedures with an intention to design such procedures to perfect a security interest in each eLoan Agreement by satisfying the UCC requirements for "control" of electronic chattel paper. If the Electronic Contracts are electronic chattel paper, in order for the Indenture Trustee, as secured party, to have "control" over the Electronic Contracts, the Sponsor must employ a system for evidencing the transfer of interests in the eLoan Agreements that reliably establishes that the Issuer is the party to which such Electronic Contract was assigned and the Indenture Trustee is the assignee secured party with respect thereto. For such system to satisfy the foregoing requirement, the record or records comprising the Electronic Contract must be created, stored and assigned in the following manner: (i) there must be a "single authoritative copy" of the eLoan Agreement that is unique, identifiable, unalterable and readily distinguishable from all other copies, (ii) that "authoritative copy" of the eLoan Agreement must identify the Issuer as the assignee of, and the Indenture Trustee as their assignee secured party with respect to, the related eLoan Agreement, and that information must be communicated to and maintained by or for the benefit of the secured party, (iii) all other copies of the eLoan Agreement must indicate that they are not the "authoritative copy" of the eLoan Agreement, (iv) any amendments to the "authoritative copy" of the eLoan Agreement must be readily identifiable as either authorized or unauthorized, and (v) authorized amendments of the eLoan Agreement cannot be made without the consent or participation of the Indenture Trustee, as the secured party.

Notwithstanding the foregoing procedures, there can be no assurance that such procedures will be adequate to establish "control" within the meaning of the UCC, that the meaning of "control" under the UCC will not change or be interpreted differently by courts, or that the Indenture Trustee, as secured party, will be able to maintain control over the eLoan Agreements. If the eMortgage Loans are electronic chattel paper, another person could acquire an interest in an eLoan Agreement that is superior to the interest of the Indenture Trustee, as secured party, if, for example, a third party purchases an eLoan Agreement without knowledge that doing so violates the rights of the Indenture Trustee, or if the Issuer or the Indenture Trustee transfers "control" over an Electronic Contract to a third party. The Indenture Trustee may not have control over the Electronic Records if they are deemed not to be electronic chattel paper or could lose "control" over an Electronic Contract if, through fraud, forgery, negligence or error, or as a result of a computer virus or a failure of or weakness in the systems of e-Vault provider or another person party to an electronic collateral control agreement or other similar agreement, a person other than the Indenture Trustee or a party acting with the consent of the Indenture Trustee is able to modify or duplicate the authoritative copy of such Electronic Contract. If another person gets control of the Electronic Records, or the Electronic Records are not electronic chattel paper, the Indenture Trustee may not have a perfected security interest in the Electronic Records, which may increase risk of loss or loss severity on your Notes. The use of Electronic Records is relatively new and the procedures for establishing and maintaining control of electronic chattel paper, and the technology used to do so, are relatively new and whether the Electronic Records are considered electronic chattel paper and/or the Indenture Trustee has control over the Electronic Records have not faced legal challenge. There is a risk that such systems may not be sufficient as a matter of law to give the Indenture Trustee control over the Electronic Contracts evidencing the related Additional Mortgage Loans. In the event the Originator elects to originate certain Additional Mortgage Loans as eMortgage Loans, it is anticipated that each of the Issuer and the Indenture Trustee will have a perfected security interest in the eMortgage Loans and related eLoan Agreements on account of financing statements filed with the office of the Secretary of State of the State of Delaware reflecting the sale of such eMortgage Loans and related eLoan Agreements by the Seller to the Depositor and subsequent transfer from the Depositor to the Issuer, and the grant to the Indenture Trustee of a security interest in the Trust Estate by the Issuer and in the Electronic Contracts by the Issuer, but the fact that the ownership interest of the Issuer or the security interest of the Indenture Trustee may not be perfected by "control" may affect the priority of the security interest of the Issuer or the Indenture Trustee in an eLoan Agreement with the result that such security interest could be junior to another party with a perfected security interest in such eLoan Agreement. Due to the novelty of Electronic Contracts and the lack of legal precedents regarding their treatment as electronic chattel paper, there can be no assurance that the security interest in the eLoan Agreements will be a valid perfected security interest.

Further, the Seller relies on third-party products and service providers, including but not limited to the Servicer, to file the UCC financing statements against its Borrowers on such eMortgage Loans, the Electronic Vendor to create electronic contracts that evidence such eMortgage Loans, and the applicable e-Vault provider to maintain the e Vaults where such electronic contracts are stored.

If the Issuer does not have a perfected ownership interest in an eLoan Agreement, or the Indenture Trustee does not have a perfected security interest in such eLoan Agreement, such interests may be or become junior to that of another person, which may affect the ability of the Issuer or Indenture Trustee to collect the payments on the related eMortgage Loans or to enforce security interests against the Seller. The occurrence of any of these events could result in delays or reductions in payments, which may result in a loss on your investment in the Notes.

RISKS RELATED TO THE SPONSOR AND ITS AFFILIATES

Recourse to the Sponsor, the Seller, the Depositor, the Originator, the Servicer, the Indenture Trustee, the Custodian, the Paying Agent, the Note Registrar, the Certificate Registrar, the Asset Manager, the Owner Trustee or the Initial Purchasers May Limit Amounts Available to Pay the Notes

Collections on the Mortgage Loans, funds available to be withdrawn from the Redemption Account to pay the Interest Payment Amount and the Note Amount of the Class A2 Notes and the Class M Notes, and to the extent not used to fund Unfunded Commitments or to purchase Additional Mortgage Loans during the Reinvestment Period, funds in the Accumulation Account, will be the only source of payments on the Notes. The Notes do not represent an interest in or obligation of the Sponsor, Seller, the Depositor, the Servicer, the Originator, the Asset Manager, the Initial Purchasers, the Indenture Trustee, the Paying Agent, the Note Registrar, the Certificate Registrar, the Owner Trustee, the Custodian or the Initial Purchasers, or any of their affiliates, except for (i) the Seller's limited obligations with respect to certain breaches of representations and warranties and certain missing or defective documents and (ii) the Servicer's limited obligations with respect to its servicing responsibilities. Neither the Notes nor the Mortgage Loans will be guaranteed or insured by any governmental agency or instrumentality or any other entity. Additionally, there can be no assurances that the Issuer or the Depositor will be able to redeem the Notes or purchase the Mortgage Loans, respectively, on or following an Optional Redemption Date or that the Issuer will be able to sell the Mortgage Loans for a sufficient amount or at all, in order to pay the Notes in full on or following such Optional Redemption Date, or any date thereafter.

Consequently, in the event that proceeds received in respect of the Mortgage Loans and funds available to be withdrawn from the Redemption Account to pay the Interest Payment Amount and the Note Amount of the Class A2 Notes and the Class M Notes and to the extent not used to fund Unfunded Commitments or to purchase Additional Mortgage Loans during the Reinvestment Period, funds in the Accumulation Account, are insufficient or otherwise unavailable to make all payments required on your Notes, there will be no recourse to the Sponsor, the Seller, the Depositor, the Issuer, the Servicer, the Originator, any Initial Purchaser, the Asset Manager, the Indenture Trustee, the Paying Agent, the Note Registrar, the Certificate Registrar, the Owner Trustee, any of their affiliates or any other person.

If the Issuer does not have sufficient assets to distribute the full amount due and payable to you as a Noteholder, your yield will be impaired, and the return of your principal may even be impaired, without your having recourse to anyone else. Furthermore, certain funds of the Issuer may be released and paid out to other persons, such as service providers, or any other person entitled to payments from the Issuer prior to making payments on the Notes. Those funds will no longer be available to make payments to you.

The Sponsor and the Depositor Are Subject to Bankruptcy or Insolvency Laws That May Affect the Issuer's Ownership of the Mortgage Loans

In the event of the bankruptcy or insolvency of the Sponsor or the Depositor, it is possible the Issuer's right to payment from or ownership of the Mortgage Loans could be challenged, and if such challenge were successful, delays, reductions in payments and/or losses on the Notes could occur.

In the case of the Sponsor, an opinion of counsel will be rendered on the Closing Date, based on certain facts and assumptions and subject to certain qualifications, to the effect that the transfer of the related Mortgage Loans by the Sponsor to the Depositor would generally be respected in the event of a bankruptcy or insolvency of the Sponsor. A legal opinion is not a guaranty as to what any particular court would actually decide, but rather an opinion as to the decision a court would reach if the issues are competently presented and the court followed existing precedent as to legal and equitable principles applicable in bankruptcy cases. In any event, we cannot assure you that a bankruptcy trustee or another interested party, as applicable, would not attempt to assert that such transfer was not a sale. Even if a challenge were not successful, it is possible that payments on the Notes would be delayed while a court resolves the claim.

Financial Condition of the Seller

The Seller may have significant repurchase obligations over the life of the Notes. However, there can be no assurance that the Seller will have the financial ability to repurchase any Mortgage Loan or, with respect to a Liquidated Loan, make an indemnification payment for which a Material Breach has occurred. The Seller is not obligated to maintain any specific net worth nor to hold in reserve any funds.

If the Seller fails to perform a specified remedy with respect to a Mortgage Loan with respect to which a Material Breach, Material Document Defect has occurred, if the Custodian has not issued an exception report without exceptions other than Permitted Exceptions within fifteen (15) days of the related Origination Date of a Wet-Ink Mortgage Loan or in the event of a deficient finding during the Sample Diligence Review, Subsequent Review or Eligibility and Data Integrity Review, the related Mortgage Loan will generally remain as an asset of the Issuer and the Issuer's continued ownership of the Mortgage Loan may lead to greater Realized Losses. In particular, Mortgage Loans (or any related REO Properties) that the Seller is unable to repurchase or make an indemnification payment with respect to a Liquidated Loan could experience significant losses that may equal or exceed the Unpaid Principal Balances on such Mortgage Loans, in particular to the extent that any such Mortgage Loan lacks an enforceable title insurance policy, which, in turn, could result in losses on the Notes.

Failure of KFI To Successfully Attract and Retain Personnel May Cause the Notes to Suffer Delays or Shortfalls in Payments

As described under "*The Sponsor, the Originator, the Servicer and the Asset Manager—General*" in this Offering Memorandum, KFI continuously evaluates the costs and expenses it incurs in its ordinary course of its business. As a result of such analysis, KFI may from time to time lease additional office space and shift personnel among its offices in order to maximize its capital and reduce its costs of doing business. It has in the past, and may in the future, reduce the size of its workforce in one location, or alternatively, expand the size of its workforce in another. Such reduction in workforce or expansion of its footprint in a lower cost center may result in increased attrition or inability to sublease unused space. Any transitions or replacements of personnel must comply with all applicable employment laws. There can be no assurance that (i) any cost savings would be achieved from such lease of office space, shifting of personnel among its offices, reducing the size of its workforce in one location or expanding the size of its workforce in another location and (ii) KFI will be able to find and recruit team members with similar experience or that the length of time the search for suitable replacements will not be longer than anticipated. Any difficulty or delay in finding the appropriate human resources could adversely impact KFI's ability to perform its obligations under the Asset Management Agreement, the Servicing Agreement and other Transaction Documents. In addition, a transition process may involve the risk of disruption of its origination activities which may affect its ability to originate Additional Mortgage Loans for transfer to the Issuer, and could cause the Notes to be paid earlier than anticipated, and disruption of its servicing operations may affect its ability to process Collections, which could result in reductions or delays in the payments of the Notes.

Business interruptions could delay or prevent our business activities, which could have a material adverse effect on our business, financial condition and results of operations

Our facilities are located in the San Francisco Bay Area, which is near known earthquake fault zones and is vulnerable to significant damage from earthquakes, and in Pittsburgh, Pennsylvania. We are also vulnerable to other natural disasters and other events that could disrupt its operations, such as cybersecurity breaches, that may be beyond the Sponsor's control. The Sponsor does not carry insurance for earthquakes, and the Sponsor may not carry sufficient business interruption insurance to compensate the Sponsor for losses that may occur. Any losses, costs or damages we incur could have a material adverse effect on our operating results, cash flows, success as an overall business, ability to perform our obligations under the Transaction Documents including KFI's repurchase and indemnification obligations and duties as Asset Manager and could result in reductions or delays in the payments of Notes.

Our business operations could suffer in the event of information technology system failures or security breaches

The Sponsor's information technology systems may be subject to security breaches, unauthorized access (malicious or accidental), misuse of information by authorized users, data leaks or unintentional exposure of information, failed process, loss of data, damages from computer viruses or malware, natural disasters, terrorism, telecommunication failures or disruption of service. Any system failure or security breach could cause interruptions in our operations in addition to the possibility of losing proprietary information and trade secrets. To the extent that any disruption or security breach results in inappropriate disclosure of our confidential information, the Sponsor may incur liability or additional costs to remedy the damages caused by these disruptions or security breaches. Any losses, costs or damages could affect the Sponsor's ability to perform its obligations under the Transaction Documents and could result in reductions or delays in the payments of Notes.

A Failure in or Breach of KFI's Operational or Security Systems or Infrastructure, or Those of Third Parties, Could Disrupt KFI's Business, and Adversely Impact its Results of Operations, Liquidity and Financial Condition, as well as Cause Legal or Reputational Harm

KFI receives, maintains and stores the non-public personal information of its Mortgage Loan applicants, its employees and retail buyers of its loan origination. The sharing, use, disclosure and protection of this information are governed by its privacy and data security policies. Moreover, there are federal, state and international laws regarding privacy and the storing, sharing, use, disclosure and protection of certain personal information and user data. Specifically, certain personal information is increasingly subject to legislation and regulations, including the California Consumer Privacy Act, which became effective on January 1, 2020, the intent of which is to protect the privacy of non-public personal information that is collected and handled. In addition, KFI may become subject to new legislation or regulation concerning any information KFI may store or maintain. KFI could be adversely affected if legislation or regulations are modified such that they require changes to its business practices or privacy policies.

Security breaches, acts of vandalism, employee misconduct, human error, and developments in computer intrusion capabilities could result in a compromise or breach of the technology that KFI or its vendors use to protect its Borrower's and the loan applicant's personal information and transaction data. KFI invests in industry standard security technology designed to protect KFI's data and business processes against risk of data security breach and cyber-attack. Our data security management program includes identity, trust, vulnerability and threat management business processes as well as adoption of standard data protection policies. KFI measures its data security effectiveness through industry accepted methods and remediates significant findings. The technology and other controls and processes designed to secure its client and loan applicant information and to prevent, detect and remedy any unauthorized access to that information were designed to obtain reasonable, not absolute, assurance that such information is secure and that any unauthorized access is identified and addressed appropriately. Accordingly, such controls may not have detected, and may in the future fail to prevent or detect, unauthorized access to its client and loan applicant information.

Despite its efforts to ensure the integrity of its systems, it is possible that KFI may not be able to anticipate or implement effective preventive measures against all security breaches, especially because the techniques used change frequently or are not recognized until launched, and because security attacks can originate from a wide variety of sources, including third parties such as persons involved with organized crime or associated with external service providers. These risks may also increase as a result of any remote work arrangements at KFI and its third-party service providers. Those parties may also attempt to fraudulently induce employees, customers or other users of its systems to disclose sensitive information in order to gain access to its data or that of its customers, clients, or loan applicants.

Cybersecurity risks for mortgage lenders have significantly increased in recent years, in part, because of the proliferation of new technologies, the use of the Internet and telecommunications technologies to conduct financial transactions, and the increased sophistication and activities of organized crime, hackers, terrorists and other external parties, including foreign state actors. KFI, its customers, regulators and other third parties have been subject to, and are likely to continue to be the target of, cyberattacks, for a variety of reasons, including, but not limited to, their retention of non-public personal information of mortgage loan applicants and borrowers. These cyberattacks include computer viruses, malicious or destructive code, phishing attacks, denial of service or information, improper access by employees or vendors or other security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of confidential, proprietary and other information of KFI, its employees, its customers or of third parties, or otherwise materially disrupt its or its customers' or other third parties' network access or business operations.

Any penetration of network security, mobile devices or other misappropriation or misuse of personal information could cause interruptions in the operations of its businesses, financial loss to its customers, damage to its computers or operating systems and to those of its customers and counterparties and subject us to increased costs, litigation and other liabilities. In addition, the foregoing events could result in violations of applicable privacy and other laws. If this information is inappropriately accessed and used by a third party or an employee for illegal purposes, such as identity theft, KFI may be responsible to the affected mortgagor and loan applicant for any losses he or she may have incurred as a result of misappropriation. In such an instance, KFI may also be liable to a governmental authority for fines or penalties associated with a lapse in the integrity and security of its clients' and loan applicant's information. KFI may be required to expend significant capital and other resources to protect against and remedy any potential or existing security breaches and their consequences. In addition, KFI may not have adequate insurance to cover these losses.

Security breaches could also significantly damage its reputation with customers and third parties with whom KFI does business. Any publicized security problems affecting its businesses and/or those of such third parties may discourage customers from doing business with KFI, which could have a material adverse effect on its business, liquidity, financial condition, cash flows and results of operations. These risks may increase in the future as KFI continues to increase its reliance on the internet and use of web-based product offerings and on the use of cybersecurity. The risks described above also exist with respect to the other parties to the transaction and the breach or failure of the systems of such other parties may adversely affect the performance of the Notes by, for example, delaying payments on the Notes, or causing reputational harm to transaction parties that adversely affects the liquidity of the Notes.

RISKS RELATED TO GENERAL MARKET CONDITIONS

Violations of Various Federal, State and Local Laws May Result in Losses on the Mortgage Loans

Certain federal, state and local laws impose substantive requirements upon mortgage lenders that originate, hold, service, and seek to enforce mortgage loans for business purpose or commercial purposes. Applicable state and local laws regulate, among other things, interest rates and other charges and licensing of brokers and lenders. These laws do not expressly address the extent to which their obligations apply to an issuer in connection with a securitization, including a securitization issuer that may own loans the proceeds of which may not have been fully disbursed to the Borrower, such as the Mortgage Loans.

Neither the Depositor nor the Issuer has obtained any licenses or permits in connection with holding the Mortgage Loans and no assurance can be given that a state or local government will not assert that the Depositor or the Issuer must obtain a particular license or permit. None of the Issuer, Servicer, or Asset Manager have obtained any licenses or permits in connection with the funding of Unfunded Commitments in relation to Mortgage Loans. No assurance can be given that the Originator, the Sponsor, the Seller, the Servicer, the Asset Manager, the Depositor and each other party involved in the origination, servicing and holding of the Mortgage Loans had obtained all appropriate licenses and permits at the appropriate time in connection with the Mortgage Loans.

Violations of applicable federal, state and local laws may limit the ability of the Servicer on behalf of the Depositor and the Issuer to collect all or part of the principal of, or interest on, the Mortgage Loans, and could subject the Depositor or the Issuer to damages and administrative enforcement (including disgorgement of prior interest and fees paid). In particular, any failure of the Originator, the Asset Manager, the Servicer, the Depositor or the Issuer to comply with certain requirements of federal and state laws could subject the Depositor or the Issuer (and other assignees of the Mortgage Loans) to monetary penalties.

Depending on the particular alleged misconduct, it is possible that claims may be asserted against various participants in secondary market transactions, including assignees that hold mortgage loans, such as the Depositor or the Issuer. Losses on Mortgage Loans from the application of any applicable federal, state and local laws that are not otherwise covered by one or more forms of credit enhancement will be borne by the holders of the Notes. Additionally, the Depositor or the Issuer may experience losses arising from lawsuits related to alleged violations of these laws, which, if not covered by one or more forms of credit enhancement, will be borne by the holders of the Notes.

In addition, federal, state and local governments have enacted legislation, promulgated regulations and issued orders and statements mandating or encouraging financial services companies to make accommodations to borrowers and other customers affected by the COVID-19 pandemic, although the Servicer is not currently required to make any accommodations in respect of the Mortgage Loans. These accommodations may include loan modifications such as payment deferrals or extensions of repayment terms, interest and fee waivers and forbearance from exercising remedies, including moratoriums on enforcing rights with respect to collateral. Future governmental action could mandate or encourage similar or further accommodations with respect to business purpose loans like the Mortgage Loans, which could adversely affect the timing or ability to collect amounts due on the Mortgage Loans.

Turbulence in the Financial Markets, the Mortgage Market and the Economy May Adversely Affect the Performance and Market Value of Your Notes, and These Conditions May Not Improve

Market and economic conditions during the past several years have caused significant disruption in the credit markets. Continued concerns about the availability and cost of credit, the U.S. mortgage market, some real estate markets in the U.S., economic conditions in the U.S. and Europe and the systemic impact of inflation or deflation, energy costs, geopolitical issues, political gridlock on United States federal budget matters including full or partial government shutdowns, trade wars, future outbreaks of coronavirus or similar disease and potential military actions or threats have contributed to increased market volatility and diminished expectations for the U.S. economy. Increased market uncertainty and instability in both U.S. and international capital and credit markets, combined with declines in business and consumer confidence and increased unemployment, have contributed to volatility in domestic and international markets, especially in light of disruptions in global economies, markets and supply chains and historically high inflation in the United States.

Beginning in March 2023, large regional banks suffered major outflow of deposits and eventually were placed into receivership by the FDIC. Moody's downgraded its credit ratings of certain regional banks on August 7, 2023 noting the effect of high interest rates on the value of their portfolios of fixed-rate securities and commercial real estate loans as well as asset liability management risks. On August 21, 2023, S&P Global Ratings reduced its credit ratings of certain regional banks with high commercial real estate exposures, noting the high interest rate environment, their funding risks, higher reliance on brokered deposits and deposit outflows. Both Moody's and S&P Global Ratings warned of further downgrades in the future. Fitch also warned of possible future bank downgrades. These downgrades may increase pressures on banks to raise additional capital and increase liquidity and limit their ability to do so. In addition, concerns over U.S. commercial real estate have begun to affect global markets, including, but not limited to, the common stock and debt ratings of New York Community Bancorp. The operating risks for banks and the related downgrades have had a limited impact on structured finance transactions due in part to limited exposure and mitigating structural features. However, it is uncertain what impact these events may have on residential transition loans and certain transaction parties in the future, which could adversely affect the value of the Notes. It cannot be predicted what, if any, wider impact these bank failures may have on the economy and the markets, but it is possible that the heightened market uncertainty as a result of these events may lead to a decline in value of the Notes.

Prior to Congress' approval to increase the debt ceiling in June 2023, the total amount of money that the U.S. government was authorized to borrow to meet its existing legal obligations, including social security and Medicare benefits, military salaries, interest on the national debt, tax refunds and other payments, was about $31.4 trillion. The Congressional approval does not authorize new spending commitments, but simply allows the U.S. government to finance existing legal obligations. Prior to the most recent debt ceiling legislative package, a failure to increase the debt limit would have caused the government to default on its legal obligations and could have triggered a spike in interest rates, a drop in stock prices and potentially precipitated another financial crisis that would have threatened the global economy. While such a failure was averted, the United States' long-term ratings were downgraded by Fitch, which cited the standoff leading to raising the debt limit as one of the factors to the credit rating downgrade. The credit rating downgrade by Fitch has resulted in higher yields on United States treasury securities and may have an adverse effect on the Mortgage Loans or the Notes. The erosion of governance is likely to be a persistent factor in future considerations of the credit rating of the United States, and future political standoffs may lead to further downgrades by Fitch and other credit rating agencies, especially in light of the fact that the most recent debt ceiling legislative package only suspended the borrowing limit to January 2025. It is possible that Congressional approval may be subject to similar delayed negotiations or that there may be further delays due to government infighting, as evidenced by the historic removal of then-Speaker Kevin McCarthy from his position in the House of Representatives on October 3, 2023, bringing legislative activity to a temporary halt. Similar actions may prevent Congress from passing a government funding package in time for the current fiscal year. In order to avert a government shutdown, Congress enacted a series of continuing resolutions before passing government funding packages on March 8, 2024 and March 22, 2024. These measures keep the federal government funded through the 2024 fiscal year ending on September 30, 2024. There is no assurance that Congress will pass future spending bills in time in order to avert a government shutdown.

On August 1, 2023, Fitch Ratings downgraded the United States government's credit rating from "AAA" to "AA+", citing rising debt at the federal, state, and local levels and a steady deterioration in standards of governance (including the debt limit negotiations that threatened the government's ability to pay its existing legal obligations). Additionally, despite Moody's affirming the United States government's long-term ratings at "Aaa", Moody's changed the outlook of the United States government's credit rating to "negative" from "stable" on November 10, 2023. It is not clear if and how such downgrades will impact the market price or the marketability of the Notes, and no assurance can be given that these ratings actions or future ratings actions will not have an adverse effect on the value of the Notes, or that other rating agencies will not take similar actions.

The financial crisis that emerged in 2008 and ensuing events have resulted in a substantial level of uncertainty in the financial markets, particularly with respect to mortgage-related investments, in particular private label RMBS. The responses to the crisis and events have included, among other things, numerous actions of monetary and fiscal authorities in the United States and Europe, such as:

- the conservatorship and the control by the U.S. government since September 2008 of Freddie Mac and Fannie Mae, as further described under "*—Risks Related to Residential Real Estate—Developments in the Residential Mortgage Market May Adversely Affect the Performance and Market Value of Your Notes*;" and

- the adoption or revision, or proposed adoption or revision, of statutes and regulations governing securitization markets in the United States and Europe, such as the adoption of revised Regulation AB by the SEC in August 2014, the adoption of the Federal Deposit Insurance Corporation's final securitization safe harbor rule, the enactment of the Dodd-Frank Act and pending and recently finalized regulatory implementation and certain European Union regulatory initiatives, as further described below under "*—Governmental Intervention, Financial Regulatory Reforms and Proposed Regulations Could Have a Significant Impact on the Sponsor, the Seller, the Depositor, the Issuer, the Originator, the Servicer, the Asset Manager or on the Value or Marketability of the Notes*."

Although the United States economy emerged from the recession resulting from the 2008 Financial Crisis, the U.S. economy re-entered a recession following the COVID-19 pandemic and the global economy has been materially and adversely impacted as a result of the pandemic. Although the United States and global economies have recovered from the effects of the COVID-19 pandemic, certain post-pandemic adverse consequences continue to impact the macroeconomic environment, including adverse effects such as interest rate volatility, supply chain issues, labor shortages and inflation. On February 24, 2022, Russia invaded Ukraine, and in response, the U.S. and certain other nations have supplied and may continue to supply weapons and other supplies to Ukraine, and the conflict may widen into other countries joining the conflict directly or indirectly. Countries have also imposed a series of trade sanctions, bans and other measures on Russia, Russian banks and other entities and individuals and on certain Russian commodities, to which Russia has responded by imposing its own set of sanctions. Businesses are also cutting or limiting ties with Russian business entities. On October 7, 2023, a Palestinian militant group launched a series of attacks into Israel, resulting in retaliatory strikes and a declaration of war by Israel. The ongoing conflict in the Middle East has rapidly escalated and may lead to wider involvement from other countries and further disruptions in the financial markets and the global economy. These conflicts and the resulting sanctions and other measures have led and may in the future lead to further global supply issues, increased oil and gas prices and other inflationary pressures, as well as significant market volatility. These conflicts have had and could continue to have a severe adverse effect on the respective regions and other parts of the world, including significant negative impacts on the economy and the markets for certain securities and commodities, such as oil, wheat and natural gas. For instance, the sanctions, bans and other measures on Russia, Russian banks and other entities and individuals resulting from the ongoing Russo-Ukrainian conflict has already lead to further global supply issues, increased oil and gas prices and other inflationary pressures. In addition, there may be a heightened risk of cyber warfare launched by Russia against other countries in retaliation for political opposition, sanctions and/or military assistance. Prior to the imposition of sanctions, Kiavi, Inc. ("Kiavi") has received small non-controlling minority equity investments from such Russian-affiliated individuals and entities. None of these individuals or entities currently have any involvement in its management or operations. How long such hostilities, sanctions and related events will last, or whether they will be escalated, cannot be predicted. Kiavi is closely monitoring the federal government's sanctions decisions and guidance and intends to continue to comply with them. These tensions, sanctions and any related events could also cause disruptions in the capital markets that could adversely affect the value or liquidity of financial instruments such as the Notes.

Increased market uncertainty and instability in both U.S. and international capital and credit markets, combined with declines in business and consumer confidence and increased unemployment, have contributed to volatility in domestic and international markets. Concern about the stability of the markets and the creditworthiness of counterparties has led many lenders and institutional investors to reduce, and in some cases cease, lending to certain borrowers. Continued turbulence in the U.S. and international markets and economies may negatively affect the U.S. housing market and the credit performance and market value of residential mortgage loans.

In recent years, the global financial markets have experienced increased volatility due to uncertainty surrounding the level and sustainability of the sovereign debt of various countries. Much of this uncertainty has related to certain countries, that participate in the European Monetary Union and whose sovereign debt is generally denominated in euros, the common currency shared by members of that union. In addition, some economists, observers and market participants have expressed concerns regarding the sustainability of the monetary union and the common currency in its current form. Concerns regarding sovereign debt may spread to other countries at any time.

On January 20, 2021, Joseph Biden became President of the United States. The legislative agenda of the Biden Administration has prioritized recovery from the COVID-19 pandemic including economic stimulus to many sectors of the economy. These changes may have a direct impact on real estate values and prevailing mortgage rates for commercial and residential properties. To the extent such changes impact the U.S. residential housing sector, in particular housing values or residential mortgage rates, the impact could lead to (i) higher or lower housing inventories based on the impact to residential real estate values, and/or (ii) higher or lower mortgage residential mortgage rates which will directly impact affordability.

Particular uncertainty persists regarding the prospects for growth in the U.S. economy, and a number of factors have contributed to this uncertainty, including high interest rates, volatility in the financial markets, government debt levels, prospective Federal Reserve policy shifts, changing U.S. consumer spending patterns, pending regulations (including with respect to asset-backed securitization), and changing expectations for inflation and deflation. Furthermore, many state and local governments in the United States are experiencing, and may continue to experience, severe budgetary strain including full or partial government shutdowns. One or more states or significant local governments could default on their debt or seek relief from their debt under the Bankruptcy Code or by agreement with their creditors. Any or all of the circumstances described above may lead to further volatility in or disruption of the credit markets at any time and adversely affect the value of your Notes. Moreover, other types of events may affect financial markets, such as war, revolt, insurrection, armed conflict (including the armed conflicts between Russia and Ukraine and in the Middle East), terrorism, political crisis, natural disasters and man-made disasters. We cannot predict such matters or their effect on the mortgage markets generally, or on the value or performance of the Mortgage Loans or your Notes.

After many years of historically low inflation, consumer prices in the United States have experienced steep increases. The general effects of inflation on the economy of the United States can be wide ranging, evidenced by rising wages and rising costs of consumer goods and necessities. If a borrower's income growth fails to keep pace with the rising costs of necessary goods, then such borrower may have less funds available to make towards their mortgage payments. The long term effects of inflation on the general economy and on any individual borrower are unclear, and in certain cases, rising inflation may affect a borrower's ability to repay such borrower's related mortgage loan, thereby reducing the amount received by the holders of the Notes with respect to such Mortgage Loan.

In response to increases in inflation, the Federal Reserve has raised its benchmark rate several times and could, in the future, introduce further increases. The Federal Open Market Committee also stated that it will continue reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities as announced in May 2022. Although it cannot be predicted, additional action by the Federal Reserve as well as other federal and state agencies is possible in the near future. To the extent that interest rates increase as a result of Federal Reserve actions or otherwise, the availability of refinancing alternatives for Mortgage Loans may be reduced, which may in turn lead to delinquencies and defaults on the Mortgage Loans under certain economic pressures. Central banks in Europe and other countries are implementing similar and other measures to support financial markets. It cannot be predicted if, and to the extent such actions, or any similar actions in the future, will stabilize or improve markets or impact the performance of the Notes.

The banking sector in the United States has recently experienced increased volatility. On March 10, 2023, the California Department of Financial Protection and Innovation took possession of Silicon Valley Bank and appointed the FDIC as receiver. On March 12, 2023, the New York State Department of Financial Services took similar action with respect to Signature Bank. Finally, on May 1, 2023, First Republic Bank was closed by the California Department of Financial Protection and Innovation. None of the Accumulation Account, Rehab Escrow Account, Payment Account or Pre-funding Interest Account will be established at Silicon Valley Bank, Signature Bank or First Republic Bank. However, KFI maintains other bank accounts at First Republic Bank. No assurance can be given that other banks or depository institutions will not experience similar financial difficulties. If a banking institution utilized by the Servicer, the Asset Manager or the Subservicer enters into receivership, it could impair the ability of the Servicer, the Asset Manager or the Subservicer to receive Collections on the Mortgage Loans, or to remit such Collections to the Payment Account, which could result in losses on the Notes.

In addition to COVID-19, other epidemic diseases, such as measles, Severe Acute Respiratory Syndrome, Ebola, H1N1, Zika, avian influenza, and swine flu or the fear of such diseases, could foster economic downturns or otherwise affect the markets in which KFI operates and KFI's abilities to operate its business and manage the Mortgage Loans. Outbreaks of epidemic diseases may result in adverse impacts on the global economy in general or on the U.S. or other economies in particular, as well as causing significant uncertainty in both domestic and global financial markets and increasing volatility and/or disruption in the capital markets. In addition, responses to an outbreak could have a material adverse effect on economies generally and may result in increased defaults on the Mortgage Loans and decreased cash flow among other effects, any of which alone or in combination could negatively affect the ability of the Issuer to generate sufficient cash flow to pay its obligations. The various future impacts of these matters are difficult to predict, and these additional risks may adversely affect the Issuer's ability to pay the interest and principal payments due on the Notes. See also "*—Potential Risks Associated with the COVID-19 pandemic*" in this Offering Memorandum.

Investors should consider that general conditions in the residential real estate and mortgage markets and any changes in those conditions may adversely affect the performance of the Mortgage Loans and the performance or market value of the Notes. There can be no assurance that governmental or other actions will improve these conditions. In addition, in connection with all the circumstances described above, you should be aware in particular that:

- such circumstances may result in substantial delinquencies and defaults on the Mortgage Loans and adversely affect the amount of Liquidation Proceeds the Issuer would realize in the event of foreclosures and liquidations;

- such circumstances may adversely affect the performance of the Originator or the Sponsor which may in turn adversely affect such parties' ability to repurchase Mortgage Loans or make an indemnification payment with respect to Liquidated Loan, in each case, subject to a Material Breach, Material Document Defect, if the Custodian has not issued an exception report without exceptions other than Permitted Exceptions within fifteen (15) days of the related Origination Date of a Wet-Ink Mortgage Loan or in the event of a deficient finding during a Sample Diligence Review, Subsequent Review or an Eligibility and Data Integrity Review;

- defaults on the Mortgage Loans may occur in large concentrations over a period of time, which might result in rapid declines in the value of your Notes;

- notwithstanding that many of the Mortgage Loans were recently underwritten and originated, the values of the related Mortgaged Properties may have declined since the Mortgage Loans were originated and may decline following the issuance of the Notes and such declines may be substantial and occur in a relatively short period following the issuance of the Notes, and such declines may occur for reasons largely unrelated to the circumstances of the particular Mortgaged Properties;

- if you desire to sell your Notes, you may be unable to do so or you may be able to do so only at a substantial discount from the price you paid, and this may occur within a relatively short period following the issuance of the Notes and for reasons unrelated to the then current performance of the Notes or the Mortgage Loans;

- if you desire to obtain financing for your Notes, you may be unable to do so or you may be able to do so only at higher interest rates, and this may occur within a relatively short period following the issuance of the Notes and for reasons unrelated to the then current performance of the Notes or the Mortgage Loans;

- such circumstances may result in increased or decreased prepayment activity with respect to the Mortgage Loans, which may affect the performance and market value of one or more Classes of Notes;

- such circumstances may result in substantial delinquencies on the Mortgage Loans, which may become the subject of modifications, including reductions in the principal balance of the Mortgage Loans;

- if the Mortgage Loans default, then the yield on your investment may be substantially reduced notwithstanding that Liquidation Proceeds may be sufficient to result in the repayment of the principal of and accrued interest on your Notes; and

- the time periods to resolve defaulted Mortgage Loans may be long, and those periods may be further extended because of Borrower bankruptcies, related litigation and any federal and state legislative, regulatory and/or administrative actions or investigations;

In light of the circumstances described above, the risks we describe elsewhere under "*Risk Factors*" in this Offering Memorandum are heightened substantially, and you should review and carefully consider such risk factors in light of such circumstances.

Illiquidity in the Mortgage-Backed Securities Market May Adversely Affect the Market Value of Your Notes

Your Notes will not be listed on any national securities exchange or traded on any automated quotation systems of any registered securities association, and there is currently no secondary market for the Notes. The Notes also have significant transfer restrictions, including the restriction that any purchaser must be a (1) "qualified institutional buyer" as defined in Rule 144A under the Securities Act or (2) an institution that (a) is a "qualified institutional buyer" (within the meaning of Rule 144A under the Securities Act) and (b) is not a "U.S. person" within the meaning of Regulation S. The Depositor has been advised by the Initial Purchasers that each of the Initial Purchasers intends to make a market in the Notes, but such Initial Purchaser has no obligation to do so. No representation is made by any person or entity as to what the market value of any Note will be at any time. In recent years, the RMBS market has experienced greatly reduced liquidity and could continue to experience significant disruptions resulting from reduced investor demand for mortgage loans and mortgage-backed securities, increased investor yield requirements and fluctuating investor confidence. There can be no assurance that a secondary market for the Notes will develop or, if it does develop, that it will continue. Accordingly, you may not have an active or liquid secondary market for your Notes.

Rule 15c2-11, as amended, under the Exchange Act requires that brokers and dealers who publish or submit for publication any quotation for securities, including fixed income securities, on any interdealer quotation system or other quotation medium (other than on a national securities exchange), must ensure that certain information about the issuer be publicly available (among other requirements and subject to certain exceptions). On November 30, 2022, the staff of the Division of Trading and Markets of the SEC (the "Division") issued a no-action letter (superseding a previous no-action letter on the same topic dated December 16, 2021) in response to indications from industry representatives that they needed additional time to complete the operational and systems changes necessary to comply Rule 15c2-11 for fixed income securities. The November 30, 2022 no-action letter stated that the Division would not recommend enforcement action to the SEC under Rule 15c2-1 for brokers or dealers that publish or submit quotations, including continuous quotations, in a quotation medium, for fixed income securities if (1) the broker or dealer has determined that the fixed income security or its issuer meets certain criteria, or (2) that there is current and publicly available financial information (consistent with Rule 15c2-11(b)) about the issuer of such securities. The criteria includes, among others, where the subject security is a corporate fixed income security or asset-backed security offered pursuant to Rule 144A under the Securities Act of 1933, such as the Notes, and the broker or dealer reasonably believes that the issuer of the subject security will provide the information specified in Rule 144A(d)(4), prior to a Rule 144A transaction, upon request. The no-action letter will expire on January 4, 2025. After that date, subject to any additional superseding no-action letter or guidance from the Division or the SEC, Rule 15c2-11 will require that brokers or dealers who publish or submit for publication any quotation for any fixed income securities—such as the Notes in a secondary market sale—on any interdealer quotation system or other quotation medium (other than on a national securities exchange), ensure that certain information about the issuer be publicly available (among other requirements and subject to certain exceptions). On October 30, 2023, the SEC issued an order providing exemptive relief for fixed income securities issued under Rule 144A. However, any future regulatory requirements restricting the ability of brokers and dealers to publish quotations may adversely affect any secondary market for the Notes.

Investors should also be aware that, on November 27, 2023, the SEC adopted a rule to implement Section 27B of the Securities Act (a provision added by Section 621 of the Dodd-Frank Act) prohibiting material conflicts of interest in asset-backed securities transactions. The rule prohibits an underwriter, placement agent, initial purchaser or sponsor of any asset backed securities, and certain affiliates and subsidiaries of such entities, from engaging in any transaction that would involve or result in a material conflict of interest as defined by the SEC, subject to certain exceptions. Compliance with the new rule will be required with respect to any asset backed security the first closing of the sale of which occurs 18 months after publication of the new rules in the Federal Register. It is uncertain at this time what impact the rule, if adopted, will have on the RMBS market, securitization participants or the Notes.

It is possible that investors who desire to sell their Notes in the secondary market may find no or few potential purchasers and experience lower resale prices than expected. Investors who desire to obtain financing for their Notes similarly may have difficulty obtaining any credit or credit with satisfactory interest rates, which may result in lower leveraged yields and lower secondary market prices upon the sale of the Notes.

We make no representation as to the proper characterization of the Notes for legal investment, regulatory, financial reporting or other purposes, as to the ability of particular investors to purchase the Notes under applicable legal investment or other restrictions or as to the consequences of an investment in the Notes for such purposes or under such restrictions. However, the following are examples of statutory and regulatory developments that may adversely affect the ability of particular investors to hold or acquire RMBS or the consequences to them of an investment in RMBS and, thus, the ability of investors in the Notes to resell their Notes in the secondary market.

- Section 939A of the Dodd-Frank Act requires the U.S. federal banking agencies and other federal regulators to modify their existing regulations to remove any reliance on credit ratings and establish alternative standards of creditworthiness. As a general rule, national banks are permitted to invest only in "investment grade" instruments, which under pre-existing regulations has been determined based on the credit ratings assigned to these instruments. These national bank investment-grade standards are incorporated into statutes and regulations governing the investing authority of most state banks, and, thus, most state banks are required to adhere to these same investment-grade standards. The Office of the Comptroller of the Currency (the "OCC"), the primary regulator of national banks, revised its regulatory definition of "investment grade" to require a bank's determination regarding whether "the issuer of a security has adequate capacity to meet financial commitments under the security for the projected life of the asset or exposure." While national banks may continue to consider credit ratings, they may not rely exclusively on such ratings and must conduct separate due diligence to confirm the investment grade of the instruments. Likewise, the federal banking regulators adopted amendments to the market risk capital rules to reflect the appropriate capital treatment of debt and securitization positions without reliance on the credit ratings assigned to those instruments. These developments may limit the ability or willingness of national banks to purchase notes, especially any notes that have not been assigned a credit rating, which in turn may adversely affect the liquidity of the Notes in the secondary market. This could adversely affect your ability to transfer Notes or the price you may receive upon your sale of Notes.

- The Financial Accounting Standards Board recently adopted changes to the accounting standards for structured products such as the Notes. These changes, or any future changes, may affect the manner in which you must account for your investment in any Notes and, under some circumstances, may require that you consolidate the entire Issuer on your balance sheet. Prospective investors in the Notes should consult their accounting advisors to determine the effect that accounting standards, including the recent changes, may have on them. The imposition of these standards could affect the ability or willingness of various entities to purchase Notes, which in turn may adversely affect the liquidity of the Notes in the secondary market. This could adversely affect your ability to transfer Notes or the price you may receive upon your sale of Notes.

- The application of Rule 15c2-11 under the Exchange Act, and other regulatory requirements applicable to the publication or submission of quotations, directly or indirectly, in any quotation medium by a broker or dealer for securities such as the Notes may adversely affect the liquidity of the Notes in the secondary market. This could adversely affect your ability to transfer Notes or the price you may receive upon your sale of Notes.

In addition, future statutory or regulatory developments may further limit the ability or desire of investors in the Notes to resell their Notes in the secondary market. Accordingly, all prospective investors in the Notes should consider the possible effects of legal investment, regulatory capital, accounting and other restrictions and requirements on the liquidity and value of their Notes, whether or not those requirements and restrictions would apply in connection with their initial investments in the Notes or to other investors or potential investors in mortgage-backed securities. In any event, all prospective investors whose investment activities are subject to legal investment laws and regulations, regulatory capital requirements, or review by regulatory authorities should consult with their own legal, accounting and other advisors in determining whether, and to what extent, the Notes will constitute legal investments for them or are subject to investment or other restrictions, unfavorable accounting treatment, reporting requirements, due diligence requirements, capital charges or reserve requirements.

Governmental Intervention, Financial Regulatory Reforms and Proposed Regulations Could Have a Significant Impact on the Sponsor, the Seller, the Depositor, the Issuer, the Originator, the Servicer, the Asset Manager or on the Value or Marketability of the Notes

Disruptions in the global financial markets in recent years have led to extensive and unprecedented governmental intervention. Such intervention was, in certain cases, implemented on an expedited basis, suddenly and substantially eliminating market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition, these interventions often have been unclear in scope and application, resulting in confusion and uncertainty, which in itself has been materially detrimental to the efficient functioning of the markets as well as previously successful investment strategies.

Recent legislative initiatives and completed and pending regulatory implementation and any uncertainty about the nature and timing of the regulations, including the Dodd-Frank Act and related implementing regulations and recently adopted and proposed amendments to Regulation AB, may create uncertainty in the credit and other financial markets. Such uncertainty may affect the performance of the transaction parties and may adversely affect the value or marketability of the Notes.

The Dodd-Frank Act and Regulatory Implementation. Changes in federal banking and securities laws, including those resulting from the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") enacted in the United States, may have an adverse effect on issuers, investors, or other participants in the asset-backed securities markets (including RMBS). In particular, capital regulations were issued by the U.S. banking regulators in July 2013; these regulations implement the increased capital requirements established under the Basel Accord. These capital regulations eliminate reliance on credit ratings and otherwise alter, and in most cases increase, the capital requirements imposed on depository institutions and their holding companies, including with respect to ownership of asset-backed securities. Further changes in capital requirements have been announced by the Basel Committee on Banking Supervision and it is uncertain when such changes will be implemented in the United States. These changes may have an adverse effect with respect to investments in asset-backed securities (including RMBS).

In connection with agreements reached by the Basel Committee on Banking Supervision ("BCBS"), in July 2023 the federal banking agencies proposed sweeping revisions to the risk-based capital and market risk guidelines applicable to U.S. banking organizations. The notice of proposed rulemaking, also referred to as the "Basel III Endgame," would implement the final Basel III international standards approved by the BCBS. The Basel III Endgame would substantially revise the risk-based capital adequacy framework applicable to large U.S. banking organizations and other banking entities engaging in significant trading activities and would subject U.S. banking organizations to increased capital requirements. In addition, the proposed rules would generally cause risk weights for residential mortgages and securitization exposure held by U.S. banking organizations to be calculated in a different manner, and in some cases subject to risk weights that are higher, or otherwise may adversely affect the treatment of exposures to securitization transactions for regulatory capital purposes. This and other changes, if adopted, may limit the ability or willingness of banks to purchase asset-backed securities, including the Notes, which in turn may adversely affect the liquidity of the Notes in the secondary market. This could adversely affect your ability to transfer Notes or the price you may receive upon your sale of Notes.

The Issuer has not registered and is not required to register with the Securities and Exchange Commission as an investment company pursuant to the Investment Company Act of 1940, as amended (the "Investment Company Act") in reliance on the exclusion afforded by Rule 3a-7 promulgated under the Investment Company Act, although other exemptions or exclusions may be applicable. The Issuer is being structured so as not to constitute a "covered fund" for purposes of the regulations adopted to implement Section 619 of the Dodd-Frank Act (such statutory provision together with such implementing regulations, the "Volcker Rule"). The Volcker Rule generally prohibits "banking entities" (which is broadly defined to include U.S. banks and bank holding companies and many non-U.S. banking entities, together with their respective subsidiaries and other affiliates) from (i) engaging in proprietary trading, (ii) acquiring or retaining an ownership interest in or sponsoring a "covered fund" and (iii) entering into certain relationships with such funds. Under the Volcker Rule, unless otherwise jointly determined by specified federal regulators, a "covered fund" does not include an issuer that may rely on an exclusion or exemption from the definition of "investment company" under the Investment Company Act other than exclusions contained in Section 3(c)(1) and Section 3(c)(7) of the Investment Company Act. The general effects of the Volcker Rule remain uncertain. Any prospective investor in the Notes, including a U.S. or foreign bank or a subsidiary or other affiliate thereof, should consult its own legal advisors regarding such matters and other effects of the Volcker Rule.

In 2018, the five federal agencies responsible for implementing the Volcker Rule issued a notice of proposed rulemaking that would amend certain aspects of the implementing regulations not relevant to this transaction. As part of that notice, though, the agencies also requested public comment on the need for potential changes to virtually all aspects of the implementing regulations, including those aspects of the regulations relevant to securitizations and their treatment under the Volcker Rule's covered fund provisions. In 2019, these agencies adopted final regulations consistent with the amendments proposed in 2018. In addition, in early 2020, these agencies proposed additional amendments to the final regulations, including changes relevant to the treatment of securitizations, although none of the proposed changes, if adopted as proposed, would affect the exclusion from the "covered fund" definition afforded by Rule 3a-7, the exclusion that is being relied upon by the Issuer. It is unclear at this time what changes ultimately will be made to the Volcker Rule's implementing regulations arising from this public comment process, and whether any such changes will affect the ability of banking entities to acquire and retain securities issued by securitization issuers. In addition, in June 2020, these agencies adopted additional amendments to the final regulations, including changes relevant to the treatment of securitizations, which amendments became effective October 1, 2020. In particular, these recent amendments narrow the definition of "ownership interest," ease certain aspects of the loan securitization exclusion, and create additional exclusions from the "covered fund" definition. It is unclear at this time whether any additional amendments to the Volcker Rule regulations will be proposed or adopted. Each investor in the Notes must make its own determination as to whether it is subject to the Volcker Rule, whether its investment in the Notes would be restricted or prohibited under the Volcker Rule, and the potential impact of the Volcker Rule on its investment, any liquidity in connection therewith and on its portfolio generally. Investors in the Notes are responsible for analyzing their own regulatory position and none of the Depositor, Issuer, Sponsor or any of their affiliates makes any representation to any prospective investor or purchaser of the Notes regarding the application of the Volcker Rule to the Issuer, or to such investor's investment in the Notes on the Closing Date or at any time in the future.

Many provisions of the Dodd-Frank Act are required to be implemented through rulemaking by the applicable federal regulatory agencies, and some of this rulemaking has yet to occur. Therefore, the full impact of financial regulatory reform on the financial markets and its participants and on the asset-backed securities market in particular will not be known for some time. No assurance can be given that the Dodd-Frank Act and its implementing regulations, or the imposition of additional regulations, will not have a significant adverse impact on the value of the Notes, on the servicing of the Mortgage Loans or on the Sponsor, the Seller, the Depositor, the Issuer, the Indenture Trustee, the Paying Agent, the Note Registrar, the Originator, the Servicer or the Asset Manager.

The CFPB has successfully asserted the power to investigate and bring enforcement actions directly against securitization vehicles. On December 13, 2021, in an action brought by the CFPB, the U.S. District Court for the District of Delaware denied a motion to dismiss filed by a securitization trust by holding that the trust is a "covered person" under the Dodd-Frank Act because it engages in the servicing of loans and collecting of debt, even if indirectly through servicers and subservicers. See *CFPB v. Nat'l Collegiate Master Student Loan Trust*, No. 1:17-cv-1323-SB (D. Del.). While the court did not decide whether the trust could be held liable for the conduct of the servicer at this stage of the case, the CFPB may proceed with its enforcement action and make that argument if the decision is upheld on appeal. On February 11, 2022, the United States District Court for the District of Delaware granted a motion for interlocutory appeal and stayed the case pending such appeal. On April 29, 2022, the U.S. Court of Appeals for the Third Circuit agreed to hear the appeal. On March 19, 2024, the Court of Appeals for the Third Circuit affirmed the district court's decision that the securitization trusts are "covered persons" subject to the CFPB's enforcement authority. On May 3, 2024, the securitization trusts filed a petition in the Third Circuit requesting a rehearing before the full appellate court. In addition, on May 6, 2024, the CFPB filed a separate complaint against the National Collegiate Student Loan Trusts ("NCSL Trusts"), as well as the Pennsylvania Higher Education Assistance Agency ("PHEAA"), the primary student loan servicer for active student loans held by the NCSL Trusts, as part of a settlement with the NCSL Trusts and PHEAA. The CFPB alleged that the defendants failed to respond to borrower requests, failed to provide accurate information to borrowers and incorrectly denied forbearance requests. The CFPB also filed proposed final judgments, to which the NCSL Trusts and PHEAA agreed, that, once entered by the court, would require the NCSL Trusts and PHEAA to pay $400,000 and $1.75 million in penalties, respectively; to pay an additional $3 million in redress to affected borrowers, to be allocated by agreement between PHEAA and the NCSL Trusts; and to correct outstanding requests by borrowers. The proposed orders would also require the NCSL Trusts to modify their servicing guidelines to address the CFPB's allegations. The CFPB may rely on this decision as precedent in investigations and bringing enforcement actions against other trusts, including the Issuer or the Grantor Trust, in the future. The CFPB and state attorneys general, who have the independent authority to enforce the Dodd-Frank Act, may rely on this decision as precedent.

Amendments to Regulation AB. In August 2014, the SEC adopted rules that substantially revised Regulation AB and other rules governing the offering process, disclosure and reporting for asset-backed securities issued in registered transactions. Among other things, the changes require enhanced disclosure of asset-level information at the time of the securitization and on an ongoing basis. Revised Regulation AB introduced shelf eligibility requirements for depositors, including a requirement that the chief executive officer of the depositor or the chief executive officer in charge of securitization for the depositor deliver a certification with respect to the prospectus and the transaction structure. As required under Section 939A of the Dodd-Frank Act, the shelf eligibility requirements remove any reliance on investment-grade credit ratings. No assurance can be given that the standards will not be applied by other issuing entities of RMBS relying on the Rule 144A safe harbor, and, if so, what effect (if any) any such issuance will have on the value or marketability of the Notes. Neither this Offering Memorandum nor the provisions of the Transaction Documents will be compliant with the provision of Regulation AB. Such noncompliance may adversely affect the market values of the Notes.

Certain elements of proposals to revise Regulation AB remain outstanding, including the proposal conditioning reliance by issuers of structured finance products (including RMBS) on the Rule 144A and Rule 506 safe harbors on the inclusion of provisions in the Transaction Documents requiring an issuer to provide, and represent that it will provide, on request, the same initial and ongoing disclosure (including asset-level information) as would be required if the offering were a registered offering. It is not clear when or whether any of the proposed revisions to Regulation AB that remain outstanding will be adopted or how those standards will be implemented, what effect those standards will have on securitization transactions and to what extent the Sponsor, the Seller, the Depositor, the Issuer, the Indenture Trustee, the Paying Agent, the Note Registrar, the Certificate Registrar, the Custodian, the Originator, the Servicer or the Asset Manager will be affected. No assurance can be given that the proposed revisions, if implemented, will not apply to this transaction or have an adverse impact on the value or marketability of the Notes.

On October 21, 2014, the Federal Deposit Insurance Corporation (the "FDIC"), the Federal Housing Finance Agency ("FHFA") and the OCC adopted a final rule implementing the credit risk retention requirements of section 941 of the Dodd-Frank Act for asset-backed securities (the "Risk Retention Rules"). The following day, the Federal Reserve, the SEC and the Department of Housing and Urban Development adopted the Risk Retention Rules. As required by the Dodd-Frank Act, the Risk Retention Rules generally require "securitizers" to retain not less than 5% of the credit risk of the mortgage loans securitized and generally prohibit securitizers from directly or indirectly eliminating or reducing its credit exposure by hedging or otherwise transferring the credit risk that the securitizer is required to retain. In accordance with Risk Retention Rules, as of the Closing Date, the Sponsor or its majority-owned affiliate will retain an eligible horizontal residual interest equal to at least 5% of the fair value of the securities issued by the Issuer as determined using a fair value measurement framework under GAAP. See "*U.S. Credit Risk Retention*" in this Offering Memorandum. At this time, it is unclear what effect a failure of the Sponsor to be in compliance with the Risk Retention Rules at any time will have on the market value or liquidity of the Notes.

In addition, these and other regulatory agencies recently have proposed or adopted financial reform regulations. It is not clear whether or when any proposed regulations will be adopted, what the final form of any such regulations will be, how they will be implemented, or if the Issuer, the Depositor, the Originator, the Seller, the Servicer, the Asset Manager or any successor servicer will be affected. No assurance can be given that any proposed regulations will not have an adverse impact on the Issuer, the Depositor, the Originator, the Seller, the Servicer, the Asset Manager or any successor servicer or on the market value of your Notes.

EU Due Diligence Requirements and UK Due Diligence Requirements Will Affect Certain Potential Investors. Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation and amending certain other EU directives and regulations, as amended (the "EU Securitization Regulation") has direct effect in member states of the EU and will be applicable in any non-EU states of the EEA in which it has been implemented. The EU Securitization Regulation, together with all relevant implementing regulations in relation thereto, all regulatory technical standards and implementing technical standards in relation thereto and, in each case, any relevant guidance and direction published in relation thereto by the European Banking Authority (the "EBA"), the European Securities and Markets Authority and the European Insurance and Occupational Pensions Authority (or in each case, any predecessor or any other applicable regulatory authority) or by the European Commission, in each case, as amended and in effect from time to time, are referred to in this Offering Memorandum as the "EU Securitization Regulation Rules".

Regulation (EU) 2017/2402, as it forms part of UK domestic law as assimilated EU law by virtue of the EUWA, and as amended by the Securitisation (Amendment) (EU Exit) Regulations 2019 and as may be further amended, supplemented or replaced from time to time (the "UK Securitization Regulation"), together with any supplementary regulatory technical standards, implementing technical standards and any official guidance published by the UK Financial Conduct Authority and/or the UK Prudential Regulation Authority (or, in each case, any successor thereto) in relation thereto, and any implementing laws or regulations applicable from time to time, are referred to in this Offering Memorandum as the "UK Securitization Regulation Rules".

Article 5 of the EU Securitization Regulation places certain conditions (the "EU Due Diligence Requirements") on investments by "institutional investors" in a "securitisation" (each as defined in the EU Securitization Regulation), defined to include (a) with certain exceptions, institutions for occupational retirement provision falling within the scope of Directive (EU) 2016/2341, or an investment manager or an authorized entity appointed by such an institution for occupational retirement provision as provided in that Directive; (b) a credit institution or an investment firm (as defined in Regulation (EU) No 575/2013, as amended (the " EU CRR")); (c) an alternative investment fund manager as defined in Directive 2011/61/EU who manage and/or market alternative investment funds in the EU; (d) an insurance undertaking or a reinsurance undertaking as defined in Directive 2009/138/EC, as amended, known as Solvency II; and (e) an undertaking for collective investment in transferable securities ("UCITS") management company, as defined in Directive 2009/65/EC, as amended, known as the UCITS Directive, or an internally managed UCITS, which is an investment company that is authorized in accordance with that Directive and has not designated such a management company for its management. Pursuant to Article 14 of the EU CRR, the EU Due Diligence Requirements apply also to investments by certain consolidated affiliates, wherever established or located of institutions regulated under the EU CRR. Each such institutional investor and each relevant affiliate is referred to herein as an "EU Affected Investor".

Article 5 of the UK Securitization Regulation places certain conditions on investments in a "securitisation" (as defined in the UK Securitization Regulation) (the "UK Due Diligence Requirements", and together with the EU Due Diligence Requirements, the "Due Diligence Requirements" (and references in this Offering Memorandum to "the applicable Due Diligence Requirements" shall mean such Due Diligence Requirements to which a particular Affected Investor is subject)) by an "institutional investor", defined to include: (a) an insurance undertaking as defined in section 417(1) of the FSMA; (b) a reinsurance undertaking as defined in section 417(1) of the FSMA; (c) an occupational pension scheme as defined Section 1(1) in the Pension Schemes Act 1993 that has its main administration in the UK, or a fund manager of such a scheme appointed under section 34(2) of the Pensions Act 1995 that, in respect of activity undertaken pursuant to that appointment, is authorised for the purposes of section 31 of the FSMA; (d) an alternative investment fund manager as defined in regulation 4(1) of the Alternative Investment Fund Managers Regulations 2013 which manages and/or markets alternative investment funds (as defined in regulation 3 of those Regulations) in the UK; (e) a management company as defined in section 237(2) of the FSMA; (f) a UCITS as defined in section 236A of the FSMA, which is an authorized open ended investment company as defined in section 237(3) of the FSMA; (g) FCA investment firms as defined in Regulation (EU) No 575/2013, as forms part of UK domestic law by virtue of the EUWA and as amended (the "UK CRR"); and (h) CRR firms as defined in the UK CRR. The UK Due Diligence Requirements apply also to certain consolidated affiliates, wherever established or located, of entities subject to the UK CRR. Each such institutional investor and each relevant affiliate is referred to herein as a "UK Affected Investor".

EU Affected Investors and UK Affected Investors are referred to together as "Affected Investors" and a reference to the applicable "Securitization Regulation" or "Due Diligence Requirements" means, in relation to an EU Affected Investor or a UK Affected Investor, as the case may be, the Securitization Regulation or the Due Diligence Requirements to which such Affected Investor is subject. In addition, for the purpose of the following paragraph, a reference to a "third country" means (i) in respect of an EU Affected Investor and the EU Securitization Regulation, a country other than an EU member state, or (ii) in respect of a UK Affected Investor and the UK Securitization Regulation, a country other than the UK.

The applicable Due Diligence Requirements restrict an Affected Investor from investing in a securitization unless:

(a) in each case, it has verified that the originator, sponsor or original lender will retain, on an ongoing basis, a material net economic interest of not less than five per cent. in the securitization determined in accordance with Article 6 of the applicable Securitization Regulation (the "Risk Retention Requirements"), and the risk retention is disclosed to the Affected Investor;

(b) in the case of an EU Affected Investor, it has verified that the originator, sponsor or securitization special purpose entity ("SSPE") has, where applicable, made available the information required by Article 7 of the EU Securitization Regulation (the "EU Transparency Requirements") in accordance with the frequency and modalities provided for thereunder;

(c) in the case of a UK Affected Investor, it has verified that the originator, sponsor or securitization special purpose entity:

(i) if established in the UK has, where applicable, made available the information required by Article 7 of the UK Securitization Regulation (the "UK Transparency Requirements") in accordance with the frequency and modalities provided for thereunder; and

(ii) if established in a third country has, where applicable, made available information which is substantially the same as that which it would have made available under the UK Transparency Requirements if it had been established in the UK, and has done so with such frequency and modalities as are substantially the same as those with which it would have made information available if it had been established in the UK; and

(d) in each case, it has verified that, where the originator or original lender either (i) is not a credit institution or an investment firm or (ii) is established in a third country, the originator or original lender grants all the credits giving rise to the underlying exposures on the basis of sound and well-defined criteria and clearly established processes for approving, amending, renewing and financing those credits and has effective systems in place to apply those criteria and processes in order to ensure that credit-granting is based on a thorough assessment of the obligor's creditworthiness.

The applicable Due Diligence Requirements further require that an Affected Investor carry out a due diligence assessment which enables it to assess the risks involved prior to investing, including but not limited to the risk characteristics of the individual investment position and the underlying assets and all the structural features of the securitization that can materially impact the performance of the investment. In addition, pursuant to the applicable Securitization Regulation, while holding an exposure to a securitization, an Affected Investor is subject to various monitoring obligations in relation to such exposure, including but not limited to: (i) establishing appropriate written procedures to monitor compliance with the due diligence requirements and the performance of the investment and of the underlying assets; (ii) performing stress tests on the cash flows and collateral values supporting the underlying assets; (iii) ensuring internal reporting to its management body; and (iv) being able to demonstrate to its competent authorities, upon request, that it has a comprehensive and thorough understanding of the investment and underlying assets and that it has implemented written policies and procedures for the risk management and as otherwise required by the applicable Securitization Regulation.

Failure by Affected Investors to comply with one or more of the applicable Due Diligence Requirements may result in various penalties including, in the case of those Affected Investors subject to regulatory capital requirements, the imposition of a penalty regulatory capital charge in respect of the Notes acquired by the relevant Affected Investor or other regulatory sanctions by the competent authority of such Affected Investor.

Prospective investors should make themselves aware of the applicable Due Diligence Requirements described above (and any corresponding implementing rules of their regulator), where applicable to them, in addition to any other applicable regulatory requirements with respect to their investment in the Notes.

None of the Issuer, the Sponsor, the Seller, the Depositor, the Servicer or the Asset Manager nor any other party to the transaction described in this Offering Memorandum intends to retain a material net economic interest in the securitization constituted by the issuance of the Notes in a manner that would satisfy the either of the Risk Retention Requirements or take any other action that may be required by Affected Investors for the purposes of their compliance with any of the Due Diligence Requirements or to comply with the requirements of any other law or regulation now or hereafter in effect in the EU or the UK in relation to risk retention, due diligence and monitoring, credit granting standards or any other conditions with respect to investments in securitization transactions by Affected Investors and no such person assumes (i) any obligation to so retain or take any such other action or (ii) any liability whatsoever in connection with any Noteholder's non-compliance with the applicable Due Diligence Requirements. The arrangements described in "U.S. Credit Risk Retention" in this Offering Memorandum have not been structured with the objective of ensuring compliance with the requirements of the Securitization Regulations. Consequently, the Notes may not be a suitable investment for Affected Investors. As a result, a Noteholder's ability to transfer its Notes, or the price it may receive upon its sale of Notes, may be adversely affected.

Notwithstanding anything in this Offering Memorandum to the contrary, none of the Issuer, the Depositor, the Initial Purchasers, the Indenture Trustee, the Owner Trustee, the Paying Agent, the Securities Intermediary, the Note Registrar, the Certificate Registrar, the Custodian, the Seller, the Servicer, the Asset Manager, the Owner Trustee or any other party to the securitization transaction described in this Offering Memorandum:

(a) makes any representation or warranty or gives any assurance that the provision of any information in this Offering Memorandum, or any reports that may be made available to any Noteholder at any time, suffices, or will suffice, for the purposes of any Affected Investor's compliance with the Due Diligence Requirements;

(b) has any obligations to provide any further information, or to take any other steps, that may be required by any Affected Investor to enable its compliance with the requirements of any Due Diligence Requirements or any other applicable legal, regulatory or other requirements; or

(c) has any liability to any prospective investor or Noteholder or any other person for any non-compliance by any such person with the Due Diligence Requirements or any other applicable legal, regulatory or other requirements.

If the information provided in this Offering Memorandum and in any reports provided to Noteholders is insufficient to permit Affected Investors to comply with the Due Diligence Requirements the Offered Notes are not a suitable investment for Affected Investors and, as a result, the price and liquidity of the Offered Notes in the secondary market may be adversely affected.

Other. Noteholders will bear the risk that future regulatory and legal developments will result in losses on their Notes, to the extent not covered by the applicable credit enhancement. The effect on the Notes likely will be more severe if any of these future legal and regulatory developments occur in one or more states in which there is a significant concentration of Mortgaged Properties.

In general, compliance with applicable laws and regulations may be costly because new processes, forms, controls and additional infrastructure may be required to comply with new requirements. Any failure to comply with these laws and regulations could result in significant statutory civil and criminal penalties, monetary damages, attorneys' fees and costs, possible revocation of licenses and damage to reputation, brand and valued customer relationships.

On September 29, 2022, the California Court of Appeal ruled that California law treats default interest charged on the unpaid principal balance of a loan prior to maturity as an unenforceable penalty. In Honchariw v. FJM Private Mortgage Fund, LLC ("Honchariw"), the court held that a default interest charge must bear a "reasonable relationship" to the lender's actual damages from the breach to be enforceable and concluded that charging default interest on the entire loan balance prior to maturity is, in and of itself, a violation of public policy and therefore, not legal. On December 21, 2022, the California Supreme Court declined to hear the case, meaning the Court of Appeals decision in Honchariw stands. With respect to Mortgage Loans made in connection with Mortgaged Properties located in California, default interest, late fees or any charges assessed which do not bear a reasonable relationship to the total amount due may amount to unlawful liquidated damages, unenforceable in a court of law in California or under California law. The ruling in Honchariw may limit the Servicer's ability to collect default interest or other late payment charges.

Corporate Transparency Act: Although it is expected that the Depositor intends to treat the Issuer as exempt from "reporting company" status or cause reports with respect to the holder of the Issuer Residual Trust Certificate as the sole ownership interest in the Issuer, in each case pursuant to the Corporate Transparency Act (31 U.S.C. § 5336) (together with regulations promulgated thereunder, the "CTA"), future interpretive guidance or other regulatory developments may result in regulatory conclusions that there are other ownership interest in the Issuer and/or that the Issuer is not exempt from being a reporting company and therefore that there may be requirements that certain investors furnish to the Issuer, or its designee as set forth in the transaction documents, such information, including personally identifying information and documentation, as the Issuer or its designee determines is necessary to permit the Issuer to comply with the CTA or other applicable transparency laws in effect from time to time. The Initial Purchasers do not anticipate having any obligation to monitor the requirements of, or compliance with, the CTA and other similar laws or regulations.

It will be the Depositor's duty, and not the Owner Trustee's, the Indenture Trustee's, or any of their respective affiliates' duty, to prepare or make filings on behalf of the Issuer or to cause the Issuer to comply with its obligations under the CTA, if any. The Issuer may impose additional requirements or transfer restrictions on certain classes of the Notes in order to comply with the CTA and other similar laws or regulations.

As all of the Mortgage Loans are made to Borrowers that are not individuals, the Borrowers may have reporting obligations under the CTA. To the extent a Borrower violates its reporting obligations under the CTA, such Borrower may be subject to certain civil and criminal penalties that may cause the Borrower to be more likely to default on the Mortgage Loan and could further result in delays in payments or losses on the Notes.

Other Legal Reforms. In addition, proposals to change the laws and regulations governing the banking and financial services industries have been proposed or adopted by, and are frequently introduced in, Congress, state legislatures and the various bank regulatory or financial regulatory agencies. Congress and the federal government have continued to evaluate and develop legislation, programs and initiatives designed to, among other things, stabilize the financial and housing markets and prevent future financial crises by further regulating the financial services industry. As a result of the financial crisis in 2007-9 and the recent challenging economic environment, additional regulatory scrutiny of the financial industry in general and a particularly high level of regulatory scrutiny of residential mortgage loan securitizers, originators and servicers may be expected. This scrutiny may result in additional regulation that could prohibit or discourage the use of foreclosure as a remedy for certain residential mortgage loan defaults or otherwise adversely affect the timeliness and amount of collections that the Servicer is able to realize on the Mortgage Loans. It is not clear whether and when the final form of proposed programs or initiatives or any related legislation or regulation will go into effect, or the impact they may have on the Sponsor, the Seller, the Depositor, the Issuer, the Originator, the Servicer, the Asset Manager or any successor Servicer.

Withdrawal of the United Kingdom from the European Union

The UK has withdrawn from the EU following the expiry of the transition period which commenced on January 31, 2020 following the entry into force of a withdrawal agreement negotiated between the UK government and the EU and ended on December 31, 2020 (the "Transition Period").

As a result, the UK is no longer part of the EU Single Market and the Customs Union, and EU laws do not apply in the UK. EU regulations form part of the domestic laws of the UK as assimilated EU law, by operation of the European Union (Withdrawal) Act 2018 (as may be amended, supplemented or replaced, from time to time) (the "EUWA") with certain amendments effected by way of statutory instruments. Any EU law implemented following the expiry of the Transition Period will not have effect in the UK. Investors should be aware that the Issuers' risk profile may be materially affected by political and economic uncertainty relating to the UK's withdrawal from the EU. In particular, this event could significantly impact volatility, liquidity and/or the market value of securities, including the Notes. In addition, it is unclear at this stage what the consequences of the UK's departure from the EU will ultimately be for the Issuer, the Depositor, the Sponsor, the Originator, the Seller, the Servicer, the Asset Manager or any other Transaction Party.

RISKS RELATED TO RESIDENTIAL REAL ESTATE

Risk Associated with Short-Term Residential Transition Mortgage Loans

The Mortgage Loans are non-owner occupied mortgage loans to real estate investors on either single-family residential, attached and detached planned unit development, condominium, two-to-four unit, manufactured housing properties and, potentially with respect to any Additional Mortgage Loans, multi-family (5-20 unit) properties, and with original terms to maturity of twelve (12) to twenty-four (24) months and often require construction or rehabilitation projects. The Mortgage Loans are interest-only loans with a Balloon Payment of the entire principal balance due at maturity. Many, if not all, of the Borrowers will be unable to make the required Balloon Payment on their Mortgage Loans without the funds generated from the sale of their Mortgaged Properties or refinancing of their Mortgage Loans. As such, the completion of any necessary construction or rehabilitation projects and the sale of the related Mortgaged Properties will be critical in order to generate the funds necessary to make principal payments on the Notes. The Borrowers' ability to complete these necessary projects and sell the Mortgaged Properties are subject to a variety of risks including weather, construction delays and, most significantly, the current state of the real-estate market in the applicable area in which the related Mortgaged Property is located. Borrowers may find it difficult to rent Mortgaged Properties for income because of difficulties in finding tenants and weak employment. In addition, tenants may cease paying rent, especially if they become unemployed or face other hardships. The presence of non-paying tenants in a property securing a Mortgage Loan may delay or otherwise restrict a Borrower's ability to sell the property or refinance the Mortgage Loan.

Investors will also be subject to any construction or other delays that may be encountered by the Borrowers and, to the extent that such delays result in extensions of the maturity dates of certain of the Mortgage Loans, principal payments on the Notes will also be delayed. In addition, a number of Mortgage Loans have already had their terms extended, and this may be an indication that future extensions will be necessary, as described in "*—Risks Related to the Notes—Modification of a Mortgage Loan May Adversely Affect Your Notes.*"

Developments in the Residential Mortgage Market May Adversely Affect the Performance and Market Value of Your Notes

Beginning in late 2006, delinquencies, defaults, modifications, foreclosures and losses with respect to residential mortgage loans increased significantly. The increase in delinquencies, defaults, modifications and foreclosures was not limited to "subprime" mortgage loans, which are made to borrowers with weaker creditworthiness, but also affected "Alt A" mortgage loans, which are made to borrowers often with more limited documentation, and "prime" mortgage loans, which are made to borrowers with better creditworthiness who often provide full documentation.

Losses on certain types of residential mortgage loans have increased due to declines in residential real estate values, resulting in reduced home equity. Although home prices have recently shown greater stability and increased in some geographic areas, there can be no assurance that a decline will not resume and continue for an indefinite period of time in the future. A decline in property values or the failure of property values to increase where the outstanding balances of Mortgage Loans are close to or in excess of the value of the Mortgaged Properties may result in higher delinquencies, foreclosures and losses. Any decline in real estate values may be more severe for mortgage loans secured by high-value properties. Declining property values may create an oversupply of homes on the market, which may increase negative home equity.

In response to some of the circumstances described above, federal, state and local authorities have enacted and continue to propose new legislation, rules and regulations relating to the origination, servicing and treatment of mortgage loans in default or in bankruptcy, including as described above under "*—Risks Related to General Market Conditions—Governmental Intervention, Financial Regulatory Reforms and Proposed Regulations Could Have a Significant Impact on the Sponsor, the Seller, the Depositor, the Issuer, the Originator, the Servicer, the Asset Manager or on the Value or Marketability of the Notes*." These initiatives could result in delayed or reduced collections from Borrowers, limitations on the foreclosure process and generally increased servicing costs. Certain of these initiatives could also permit or require the Asset Manager and/or Servicer to take actions, such as modification of Mortgage Loans, including the reduction of principal due on Mortgage Loans, which might adversely affect the Notes, without any remedy or compensation to the holders of the Notes.

The conservatorships of Fannie Mae and Freddie Mac in September 2008 have impacted both the real estate market and the value of real estate assets generally. While Fannie Mae and Freddie Mac currently act as the primary sources of liquidity in the residential mortgage markets, both by purchasing mortgage loans for their own portfolios and by guaranteeing mortgage-backed securities, their long-term role is uncertain as legislation has been proposed that would reduce and eventually eliminate their role in the residential mortgage markets. Any such proposals, if enacted, may have broad adverse implications for the mortgage-backed securities market. The extent and timing of any regulatory reform regarding Fannie Mae and Freddie Mac and the home mortgage market, as well as any effect on KFI's business operations and financial results, are uncertain. We expect those proposals to be the subject of significant discussion, and it is not yet possible to determine whether such proposals will be enacted and, if so, when, what form any final legislation or policies might take or how proposals, legislation or policies may impact the mortgage-backed securities market and KFI's business, operations and financial condition. A reduction in the ability of sellers to access Fannie Mae and Freddie Mac to sell their mortgage loans may adversely affect the financial condition of sellers and their affiliated servicers. Further, KFI's inability to make the necessary changes to respond to these changing market conditions could have a material adverse effect on its mortgage lending operations and financial condition, results of operations and cash flows. In addition, any decline in the value of securities issued by Fannie Mae and Freddie Mac may affect the value of RMBS in general. See "*—Risks Related to General Market Conditions— Turbulence in the Financial Markets, the Mortgage Market and the Economy May Adversely Affect the Performance and Market Value of Your Notes, and These Conditions May Not Improve*" in this Offering Memorandum.

These adverse changes in market and credit conditions may have the effect of depressing the market values of RMBS generally and substantially reducing the liquidity of RMBS generally. These developments may adversely affect the performance, marketability and overall market value of your Notes.

Geographic Concentration May Increase Risk of Loss Due to Adverse Economic Conditions or Natural Disasters

Approximately 30.79% of the Initial Mortgage Loans, by aggregate Unpaid Principal Balance as of the Initial Cut-off Date, are secured by Mortgaged Properties located in California; approximately 13.54% of the Initial Mortgage Loans, by aggregate Unpaid Principal Balance as of the Initial Cut-off Date are secured by Mortgaged Properties located in Florida; approximately 5.49% of the Initial Mortgage Loans, by aggregate Unpaid Principal Balance as of the Initial Cut-off Date, are secured by Mortgaged Properties located in Ohio; approximately 5.22% of the Initial Mortgage Loans, by aggregate Unpaid Principal Balance as of the Initial Cut-off Date, are secured by Mortgaged Properties located in Georgia; and approximately 5.10% of the Initial Mortgage Loans, by aggregate Unpaid Principal Balance as of the Initial Cut-off Date, are secured by Mortgaged Properties located in New Jersey.

The economies of states where Mortgaged Properties are concentrated may be adversely affected to a greater degree than the economies of other areas of the country by certain developments affecting industries concentrated in such states. In the last thirteen (13) years, most regions of the United States have experienced significant downturns in the market value of real estate. Generally, economic conditions may change, including real estate market conditions, in one geographic region to a greater degree than in other geographic regions. In addition, Mortgaged Properties located in California and other western states may be more susceptible to certain types of hazards, such as flooding, wildfires and mudslides, and certain types of special hazards not covered by insurance, such as earthquakes or windstorms, than Mortgaged Properties located in other parts of the country. Natural disasters, such as wildfires, severe storms, earthquakes, tornadoes, hurricanes and flooding affecting California, Florida and other regions of the United States from time to time may result in prepayments or Realized Losses. See "*Prepayment and Yield Considerations*" in this Offering Memorandum. Investors should note that homeowners living in Mortgaged Properties located in areas subject to damage caused by natural disasters (or any other disaster) may be more likely to become delinquent, especially if they are unable to live in their Mortgaged Properties for an extended period of time as a result of damage. As a consequence, Realized Losses could result.

Any deterioration in housing prices or economic conditions in the regions in which there is a significant concentration of Mortgaged Properties, and, to a lesser degree, the other regions in which the Mortgaged Properties are located, may adversely affect the ability of Borrowers to perform their obligations under their Mortgage Loans or adversely affect the timing and proceeds from liquidations and sales of the Mortgaged Properties. Such consequences of a deterioration in housing prices or economic conditions may have an adverse effect on the yield to maturity of your Notes. Conversely, any increase in the market value of properties located in the regions in which the Mortgaged Properties are located would reduce the Initial Loan-to-Cost Ratios and Loan-to-ARV Ratios and could, therefore, make alternative sources of financing available to the Borrowers at lower interest rates, which could result in an increased rate of prepayment of the Mortgage Loans.

Further, the concentration of Mortgaged Properties in one or more states would have a disproportionate effect on Noteholders if governmental authorities in any of those states take action against the Servicer or take action affecting foreclosures or liquidations that impairs the ability of the Servicer to liquidate the Mortgage Loans.

Additionally, from time to time, certain geographic regions of the United States will experience weaker regional economic conditions and housing markets and, consequently, may experience higher rates of loss and delinquency than will be experienced on mortgage loans and real estate generally. For example, a region's economic condition and housing market may be directly or indirectly adversely affected by natural disasters or civil disturbances, such as earthquakes, tornadoes, windstorms, sinkholes, hurricanes, floods, eruptions or riots. The economic impact of any of these types of events may also be felt in areas beyond the region immediately affected by the disaster or disturbance. The Mortgaged Properties may be concentrated in these regions. A deterioration in economic conditions in a region where the Mortgaged Properties are concentrated is likely to result in a deterioration of the housing market in such region and lower proceeds upon foreclosure and liquidation of the related Mortgage Loans. Such concentration may present risks in addition to those generally present for asset-backed securities without such concentration. Flood damage to the related Mortgaged Property may increase delinquencies or loss severity with respect to these Mortgage Loans.

In recent years, several factors have created volatility in the national economy and the economies of many regions, states and municipalities. There have been periods during the past decade in which many areas experienced severe declines in home prices and/or high rates of mortgage loan delinquencies and foreclosures. During this period, the United States has experienced periods in which unemployment and bankruptcies have increased, with greater increases in some regions of the nation. Any continued volatility driven by these factors and other factors may adversely affect the performance and value of the Mortgage Loans and, ultimately, the ability of the Servicer to realize upon the Mortgage Loans and the amount of proceeds received thereon. In conjunction with a Borrower's bankruptcy, the Servicer may be required to cease any ongoing foreclosure proceedings, or a bankruptcy court may suspend or reduce the payments of principal and interest to be paid with respect to the related Mortgage Loan, thus delaying the amounts received by the Issuer with respect to such Mortgage Loan, in turn delaying the amount received by Noteholders.

In addition, the government or regulatory agencies of a state could seek to limit the ability of the Servicer to make collections on Mortgage Loans or exercise rights with respect to Mortgage Loans located in that state following a default by the related Borrower. If any of these events occur in a region with a high concentration of Mortgaged

Properties, the adverse impact on the performance of the Mortgage Loans will be increased and could result in delayed payments or losses on your Notes.

See "*Annex A—Certain Characteristics of the Mortgage Loans—Geographic Distribution of the Initial Mortgage Loans*" in this Offering Memorandum for further information regarding the geographic concentration of the Mortgage Loans.

Environmental Conditions Affecting Mortgaged Properties May Result in Losses

To the extent the Servicer acquires title to any Mortgaged Property related to a Mortgage Loan that is contaminated with or affected by hazardous wastes or hazardous substances, such Mortgage Loans may incur losses. See "*Certain Legal Aspects of the Mortgage Loans—Environmental Considerations*" in this Offering Memorandum. In addition, environmental contamination could impact a Borrower's ability to repay a Mortgage Loan and give rise to delinquencies or defaults. To the extent these environmental risks result in losses on the Mortgage Loans, the yield to maturity of the Notes, to the extent not covered by credit enhancement, may be affected.

Manufactured Housing Mortgaged Properties Are Special Use Properties and if the Lender Forecloses, the Property May Not be Readily Convertible to Other Uses and May Have a Lower Liquidation Value.

Manufactured housing properties are special purpose properties that generally cannot be readily converted to traditional residential uses. Thus, if the operation of any of the manufactured housing properties becomes unprofitable due to competition, age of the improvements or other factors such that the related Borrower becomes unable to meet its obligations on the related Mortgage Loan, the liquidation value of that manufactured housing property may be substantially less, relative to the amount owing on the Mortgage Loan, than would be the case if the manufactured housing property were readily adaptable to other uses.

- Manufactured housing Mortgaged Properties may have limited or no amenities, which may also affect property performance.
- Manufactured housing Mortgaged Properties may have a material number of recreational vehicle pads. Tenants for such pads tend to be more transient and the net cash flow for the related Mortgaged Property may be subject to greater fluctuations. Rentals of recreational vehicle pads may also be more seasonal in nature.
- Manufactured housing Mortgaged Properties may be considered grandfathered with respect to federal safety standards and may not conform to current federal safety standards, and any new or replacement units will be required to conform to such standards.
- Manufactured housing Mortgaged Properties may have a material number of leased homes that are currently owned by an affiliate of the Borrower and rented by tenants like apartments. If the leased homes are owned by an affiliate of the Borrower, the related pads may, in some cases, be subject to a master lease that is in effect with that affiliate. In such cases, the tenants will tend to be more transient and less tied to the property than if they owned their own home. Such leased homes do not, in most or all such cases, constitute collateral for the related Mortgage Loan. Some of the leased homes that are not collateral for the related Mortgage Loan may be rented on a lease-to-own basis.
- The Borrowers may have affiliates that sell, market, or lease new or pre-owned manufactured homes.
- Manufactured housing properties may not be connected to public water and/or sewer systems. In such cases, the Borrower could incur a substantial expense if it were required to connect the property to such systems in the future. In addition, the use of well water and/or septic systems or private sewage treatment facilities increases the risk that the property could be adversely affected by a recognized environmental condition that impacts soil and groundwater.
- Manufactured housing Mortgaged Properties may have tenants with month-to-month leases that are not obligated to remain at the Mortgaged Property for any extended period.
- Depending on the location of a manufactured housing property, occupancy and collections may be highly seasonal. For example, a manufactured housing property in the southern portion of the United States might earn most of its income from late fall to early spring. In addition, under such circumstances, a large number of tenants may be in actual occupancy only during a portion of the calendar year and may prepay a substantial

amount of their rent for the period that they are not actually living in the community. If a Borrower defaults while holding those prepayments of rent, there is a risk that a lender may not be able to recover such amounts.

- Manufactured housing Mortgaged Properties may have lower insurable values than other Mortgaged Properties. In the event of a casualty related to a manufactured housing Mortgaged Property, insurance proceeds may not be sufficient to cover amounts due under the related Mortgage Loan.
- We cannot assure you that these circumstances will not adversely impact operations at or the value of manufactured housing Mortgaged Property.

As of the Initial Cut-off Date, approximately 1.03% of the Initial Mortgage Loans (by aggregate Unpaid Principal Balance) are secured by Mortgaged Properties that are manufactured homes, and there is no restriction on the Issuer acquiring Additional Mortgage Loans that are secured by manufactured homes so long as such Additional Mortgage Loans satisfy the Eligibility Criteria.

The Performance of Multi-family Mortgaged Properties is More Dependent on Operating Performance and Management than Single-Family Residential Mortgaged Properties

The risks associated with lending on multi-family Mortgaged Properties are inherently different from those associated with lending on the security of single-family residential Mortgaged Properties. For example, repayment of multi-family Mortgage Loans depends on the operating performance of the multi-family Mortgaged Property as a going concern, unlike single-family residential Mortgage Loans.

Particular factors that may adversely affect the ability of a multi-family Mortgaged Property to generate net operating income include—

- an increase in interest rates, real estate taxes and other operating expenses;
- an increase in the capital expenditures needed to maintain the property or make renovations or improvements;
- an increase in vacancy rates;
- the quality of property management;
- the location of the property (e.g., a change in the neighborhood over time or increased crime in the neighborhood);
- the ability of management to provide adequate maintenance and insurance;
- the types of services the property provides;
- the property’s reputation;
- a decline in rental rates as leases are renewed or replaced;
- natural disasters and civil disturbances such as earthquakes, fires, mudslides, hurricanes, floods, tornadoes, droughts, volcanic activity, pandemics or riots;
- the generally short-term nature of residential leases and the need for continued reletting;
- in the case of student housing facilities, which may be more susceptible to damage or wear and tear than other types of multifamily housing, the reliance on the financial well-being of the college or university to which it relates, the impact on occupancy from shifts to distance learning at such college of university, competition from on-campus housing units, which may adversely affect occupancy, the physical layout of the housing, which may not be readily convertible to traditional multifamily use, and the fact that student tenants have a higher turnover rate than other types of multifamily tenants, which in certain cases is compounded by the fact that student leases are available for periods of less than twelve (12) months;
- restrictions on the age of tenants who may reside at the property;
- the presence of competing properties and residential developments in the local market;

- the existence of corporate tenants renting large blocks of units at the property, which in the event that such a tenant vacates would leave the property with a significant percentage of unoccupied space, and in the event that such a tenant was renting at an above-market rent may make finding replacement tenants difficult;
- tenant composition, particularly if tenants are predominantly students, personnel from or workers related to a military base or workers from a particular business or industry;
- adverse local, regional or national economic conditions, which may limit the amount of rent that can be charged and may result in a reduction in timely rent payments or a reduction in occupancy;
- state and local regulations;
- government assistance/rent subsidy programs; and
- national, state or local politics.

The volatility of net operating income generated by a multi-family property over time will be influenced by many of these factors, as well as by—

- the length of tenant leases;
- the creditworthiness of tenants;
- the rental rates at which leases are renewed or replaced, which may make it difficult for a borrower to increase rental rates over time;
- rent concessions and month-to-month leases, which may impact cash flow at the property;
- the percentage of total property expenses in relation to revenue;
- the ratio of fixed operating expenses to those that vary with revenues; and
- the level of capital expenditures required to maintain the property and to maintain or replace tenants, including any capital expenditures associated with upgrading outdated interiors, replacing outdated appliances and expanding amenity options.

Some units in a multi-family Mortgaged Property may be leased to corporate entities. Expiration or non-renewals of corporate leases and vacancies related to corporate tenants may adversely affect the income stream at a Mortgaged Property. We cannot assure you that these circumstances will not adversely impact operations at or the value of multi-family Mortgaged Properties.

Although none of the Initial Mortgage Loans are secured by Mortgaged Properties that are multi-family Mortgaged Properties, there is no restriction on the Issuer acquiring Additional Mortgage Loans that are secured by multi-family Mortgaged Properties so long as such Additional Mortgage Loans satisfy the Eligibility Criteria.

RISKS RELATED TO POTENTIAL CONFLICTS OF INTEREST

Potential Conflicts of Interest Relating to the Initial Purchasers

The Initial Purchasers and their affiliates may from time to time perform investment banking services for, or solicit investment banking business from, any person or entity named in this Offering Memorandum. The Initial Purchasers and their respective affiliates include broker-dealers that execute securities and derivative transactions on their own behalf as principals and on behalf of clients. Accordingly, the Initial Purchasers and such affiliates, as well as the clients acting through them, from time to time buy, sell or hold securities or other instruments, which may include one or more classes of the Notes, and do so without consideration of the fact that the Initial Purchasers acted as initial purchasers of the Notes. Such transactions may result in the Initial Purchasers and their affiliates and/or their clients having long or short positions in such instruments. Any such short positions will increase in value if the related securities or other instruments decrease in value. Further, the Initial Purchasers and their affiliates may (on their own behalf as principals or for their clients) enter into credit derivative or other derivative transactions with other parties pursuant to which they sell or buy credit protection with respect to one or more of the Notes. The positions of the Initial Purchasers and their affiliates or their clients in such derivative transactions may increase in value if the Notes default or decrease in value. With respect to the Initial Purchasers and their affiliates, these long or short positions may be as a result of any market making activities with respect to the Notes. The Initial Purchasers, their affiliates and/or their employees or customers may from time to time enter into hedging positions with respect to the Notes. Furthermore, the Initial Purchasers may establish, maintain, adjust or unwind hedge positions with respect to the Notes or sell, increase or liquidate any positions in any of the Notes at any time. In conducting such activities, the Initial Purchasers and their affiliates will not have any obligation to take into account the interests of the Noteholders or any possible effect that such activities could have on them.

The Sponsor or its majority-owned affiliate may finance the Required Credit Risk, and such financing may be with one or more of the Initial Purchasers or their respective affiliates. Any such financing will be full recourse to the Sponsor and otherwise in accordance with the Risk Retention Rules. Additionally, to the extent a majority-owned affiliate of the Sponsor owns the Required Credit Risk, a portion of the equity interests in such majority-owned affiliate may be owned by one or more of the Initial Purchasers or their respective affiliates.

Among other whole-loan sale and debt relationships, one or more of the Initial Purchasers or their respective affiliates may have engaged in other business transactions with the Sponsor and its affiliates, including providing warehouse financing to affiliates of the Issuer, including the Seller (the "Reference Facilities"), which Reference Facilities of the Seller are secured by assets similar to the Mortgage Loans and may be secured, in part, by certain of the Mortgage Loans prior to the Closing Date. The Seller may use a portion of the proceeds received from the sale of the Mortgage Loans to the Depositor to repay the amount of such warehouse facilities that relate to the Mortgage Loans. The proceeds paid for Additional Mortgage Loans purchased during the Reinvestment Period may be used to repay such Reference Facilities.

If a default occurs, including a cross-default, under any Reference Facility in the future (including any of the defaults or breaches described in "*—Risks Related to the Sponsor and its Affiliates—Financial Condition of the Seller*" in this Offering Memorandum), the Seller may seek a waiver of such default or cross-default, as the case may be, but the affiliates of the Initial Purchasers who are lenders under the Reference Facilities may, however, decide in their sole discretion not to grant the waiver or to exercise remedies available to them under their Reference Facilities. Should any such lender under a Reference Facility refuse to waive such default or cross default or decide to exercise remedies under the Reference Facilities, it could have a material and adverse effect on the Seller's liquidity, the Seller's financial condition, the Seller's ability to perform its obligations under the transaction and on the Notes. See "*—Risks Related to the Sponsor and its Affiliates—Financial Condition of the Seller*" in this Offering Memorandum for further information concerning Kiavi Funding, Inc. and their relationship with the Seller and the Servicer. None of the Initial Purchasers or any of their affiliates, including any affiliates who are lenders to the Servicer or any of its affiliates, have any obligation to act in the best interests of the Noteholders or to take Noteholders' interest into account when deciding whether to grant waivers, exercise remedies or take any other actions in connection with any financing arrangement, including any Reference Facility, that any of them may at any time have with the Seller or any of its affiliates.

In addition, the Initial Purchasers and their affiliates will not have any obligation to monitor the performance of the Notes or the actions of any transaction party and will have no authority to advise any such party or to direct their actions.

Potential Conflicts of Interest Relating to the Originator, the Sponsor, the Seller, the Depositor, the Servicer and the Asset Manager

The Originator, the Sponsor, the Seller, the Depositor, the Servicer and the Asset Manager are affiliates. The Issuer Residual Interest Certificate is expected to be held either by the Depositor or another majority-owned affiliate of the Sponsor as of the Closing Date, and one or more affiliates of the Sponsor may retain all or a portion of any other Class of Notes.

The Sponsor and Its Affiliates Have Many Mortgage-Related Interests

The Sponsor and its affiliates or the affiliates of other parties to the transactions described herein may from time to time have economic interests in the performance of residential mortgage loans or RMBS that may include holding, buying or selling residual interests in securitized pools of loans, various classes of RMBS that differ in entitlement to cash flow and allocation of losses, interests in the form of derivatives such as credit default swaps, or long or short positions with respect to RMBS or indices that track the performance of certain RMBS. The interests of the Sponsor in any of its various capacities or the affiliates of other parties to the transactions described herein may not be aligned with the interests of Noteholders.

THE SPONSOR, THE ORIGINATOR, THE SERVICER AND THE ASSET MANAGER

The information set forth in "*The Sponsor, the Originator, the Servicer and the Asset Manager*" has been provided by Kiavi Funding, Inc.

General

Kiavi Funding, Inc., a Delaware corporation formed on July 15, 2013 ("KFI"), is a wholly owned subsidiary of Kiavi, Inc. ("Kiavi"). KFI's principal offices are located at 2 Allegheny Center, Nova Tower 2, Suite 200, Pittsburgh, Pennsylvania, 15212. KFI is the Sponsor, the Originator, the Servicer and the Asset Manager of the Mortgage Loans. On November 22, 2021, the Sponsor amended and restated its certificate of incorporation to change its name from LendingHome Funding Corporation to Kiavi Funding, Inc.

KFI is a lender that originates and services non-owner occupied, residential mortgage loans. In addition to residential mortgage loans, KFI may offer and originate other financing products, such as unsecured business purpose loans and home equity investment products. KFI began originating loans in 2014 and is one of the largest sole originators of bridge – residential transition loans in the US as of December 31, 2023. KFI's origination business has expanded over the past few years to include DSCR - rental loans and portfolio loans. As of April 30, 2024, KFI has originated 69,574 business purpose, short-term mortgages or deeds-of-trust, including mortgages made on a servicing-retained basis and those made on a servicing-released basis, and totaling approximately $18.47 billion of originations. Kiavi provides internal underwriting and loan closing, project feasibility and valuations as applicable in accordance with the Underwriting Guidelines in effect at the time of loan application submission, general reporting, asset management and mortgage servicing functions as a part of its origination business for certain assets. Kiavi maintains offices in San Francisco, California and Pittsburgh, Pennsylvania. As of April 30, 2024, Kiavi employed 311 full time employees. Kiavi has opted to become a remote first company, making working remotely the primary option for most of Kiavi's employees, unless employees are required by job descriptions to perform their jobs from a centralized office. As of May 31, 2024, KFI operates in the District of Columbia and thirty-two (32) states, including Alabama, Arkansas, Arizona, California, Colorado, Connecticut, Florida, Georgia, Illinois, Indiana, Kansas, Kentucky, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Nevada, New Jersey, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, Tennessee, Texas, Virginia, Washington, West Virginia and Wisconsin. It holds an active license to lend in six (6) states, including those where it is required to do so, namely Arizona, California, Florida, Minnesota, Nevada and Oregon.

In addition to originating mortgage loans on its own, KFI may, in the future, utilize affiliated lenders to originate mortgage loans. KFI may fund such mortgage loans at closing and the affiliated lender may be the named lender on the mortgage loan documents. All such mortgage loans will be underwritten by KFI in accordance with its Underwriting Guidelines.

KFI has acted as a sponsor to securitization transactions of the same asset type as the Mortgage Loans since March 2019. The aggregate stated principal balance of the mortgage loans included in such prior securitization transactions was approximately $13.333 billion as of April 30, 2024.

Underwriting

The mortgage loans originated by KFI under the Residential Transition Loan Program are mortgage loans secured by first liens on non-owner-occupied residential properties. They are business purpose loans primarily undertaken to finance the purchase and rehabilitation of the respective residential properties for resale or refinancing. KFI generally has designed its Underwriting Guidelines to take into account varying levels of a borrower's credit profile and real estate investment experience. As part of the underwriting process, the Originator assesses the merits of each property, including (but not limited to) an internal evaluation of the property, purchase price, borrower's proposed project scope, estimated as-repaired condition and after-repaired value to determine loan terms. In addition to the internal evaluation of the project and property value, KFI may obtain property inspections and/or appraisals, as needed, or through virtual walkthroughs facilitated by internal or third-party tools. While KFI has endeavored to design the Underwriting Guidelines to enable a comprehensive underwrite of the borrower, mortgaged property and rehabilitation project (if applicable), KFI may from time to time make exceptions to the Underwriting Guidelines. Such exceptions are typically determined on a case-by-case basis where compensating factors exist, which may include, but are not limited to, lower loan to value, stronger credit, depth of experience, borrower history and performance on previous loans originated by KFI. See "*—Exceptions to the Underwriting Guidelines*" in this Offering Memorandum.

Each prospective borrower completes an online application that includes, as applicable, information about the borrower, the guarantor, the borrower's real estate investment experience, property-related information and proposed project details (to the extent the borrower intends to rehabilitate the mortgaged property). KFI currently classifies borrowers as either professional or standard borrowers based on their real estate transaction history, using a mix of public records, borrower-provided information (such as settlement statements) and other proprietary data matching techniques to verify the borrower's historical completed property transactions. Currently, to qualify as a professional borrower, the prospective borrower must have completed a minimum of five (5) Qualifying Completed Property Transactions (see "*—Underwriting Guidelines*" in this Offering Memorandum). For purposes of this qualification, a property transaction is considered completed if in the twenty-four (24) months preceding the borrower qualification date, the property was (x) sold (including under contract pending sales), or (y) converted to an investment property and refinanced with longer-term financing. In either case, the property must have originally been acquired by the borrower no more than thirty-six (36) months prior to sale or refinance of the respective property, as determined in accordance with the Underwriting Guidelines (each, a "Qualifying Completed Property Transaction"). A professional borrower qualification is typically valid for twelve (12) months from the date of initial (or subsequent) qualification, though the Originator may update the validation periods based on borrower or market circumstances. A standard borrower may seek to qualify as a professional borrower at any time by submitting evidence of five (5) or more Qualifying Completed Property Transactions as of the applicable qualification request date. The experience level of a borrower determines, in part, the mortgage loan interest rate and certain loan terms that will be offered to that borrower. Investors should note that these standards for qualification as "professional" as opposed to "standard" are subject to review and changes by Kiavi in the ordinary course of business and no assurances can be made that such changes won't materially and adversely affect the value of the Notes.

KFI typically sets loan amounts based upon an "after repair" value for all loans where the borrower plans to undertake a rehabilitation of the related mortgaged property. KFI reconciles an "after repair" value against the local real estate market trends for each property subject to a mortgage loan that has a rehabilitation component. Mortgage loans are generally priced and funded based on KFI's valuation analysis. The mortgage loan file related to each mortgage loan generally contains an internal valuation report of the related mortgaged property. A property inspection, either virtual or third-party report, or third-party valuation, either an interior or exterior desktop appraisal or a full appraisal report provided by a national valuation provider may also be obtained on each loan, as needed, in accordance with KFI's Underwriting Guidelines. All third-party appraisals are completed by licensed appraisers. For loans where the borrower does not intend to undertake a rehabilitation of the property, the loan amount is based upon the "as-is" value ("AIV") of the related property.

For certain Mortgage Loans with a larger or more complex rehab scope, KFI may, in certain cases in accordance with the Underwriting Guidelines in effect at the time of loan application submission, leverage the services of third parties to provide an upfront feasibility assessment of the proposed construction budget as applicable in accordance with the Underwriting Guidelines in effect at the time of loan application submission, conduct ongoing property inspections, obtain date downs of title insurance policies and/or obtain releases of liens from contracted parties.

Underwriting Guidelines

KFI has developed its Underwriting Guidelines to establish certain requirements and procedures with respect to underwriting of the mortgage loans that it originates under the Residential Transition Loan Program and the following is a summary of the Underwriting Guidelines generally applied by KFI to originate such mortgage loans and does not purport to be a complete description or duplication of the Underwriting Guidelines themselves. The Mortgage Loans were generally underwritten in accordance with the Underwriting Guidelines in effect at the time of loan application submission. From time to time, KFI updates the Underwriting Guidelines based on proprietary data analytics, data models and algorithms, loan performance trends, and local market activity, among other factors.

Material changes are reviewed and approved by an internal risk committee and distributed to KFI's financing counterparties and mortgage loan purchasers.

For each loan application, an underwriter typically reviews the subject property's valuation and other loan specific elements to determine whether those items are in conformity with KFI's Underwriting Guidelines, a subset of which is set forth in the table below. Additionally, KFI uses a proprietary credit model to evaluate a loan applicant's credit profile, which considers several factors, including the credit score of the related loan applicant. KFI may decide to use credit scores pulled from one or more credit reporting agencies in connection with the underwriting of a mortgage loan as part of the information pulled into the proprietary credit model. Further, KFI may update its Underwriting Guidelines to utilize newly developed scores, such as VantageScore, to obtain a credit score in lieu of or in addition to a FICO credit score.

Following the review of the loan application, the KFI underwriter either grants an approval on the requested mortgage loan terms, proposes modified terms under which KFI is willing to proceed with the mortgage loan, approves the mortgage loan subject to certain conditions, or denies the application. In certain cases where compensating factors exist that would qualify a borrower and/or mortgage loan that would otherwise not meet the requirements of the relevant Underwriting Guideline, the underwriter escalates the borrower and/or loan application to the internal credit team for review (see "*—Exceptions to the Underwriting Guidelines*" in this Offering Memorandum). KFI does not delegate underwriting authority to any broker or outside third-party.

The following table sets forth a summary of certain criteria contained in the Underwriting Guidelines applicable as of March 18, 2024. While the underwriting criteria below provide a general framework for acceptable borrower and loan characteristics, the table does not purport to be comprehensive. KFI may make exceptions to the Underwriting Guidelines to adjust for factors that may relate to (but are not limited to) borrower, property, project, and market conditions if it determines that certain adverse or compensating factors are present. KFI will retain the right to modify its underwriting criteria over time so Additional Mortgage Loans may not satisfy the criteria set forth below. However, all Additional Mortgage Loans will be required to satisfy the Eligibility Criteria and Concentration Limits which are not subject to change, except in accordance with the terms of the Indenture.

Criteria	KFI Residential Transition Mortgage Loan Program
Loan Type	Business Purpose / Investor Property
Property Type	(i) single-family residential (ii) two (2) to four (4) unit properties (iii) Condominiums; (iv) multi-family properties (5-20 unit); (v) manufactured housing properties; and (vi) Attached and detached planned unit developments.
Borrower Type	(i) Individuals, and (ii) Entities (such as limited liability companies, corporations, trusts, etc.) The borrower type for an infill/new construction project type is generally required to be an entity.
Loan Purpose	(i) <u>Purchase</u>: Transactions where the borrower is acquiring the property in conjunction with the closing of the loan. (ii) <u>Delayed Purchase</u>: Refinance transactions where the borrower acquired the property 180 days or less prior to the date of submission of the loan application (including the date of submission of the loan application). (iii) <u>Seasoned Refinance</u>: Refinance transactions where the borrower acquired the property greater than 180 days prior to the date of submission of the loan application (including the date of submission of the loan application).

Borrower Experience Categories	(i) Professional: Completed five (5) or more property transactions (ii) Standard: All non-Professional Borrowers A property transaction counts as a completed transaction if, in the twenty-four (24) months preceding the application submission date, the property was (x) sold (including under contract pending sales), or (y) converted to an investment property and refinanced with longer-term financing. The property must have originally been acquired by the borrower no more than thirty-six (36) months prior to the sale or refinance of the respective property. Generally, with respect to infill/new construction, a minimum of one (1) infill/new construction project exit is required to qualify for financing. A qualifying exit can be an infill/new construction property that was either (x) sold for at least $150,000 within sixty (60) months preceding the application submission date or (y) built to rent within sixty (60) months preceding the application submission date. The property must have originally been acquired by the borrower no more than thirty-six (36) months prior to the sale or lease of the respective property.
Minimum Loan Amount	$50,000 and, solely with respect to infill/new construction projects, $150,000
Standard Loan Term(1)	Twelve (12) month term, with a three (3) month extension at the discretion of KFI
Payment Type	Interest-only loan with principal due at maturity
Occupancy	Non-Owner Occupied
Maximum Loan-to-AIV Ratio(2)	75%
Maximum Loan-to-ARV Ratio(3)	80%
Maximum Initial Loan-to-Cost Ratio(4)	90% and, with respect to infill/new construction projects, 85%
Minimum Credit Score	600

(1) Mortgage loans originated by KFI generally have an original term of six (6) months, but can range from twelve (12) to twenty-four (24) months. In no instance, will the original mortgage loan term be greater than twenty-four (24) months.

(2) Loan-to-AIV Ratio is typically only calculated for (a) loans without a rehabilitation component, and (b) Seasoned Refinance transactions.

(3) Loan-to-ARV Ratio is typically calculated on all loans with a rehabilitation component.

(4) A subset of KFI borrowers that meet certain additional requirements are able to finance up to 100% Initial Loan-to-Cost Ratio (as defined below).

Cost Basis and Initial Loan-to-Cost Ratio

KFI generally determines the total loan amount and initial disbursement amount to the borrower at loan closing based on a combination of ARV and Cost Basis. The "Cost Basis" for any Mortgage Loan (other than a Seasoned Refinance Mortgage Loan) is determined as the sum of (i) the purchase price for the related Mortgaged Property, plus (ii) documented cost of existing improvements (only in the case of a refinance that is not a Seasoned Refinance Mortgage Loan), plus (iii) assignment fees, less (iv) seller concessions. For Seasoned Refinance Mortgage Loans, the Cost Basis will be the AIV of the related Mortgaged Property. The Originator may include related Mortgage Loan closing costs as part of Cost Basis. With respect to infill/new construction projects, the Originator may include development costs such as architectural and design plan costs, engineering fees, survey and inspection fees, costs and fees related to permits, legal fees and hard costs associated with general contractor and subcontractors, site work and landscaping, including grading, paving, demolition, equipment, mechanical, electrical, plumbing and construction materials.

The "Initial Loan-to-Cost Ratio" for a given Mortgage Loan is the quotient of (a) the initial loan proceeds disbursed to the Borrower at loan origination for the related Mortgage Loan, divided by (b) the Cost Basis of the related Mortgage Loan.

After Repair Value and As-Is Loan Value

In all instances where the borrower will undertake repair and/or rehabilitation projects on the related Mortgaged Property, the Originator determines loan amount based on the Cost Basis and an internal evaluation of the ARV of the subject Mortgaged Property prior to final approval. The ARV of the Mortgaged Property is prepared internally by the Originator using internal or external valuation models, based on the expected value of the Mortgaged Property after the predetermined repairs and/or rehabilitation as contemplated by the Borrower are completed. In connection with establishing the ARV, the Originator may utilize of available information, including (if applicable and as needed) public records, on-site and/or virtual property inspections, internal and/or external automated valuation models, broker price opinion reports, third-party vendor desktop appraisals, exterior appraisals, full interior appraisals, the property condition as illustrated through third-party or borrower provided information at the time of evaluation, the rehabilitation scope of work to be performed by the borrower and/or a comparable sales analysis.

For situations where the borrower is not planning to rehabilitate the property, or in connection with a Seasoned Refinance, KFI structures the initial disbursement amount to the Borrower on the Mortgage Loan based on an internal evaluation of the Mortgaged Property's AIV. In connection with establishing the AIV, the Originator may utilize a third-party desktop appraisal, exterior appraisal, full interior appraisal, internal and/or external automated valuation models or broker price opinion report. The AIV of a mortgaged property is the estimated current value of the property, prior to any contemplated repairs and/or rehabilitation projects, and is determined internally.

The "Loan-to-ARV Ratio" for a given Mortgage Loan with a rehabilitation component as of the Cut-off Date is an amount equal to the quotient of (a) the Principal Limit of such Mortgage Loan as of such date, divided by (b) the ARV of the related Mortgaged Property.

The "Loan-to-AIV Ratio" for a given Mortgage Loan without a rehabilitation component is an amount equal to the quotient of (a) the initial loan proceeds disbursed to the Borrower at loan origination for the related Mortgage Loan, divided by (b) the AIV of the related Mortgaged Property.

"Principal Limit" means, with respect to each Mortgage Loan with Unfunded Commitments, the maximum principal balance of such Mortgage Loan, including all related Unfunded Commitments, reduced by any portion thereof cancelled by the applicable Borrower or the Servicer, whether funded or unfunded, and with respect to any other Mortgage Loan, the Unpaid Principal Balance of such Mortgage Loan.

Title and Hazard Insurance

Each mortgage loan originated by KFI is generally required to be covered by an American Land Title Association ("ALTA") lender's title insurance policy or an equivalent policy of title insurance, insuring KFI as to the first priority lien of the mortgage in the original principal amount of the mortgage loan and against any loss by reason of the invalidity or unenforceability of the lien resulting from the provisions of the mortgage providing for adjustment to the mortgage interest rate and monthly payment. Under the terms of the ALTA policy, the first priority lien of the mortgage is subject to some general exceptions, including (i) the lien of current real property taxes and assessments not yet due and payable; (ii) covenants, conditions and restrictions, rights of way, easements and other matters of the public record as of the date of recording typically acceptable to mortgage lending institutions that do not materially and adversely affect the value of the mortgaged property; and (iii) other matters to which like properties are commonly subject that do not materially interfere with the benefits of the security intended to be provided by the mortgage or the use, enjoyment, value or marketability of the related mortgaged property.

In addition, the mortgaged properties are generally insured against loss by fire and certain hazards in an amount not less than the smaller of (i) the full insurable value of the mortgaged property as established by the property insurer and (ii) the outstanding principal balance of the mortgage loan on the origination date. If the mortgaged property is a condominium unit, it may be included under the coverage afforded by a blanket policy.

If the improvements on a mortgaged property are in an area identified in the Federal Register by the Federal Emergency Management Agency ("FEMA") as having special flood hazards (specifically zones labeled as "A" or "V," including all sub-codes that start with either of these letters), then a flood insurance policy meeting the requirements of the current guidelines of the Federal Insurance Administration is typically required from a generally acceptable insurance carrier. The requirement for flood insurance is subject to the availability of flood insurance coverage. If required and available, the flood insurance policy must be in an amount representing coverage of not less than the lesser of (A) the outstanding principal balance of the mortgage loan on the origination date, (B) the appraised value plus the insurable value of the improvements to the related mortgaged property on the origination date and (C) the maximum amount of insurance that is available under the National Flood Insurance Act of 1968, as amended by the Flood Disaster Protection Act of 1973. If the mortgaged property is a condominium, it may be included under the flood coverage afforded by a blanket policy.

All individual insurance policies contain a standard mortgagee clause naming Kiavi and its successors and assigns as beneficiary, and all currently due premiums on such insurance policy thereon have been paid. The Mortgage obligates the Borrower thereunder to maintain a hazard insurance policy at the Borrower's cost and expense, and on the Borrower's failure to do so, authorizes the holder of the Mortgage to obtain and maintain such insurance at such Borrower's cost and expense, and to seek reimbursement therefor from the Borrower. Each such insurance policy is the valid and binding obligation of the insurer, is in full force and effect.

KFI does not require borrowers to maintain insurance against losses arising from acts of terrorism, and, in general, each of the insurance policies will exclude losses due to terrorist activities. In general, properties are not required to be insured for earthquake risk, floods and other water-related causes (except as specified above with respect to flood insurance), landslides and mudflow, vermin, nuclear reaction or war. In addition, certain of the insurance policies may specifically exclude coverage for losses due to mold, certain acts of nature or other insurable conditions or events.

Compliance with Applicable Laws

KFI generally requires training in the fair lending requirements for members of the origination team and has a fraud program that requires escalation of any suspicious activity. KFI has a legal and compliance team that ensure compliance with fair lending requirements. Mortgage Loans originated under the Residential Transition Loan Program have a business purpose and are thus not covered by the ATR Rules or the TRID Rules.

The Sponsor makes certain covenants requiring the repurchase of the underlying mortgage loans for Material Breaches. Since the first KFI securitization, no assets underlying the securitization of residential, multi-family and mixed-use mortgage loans sponsored by the Sponsor were the subject of a demand to repurchase for breach of any representation or warranty, and there was no activity with respect to any demand made prior to such period except as disclosed by KFI as securitizer. KFI as securitizer discloses all fulfilled and unfulfilled repurchase requests for assets that were the subject of a demand to repurchase on SEC Form ABS-15G. A Form ABS-15G with respect to repurchase demands was most recently filed with the SEC on January 9, 2024. The report can be accessed on the SEC's website (www.sec.gov) using the Sponsor's CIK number, which is 0001601642.

Exceptions to the Underwriting Guidelines

One or more of the Mortgage Loans may vary from the Underwriting Guidelines and disclosed criteria described above. KFI reviews exceptions to its Underwriting Guidelines on a case-by-case basis and approves exceptions based on evidence of compensating factors. Examples of compensating factors considered by KFI include borrower experience history, credit scores, liquidity and/or net worth, lower after-repair value ratio, lower Initial Loan-to-Cost Ratio, and prior performance or track record with KFI. This Offering Memorandum does not disclose all potential exceptions to the Underwriting Guidelines.

Asset Management

KFI, in its capacity as "Asset Manager," will manage the Mortgage Loans pursuant to an Asset Management Agreement dated as of the Closing Date, among Asset Manager, Issuer, Sponsor and Indenture Trustee (the "Asset Management Agreement"). The Asset Manager will be responsible for managing the Mortgage Loans and related REO Properties on behalf of the Issuer pursuant to the Asset Management Agreement and will oversee certain activities of the Servicer, as described in "*Asset Management Agreement*" in this Offering Memorandum. The Asset Manager will be entitled to certain fees and indemnity from the proceeds of the Trust Estate as described under "*Asset Management Agreement—Asset Management and Other Compensation and Payment of Expenses*" in this Offering Memorandum.

Servicing

KFI in its capacity as "Servicer," will service the Mortgage Loans pursuant to the servicing agreement to be dated the Closing Date (the "Servicing Agreement"), among the Issuer, the Servicer, the Asset Manager and the Indenture Trustee, including, but not limited to, all collection activities, making Servicing Advances, evaluating and disbursing funds with respect to Rehabilitation Disbursement Requests (subject to directions by the Asset Manager if applicable), loan-level reporting obligations, maintenance of insurance and, subject to the direction of the Asset Manager, loss mitigation and default recovery efforts and enforcement of foreclosure proceedings with respect to the Mortgage Loans and related Mortgaged Properties. KFI, together with certain of its affiliates, is also the Originator. See "*The Sponsor, the Originator, the Servicer and the Asset Manager*" in this Offering Memorandum.

General

Once KFI, or an affiliate, originates a mortgage loan and onboards it on to its servicing system, its servicing department begins the administrative process of servicing the loan, seeking to ensure that the loan is repaid in accordance with its terms. For mortgage loans that are originated and sold servicing-released by KFI and KFI is not contracted as the servicer or only interim servicing is provided, KFI's servicing department administers the various tasks involved in the transfer of servicing, including notifying borrowers, insurers and taxing authorities. KFI's servicing department is also responsible for the physical receipt of, and initial accounting for all loan payments from borrowers. KFI requires its borrowers to establish automatic payment from their bank accounts. In addition, the KFI servicing team processes payoff requests, re-conveyances, and handles inbound calls and other communications from borrowers.

KFI currently services mortgage loans using a loan servicing system that it developed in-house. In addition, it has developed procedures for the management of bankruptcy, foreclosure and REO dispositions. Loan files are electronically imaged, catalogued, and made readily available on the servicing platform (as applicable).

KFI began servicing in 2014. As of April 30, 2024, it serviced non-owner-occupied residential mortgage loans and REO Properties with an aggregate unpaid principal balance of approximately $2.912 billion for multiple investors excluding the mortgage loans that were not serviced by KFI for the life of the loan.

The table set forth in Annex B shows the delinquency experience for the Servicer with respect to all Mortgage Loans serviced by the Servicer. The Servicer uses the MBA Method to determine delinquencies on the Mortgage Loans. There can be no assurance, and no representation is made, that the delinquency experience noted in the table set forth in Annex B is indicative of future performance, nor is any representation made as to the rate at which losses may be experienced on liquidation of defaulted Mortgage Loans that are the subject of the Servicing Agreement.

KFI has a backup servicer arrangement in place with respect to mortgage loans in its servicing portfolio, however it may choose to terminate this arrangement at any time. KFI understands that its portfolio backup servicer has experience servicing mortgage loans similar to the Mortgage Loans. While such portfolio backup servicer has no contractual relationship with the Issuer or the Indenture Trustee regarding the Mortgage Loans, given its existing relationship with KFI, it could be appointed as successor servicer to KFI in the case KFI is terminated or resigns in accordance with the Servicing Agreement. See "*The Servicing Agreement—Assignment and Resignation of the Servicer*" in this Offering Memorandum.

Policies and Procedures

The summary below provides an overview of KFI's current servicing policies and procedures. KFI periodically updates its policies and procedures to address applicable legal and regulatory developments, as well as to adjust for other economic and social factors that impact KFI's servicing operations. The summary is general in nature and not all of the servicing policies and procedures of KFI described below apply to each Mortgage Loan or throughout the entire term of such Mortgage Loan.

KFI typically performs all elements of primary and some elements of special servicing in-house, though KFI may use a subservicer for certain or all elements of servicing. Primary servicing includes the collection of regular payments, payment and monitoring of taxes and insurance, processing of payoffs, handling borrower inquiries and loss mitigation. KFI may use a subservicer to assist in certain matters related to foreclosure proceedings.

In connection with the servicing of the Mortgage Loans, KFI interfaces with third-party vendors for certain tasks and business processes related to the following functions:

- Title searches and insurance
- Lien searches and monitoring
- Tax payment and lien monitoring
- Monitoring of insurance coverage (hazard, and flood if applicable)
- Flood zone determination
- Bankruptcy monitoring and administration
- REO property management and preservation

KFI does not require borrowers in the Residential Transition Loan Program to escrow for taxes and insurance. None of the Mortgage Loans have associated tax and insurance escrow impound accounts. As noted above, however, KFI uses a third-party provider to confirm that the properties securing the Mortgage Loans are properly insured and that real estate taxes have been paid to avoid foreclosures by taxing authorities. If KFI is notified by its vendor that a property is uninsured or a tax lien has been filed, KFI personnel will work directly with the Borrower to bring the property back into compliance with the terms of the Mortgage Loan. In the event that the Borrower does not take any required action, KFI will advance the funds to ensure that the property is insured and all taxes paid. Although these functions are outsourced to third-party vendors, KFI regularly reviews its third-party contractors to ensure that quality control is maintained.

Collection and Enforcement

KFI's servicing department is responsible for all phases of the collection and enforcement of delinquent and defaulted loans. The inherent risk of delinquency and loss associated with business purpose loans requires hands-on active communication with borrowers from origination through repayment. Borrower contact is initiated through outbound telephone campaigns and electronic mail, which are tailored to reflect the borrower's payment history, the loan's risk profile and the loan's status.

KFI's personnel generally begin calling borrowers whose payments are rejected for insufficient funds upon notification that the payment has failed to clear. Once contact is established, KFI verifies pertinent information and determines the reason for the delay in payment. For borrowers who are able to make their payments, KFI offers the ability through electronic funds transfer. If a borrower indicates a problem that is not temporary or is of a serious nature, the call is escalated to our asset resolution team for further evaluation and assessment of the appropriate loss mitigation actions.

Accounts moving to thirty (30) or more days delinquent are transferred to the loss mitigation department. Generally, when an account becomes sixty (60) days delinquent (timing dependent upon the take-out investor of the loan), the borrower receives a notice of intent to foreclose, allowing thirty days (or more if required by applicable state law) to cure the default before the account may be referred for foreclosure. The collection personnel continue active collection campaigns and may offer the borrower relief through a foreclosure alternative.

KFI's loss mitigation personnel continue to actively attempt to resolve the delinquency while its foreclosure personnel begin the foreclosure process. KFI's loss mitigation tools include short sales, deeds in lieu of foreclosure, stipulated forbearance plans, deferments, reinstatements and modifications. Delinquent accounts not resolved through collection and loss mitigation activities may be assigned to a special servicer and foreclosed in accordance with state and local laws.

Once a property becomes REO and title is transferred to the mortgage loan owner, it is listed with a local real estate agent who develops a marketing strategy designed to maximize the net recovery upon liquidation. Second opinions on the value of the property are obtained to validate recommendations given by the primary listing agent. Property listings and status reports are reviewed monthly to ensure the properties are properly maintained and actively marketed.

Loss Mitigation Personnel

KFI's loss mitigation personnel are trained to handle business-purpose borrowers and seek to provide specific loss mitigation options intended to return the Mortgage Loan back into performing status and minimize loss. They also receive regular training on applicable state and federal laws that may impact the collection, enforcement and loss mitigation process. KFI may outsource special servicing for borrowers who are in late-stage delinquency. KFI actively works to mitigate losses by maximizing the occurrence of loan resolutions that avoid foreclosure, including modifications, forbearance plans, third-party sales, shortfall payoffs and acceptance of deeds in lieu of foreclosure. KFI relies on management experience, proprietary data and economic models to determine the recommended resolution strategy. In making that determination, management typically evaluates and considers the length of the delinquency, overall borrower relationship, time elapsed since the last contact with the customer, status of any improvement project in process, and the current and projected valuation of the mortgaged property.

Exceptions to Servicer's General Servicing Procedures

Servicer's general servicing procedures described above may vary with respect to one or more of the Mortgage Loans given that certain servicing obligations of the Servicer are to be performed at the direction of the Asset Manager in accordance with the Servicing Agreement and the Asset Management Agreement as described under "*Asset Management Agreement*" in this Offering Memorandum.

THE SELLER

On the Closing Date, KFI in its capacity as the "Seller," will sell and contribute the Initial Mortgage Loans on a servicing-retained basis to the Depositor pursuant to the First Step Mortgage Loan Purchase Agreement. The Seller is also the Sponsor, the Originator (together with certain of its affiliates), the Asset Manager and the Servicer.

On the Closing Date, the Seller will (i) sell the Initial Mortgage Loans on a servicing-retained basis to the Depositor pursuant to the First Step Mortgage Loan Purchase Agreement, (ii) contribute cash to be used to fully fund Rehabilitation Disbursement Requests in connection with the Initial Mortgage Loans that have Funded Commitments, and (iii) make certain representations and warranties with respect to the Initial Mortgage Loans sold to the Depositor. From time to time during the Reinvestment Period, the Seller may sell Additional Mortgage Loans on a servicing-retained basis to the Depositor pursuant to the First Step Mortgage Loan Purchase Agreement and make certain representations and warranties with respect to the Additional Mortgage Loans to the Depositor.

THE DEPOSITOR

Kiavi Depositor, LLC (the "Depositor"), a Delaware limited liability company, is the depositor of the transaction. The Depositor was organized on January 28, 2019 and is a wholly-owned subsidiary of the Sponsor. The Depositor currently maintains its principal office at 2 Allegheny Center, Nova Tower 2, Suite 200, Pittsburgh, Pennsylvania, 15212.

The Depositor was established to serve as depositor for securitizations of the type described in this Offering Memorandum, and has acted as depositor for the previous securitization transactions sponsored by the KFI. The Depositor will typically acquire mortgage loans for inclusion in securitizations from the Seller or one of its affiliates.

The operating agreement of the Depositor provides that the Depositor may acquire, own and hold loans, including residential transition loans, securities, notes, participations or any other assets or rights relating to an interest in real property or consumer receivables, to deposit the same into one or more trusts or other legal entities, to cause such trusts or other legal entities to issue pass-through certificates representing undivided beneficial ownership interests in the assets of such trusts or entities or notes collateralized by the assets of such trusts or entities, to exercise all powers enumerated in the Act and to engage in any and all activities relating to the foregoing or arising therefrom or reasonably necessary, customary, convenient or incidental thereto, and to the conduct, promotion or attainment of the business or purposes otherwise set forth in the operating agreement.

The Depositor does not have, nor is it expected in the future to have, any significant assets. The Depositor is not expected to have any business operations other than acquiring and selling commercial mortgage loans and related activities.

On the Closing Date, the Depositor will (i) sell the Mortgage Loans to the Issuer pursuant to the Second Step Mortgage Loan Purchase Agreement, (ii) contribute the initial cash contribution for deposit into the Rehab Escrow Account to be used to fully fund Rehabilitation Disbursement Requests for Mortgage Loans with Funded Commitments, (iii) deposit or cause to be deposited cash into the Accumulation Account to be used to fund Unfunded Commitments or to purchase Additional Mortgage Loans, and (iv) assign its rights to enforce the representations and warranties made with respect to the Mortgage Loans to the Issuer.

THE ISSUER

LHOME Mortgage Trust 2024-RTL3, a Delaware statutory trust, is a wholly-owned subsidiary of the Depositor, and, on the Closing Date, either the Depositor or another majority-owned affiliate of the Sponsor will initially hold the Issuer's beneficial ownership interest certificate (the "Issuer Residual Interest Certificate"). Distributions on the Issuer Residual Interest Certificate will be allocated as further described in the Issuer's Trust Agreement.

The Issuer was formed on June 3, 2024, as a special purpose entity for the purpose of purchasing the Mortgage Loans, pledging the Mortgage Loans and certain other rights and assets and issuing the Notes and the Issuer Residual Interest Certificate.

After its formation, the Issuer will not engage in any activity other than (i) acquiring and holding the Mortgage Loans and the other assets pledged to secure the Notes, (ii) issuing the Notes, (iii) making payments on the Notes, (iv) redeeming any outstanding Notes and issuing new notes at its election and subject to the requirements set forth in the Issuer's Trust Agreement and the Indenture in connection with an Optional Redemption and (v) engaging in other activities that are necessary, suitable or convenient to accomplish the foregoing or are incidental thereto or connected therewith.

THE INDENTURE TRUSTEE

U.S. Bank Trust Co., a national banking association, will act as indenture trustee (in such capacity, the "Indenture Trustee"), paying agent (in such capacity, the "Paying Agent") and note registrar under the Indenture.

U.S. Bank National Association ("USBNA") made a strategic decision to reposition its corporate trust business by transferring substantially all of its corporate trust business to its affiliate, U.S. Bank Trust Co., a non-depository trust company (USBNA and U.S. Bank Trust Co. are collectively referred to herein as "U.S. Bank"). Upon U.S. Bank Trust Co.'s succession to the business of USBNA, it became a wholly owned subsidiary of USBNA. The Indenture Trustee will maintain the accounts of the issuing entity in the name of the Indenture Trustee at USBNA, as securities intermediary (in such capacity, the "Securities Intermediary").

U.S. Bancorp, with total assets exceeding $684 billion as of March 31, 2024, is the parent company of U.S. Bank Trust Co., the fifth largest commercial bank in the United States. As of March 31, 2024, U.S. Bancorp operated over 2,200 branch offices in 26 states. A network of specialized U.S. Bancorp offices across the nation provides a comprehensive line of banking, brokerage, insurance, investment, mortgage, trust and payment services products to consumers, businesses, and institutions.

U.S. Bank has one of the largest corporate trust businesses in the country with office locations in 49 domestic and 3 international cities. The Indenture will be administered from U.S. Bank's corporate trust office at (i) solely for purpose of the transfer, surrender, exchange or presentation for final payment, 111 Fillmore Avenue East, EP-MN-WS2N, St. Paul, Minnesota, 55107, Attn: Transfer Dept., Ref: LHOME Mortgage Trust 2024-RTL3, and (ii) for all other purposes, 60 Livingston Avenue, EP-MN-WS3D, St. Paul, Minnesota, 55107, Attention: LHOME Mortgage Trust 2024-RTL3, or at such other address as the applicable U.S. Bank party may designate from time to time by notice to the Noteholders, the Indenture Trustee and the Issuer.

U.S. Bank has provided corporate trust services since 1924. As of March 31, 2024, U.S. Bank was acting as trustee with respect to over 148,000 issuances of securities with an aggregate outstanding principal balance of over $6.0 trillion. This portfolio includes corporate and municipal bonds, mortgage-backed and asset-backed securities and collateralized debt obligations.

As of March 31, 2024, U.S. Bank (and its affiliate U.S. Bank Trust National Association) was acting as trustee, registrar and paying agent and securities administrator for approximately 906 issuances of mortgage-backed securities with an outstanding aggregate principal balance of approximately $143,478,800,000.

USBNA and other large financial institutions have been sued in their capacity as trustee or successor trustee for certain residential mortgage backed securities ("RMBS") trusts. The complaints, primarily filed by investors or investor groups against USBNA and similar institutions, allege the trustees caused losses to investors as a result of alleged failures by the sponsors, mortgage loan sellers and servicers to comply with the governing agreements for these RMBS trusts. Plaintiffs generally assert causes of action based upon the trustees' purported failures to enforce repurchase obligations of mortgage loan sellers for alleged breaches of representations and warranties, notify securityholders of purported events of default allegedly caused by breaches of Servicing Standards by mortgage loan servicers and abide by a heightened standard of care following alleged events of default.

USBNA denies liability and believes that it has performed its obligations under the RMBS trusts in good faith, that its actions were not the cause of losses to investors, that it has meritorious defenses, and it has contested and intends to continue contesting the plaintiffs' claims vigorously. However, USBNA cannot assure you as to the outcome of any of the litigation, or the possible impact of these litigations on the trustee or the RMBS trusts.

On March 9, 2018, a law firm purporting to represent fifteen Delaware statutory trusts (the "DSTs") that issued securities backed by student loans (the "Student Loans") filed a lawsuit in the Delaware Court of Chancery against USBNA in its capacities as indenture trustee and successor special servicer, and three other institutions in their respective transaction capacities, with respect to the DSTs and the Student Loans. This lawsuit is captioned The National Collegiate Student Loan Master Trust I, et al. v. U.S. Bank National Association, et al., C.A. No. 2018-0167-JRS (Del. Ch.) (the "NCMSLT Action"). The complaint, as amended on June 15, 2018, alleged that the DSTs have been harmed as a result of purported misconduct or omissions by the defendants concerning administration of the trusts and special servicing of the Student Loans. Since the filing of the NCMSLT Action, certain Student Loan borrowers have made assertions against USBNA concerning special servicing that appear to be based on certain allegations made on behalf of the DSTs in the NCMSLT Action.

USBNA has filed a motion seeking dismissal of the operative complaint in its entirety with prejudice pursuant to Chancery Court Rules 12(b)(1) and 12(b)(6) or, in the alternative, a stay of the case while other prior filed disputes involving the DSTs and the Student Loans are litigated. On November 7, 2018, the Court ruled that the case should be stayed in its entirety pending resolution of the first-filed cases. On January 21, 2020, the Court entered an order consolidating for pretrial purposes the NCMSLT Action and three other lawsuits pending in the Delaware Court of Chancery concerning the DSTs and the Student Loans, which remains pending.

U.S. Bank denies liability in the NCMSLT Action and believes it has performed its obligations as indenture trustee and special servicer in good faith and in compliance in all material respects with the terms of the agreements governing the DSTs and that it has meritorious defenses. It has contested and intends to continue contesting the plaintiffs' claims vigorously.

Other than with respect to the information contained in the above eleven paragraphs, U.S. Bank (in any of its capacities) has not participated in the preparation of, and is not responsible for, any other information contained in this Offering Memorandum.

The Paying Agent will make each monthly statement available to Noteholders via the Paying Agent's Internet website at https://pivot.usbank.com, in accordance with the terms set forth in the Indenture. Noteholders with questions may direct them to the Paying Agent's website assistance line at (800) 934-6802.

As compensation for its activities under the Transaction Documents, U.S. Bank Trust Co. is entitled to receive the Indenture Trustee Fee described under "*The Indenture—Fees and Expenses; Indemnification*" in this Offering Memorandum. In addition, the Indenture Trustee, the Paying Agent, the Securities Intermediary, the Note Registrar and the Certificate Registrar will be entitled to indemnification as described in "*The Indenture—Fees and Expenses; Indemnification*" in this Offering Memorandum.

The Indenture Trustee is an affiliate of the Custodian.

THE OWNER TRUSTEE

WSFS Financial Corporation is a multibillion-dollar financial services company. Its primary subsidiary, Wilmington Savings Fund Society, FSB ("WSFS Bank"), is the oldest and largest locally headquartered bank and trust company in the Greater Philadelphia and Delaware region. As of March 31, 2024, WSFS Financial Corporation had $20.6 billion in assets on its balance sheet and $80.5 billion in assets under management and administration. WSFS operates from 114 offices, 88 of which are banking offices, located in Pennsylvania (57), Delaware (40), New Jersey (14), Florida (1), Nevada (1) and Virginia (1). and provides comprehensive financial services including commercial banking, consumer banking, treasury management and trust and wealth management. Other subsidiaries or divisions include Arrow Land Transfer, Bryn Mawr Capital Management LLC, Bryn Mawr Trust®, The Bryn Mawr Trust Company of Delaware, Cash Connect®, NewLane Finance®, Powdermill® Financial Solutions, WSFS Institutional Services®, WSFS Mortgage®, and WSFS Wealth® Investments. Serving the Greater Delaware Valley since 1832, WSFS Bank is one of the ten oldest banks in the United States continuously operating under the same name. WSFS Financial Corporation is traded on the NASDAQ under the ticker symbol WSFS. WSFS Bank has been acting as owner trustee in asset-backed and mortgage-backed securities issuances since 1999. As of March 31, 2024, WSFS Bank is acting as owner trustee for several hundred issuances and acts as trustee under pooling and servicing agreements or indentures for several hundred issuances.

WSFS Bank's corporate trust office is located at 500 Delaware Avenue, 11th Floor; Wilmington, Delaware 19801. At the date of this Offering Memorandum, there are no legal proceedings pending, or to the best of the Owner Trustee's knowledge, contemplated by governmental authorities, against the Owner Trustee or any property of the Owner Trustee that would be material to holders of the Notes issued by the Issuer.

The information provided in the preceding two paragraphs under this heading "*The Owner Trustee*" has been provided by WSFS Bank. Other than with respect to the information contained in the above two paragraphs, WSFS Bank has not participated in the preparation of, and is not responsible for, any other information contained in this Offering Memorandum.

THE SECURITIZATION DILIGENCE PROVIDER

Selence Diligence LLC, a Delaware limited liability company, has been engaged by the Sponsor to conduct a review of each of the Initial Mortgage Loans. During the Reinvestment Period, the Sponsor will engage an Eligible Diligence Provider, which may be the Securitization Diligence Provider, to conduct an Eligibility and Data Integrity Review and review a sample randomly selected by the Seller of no less than (i) 30.0% (by loan count), until the Issuer has acquired Additional Mortgage Loans with an aggregate Unpaid Principal Balance greater than or equal to the Prefunding Amount and (ii) thereafter, 20% (by loan count), in each case, of the Additional Mortgage Loans acquired by the Issuer in any Collection Period, in each case, prior to the Payment Date immediately following the Collection Period in which such Additional Mortgage Loans were acquired by the Issuer. The Securitization Diligence Provider is an Eligible Diligence Vendor, and may be selected to review the Review Mortgage Loans, although the Sponsor may select another Eligible Diligence Vendor to conduct such reviews. The Asset Manager will have discretion to delegate any of its Collateral Oversight Obligations under the Asset Management Agreement to any person who meets the definition of an "Eligible Diligence Vendor" thereunder. The Asset Manager anticipates that it will engage an Eligible Diligence Vendor, which may be the Securitization Diligence Provider, to perform the Collateral Oversight Obligations under the Asset Management Agreement. See "*Description of the Mortgage Loans—Review Procedures*" and "*Asset Management Agreement— Collateral Oversight Obligations; Delegation of Duties*" in this Offering Memorandum.

THE CUSTODIAN

USBNA will act as custodian (in such capacity, the "Custodian") of the mortgage files pursuant to the Custodial Agreement. As custodian, USBNA is responsible for holding the mortgage files subject to the Custodial Agreement on behalf of the Indenture Trustee for the benefit of the Noteholders. USBNA will hold the mortgage files in one of its custodial vaults, which are located in California, Iowa, Minnesota, Florida, South Carolina and Maryland. The mortgage files are tracked electronically to identify that they are held by USBNA pursuant to the Custodial Agreement. U.S. Bank uses a barcode tracking system to track the location of, and owner or secured party with respect to, each file that it holds as custodian, including the mortgage files held on behalf of the Indenture Trustee. As of March 31, 2024, USBNA held approximately 14,939,000 document files for approximately 980 entities and has been acting as a custodian for over 35 years.

Other than with respect to the information contained in the above paragraph, USBNA (in any of its capacities) has not participated in the preparation of, and is not responsible for, any other information contained in this Offering Memorandum.

The Custodian is an affiliate of the Indenture Trustee.

AFFILIATES AND RELATED TRANSACTIONS

This section describes certain affiliations and relationships between a legal entity that is a material party to this securitization transaction, on the one hand, and any separate legal entity that is a material party to this securitization transaction, on the other hand. Each of the entities described below may have conflicts of interest that arise from circumstances other than its affiliation with another party to the securitization. This section does not describe all the conflicts of interest that a party to the securitization may have. For additional information regarding conflicts of interest, see "*Risk Factors —Risks Related to Potential Conflicts of Interest—Potential Conflicts of Interest Relating to the Initial Purchasers"* and *"—Potential Conflicts of Interest Relating to the Originator, the Sponsor, the Seller, the Depositor, the Servicer and the Asset Manager*" in this Offering Memorandum.

The Sponsor, Originator, Seller, Asset Manager and Servicer are the same entities, and are affiliates with the Depositor and the Issuer. It is expected that, initially, the Depositor or another majority-owned affiliate of the Sponsor will acquire on the Closing Date and retain until the Sunset Date (as defined below) the Risk Retained Securities (as defined below). One or more of the Initial Purchasers (or an affiliate of one or more of the Initial Purchasers) provide warehouse financing to the Sponsor or an affiliate of the Sponsor. A portion of the proceeds of the sale of the Notes may be used to repay one or more such warehouse financing facilities, and a portion of the purchase price paid by the Issuer for any Additional Mortgage Loans may be used to repay one or more such warehouse financing facilities from time to time.

U.S. Bank Trust Co. acts as the Indenture Trustee, the Paying Agent, the Note Registrar and the Certificate Registrar. USBNA, an affiliate of U.S. Bank Trust Co., acts as the Custodian and the Securities Intermediary.

In the normal course of conducting its business, the Initial Purchasers, the Asset Manager, and their affiliates have rendered services to, performed surveillance of, and negotiated with, numerous parties engaged in activities related to structured finance and mortgage securitization. These parties may have included certain transaction parties and any of the transaction parties' respective affiliates. These relationships could continue in the future.

DESCRIPTION OF THE MORTGAGE LOANS

General

The statistical information presented in this Offering Memorandum concerning the Initial Mortgage Loans (the "Initial Mortgage Loans") is based on the Unpaid Principal Balances of the Initial Mortgage Loans as of the close of business on May 31, 2024 (the "Initial Cut-off Date"). Certain Initial Mortgage Loans included in the Mortgage Pool as of the Initial Cut-off Date may be removed from the Mortgage Pool between the Initial Cut-off Date and the Closing Date. The statistical distribution of characteristics as of the Closing Date for the Mortgage Loans may vary somewhat from the statistical distribution of such characteristics as of the Initial Cut-off Date as presented in this Offering Memorandum, although such variance will not be material.

From time to time during the Reinvestment Period, the Depositor may purchase Additional Mortgage Loans (the "Additional Mortgage Loans") from the Seller, or acquire Additional Mortgage Loans from a trust or other entity formed by the Depositor, in each case with the characteristics set forth under "*—Additional Mortgage Loans*" herein and the Depositor will sell such Additional Mortgage Loans to the Issuer. Unless the context requires otherwise, references below to percentages of the Initial Mortgage Loans in the Mortgage Pool are approximate percentages of the aggregate Unpaid Principal Balance of the Initial Mortgage Loans in the Mortgage Pool as of the Initial Cut-off Date and do not include the Additional Mortgage Loans. Additional Mortgage Loans will be selected using similar criteria used to select the Initial Mortgage Loans and deemed as eligible by the Securitization Diligence Provider, and the same representations and warranties will be made with respect to the Additional Mortgage Loans.

The mortgage pool (the "Mortgage Pool") will consist of the Initial Mortgage Loans included in the Mortgage Pool as of the Initial Cut-off Date and any Additional Mortgage Loans purchased by the Issuer during the Reinvestment Period. The information on the Initial Mortgage Loans presented in this Offering Memorandum is based on a pool consisting of 597 Initial Mortgage Loans having an aggregate Unpaid Principal Balance of approximately $147,749,158 as of the Initial Cut-off Date. On the Closing Date, approximately $220,671,895 (the "Prefunding Amount") will be deposited into the Accumulation Account to be used to fund Unfunded Commitments and to purchase Additional Mortgage Loans.

The Initial Mortgage Loans to be included in the Mortgage Pool will consist of a pool of performing, fixed-rate, interest-only, mortgage loans to real estate investors, each secured by a first lien on a non-owner occupied Mortgaged Properties. The Mortgage Loans were typically made to real estate investors or entities who acquire residential real estate for the purpose of repairs or renovation of the subject property, in contemplation of a sale or a conversion of the related Mortgaged Property to an investment property. The Initial Mortgage Loans have original terms to maturity of twelve (12) months to twenty-four (24) months and remaining terms to maturity ranging between twelve (12) to twenty-four (24) months. As of the Initial Cut-off Date, none of the Initial Mortgage Loans were subject to a forbearance or deferral plan with the Servicer due to the outbreak of COVID-19 in the United States.

The Mortgage Loans were typically made to real estate investors in order to finance the real estate investor's purchase and often repair or rehabilitation of the Mortgaged Properties. When a Borrower elects to request funds under the related Mortgage Loan to finance construction, rehabilitation or repairs on the related Mortgaged Property, the Borrower will deliver a disbursement request (a "Rehabilitation Disbursement Request") to the mortgagee in accordance with the terms of the related Mortgage Note. Funding of such Rehabilitation Disbursement Request is subject to certain review procedures and conditions, as determined by the Originator. As of the Initial Cut-off Date, the Initial Mortgage Loans had an aggregate Undisbursed Rehabilitation Holdback Amount of approximately $35,521,220, which includes both Funded Commitments and Unfunded Commitments, but such amount will be adjusted for the aggregate amount of Rehabilitation Disbursement Requests funded by the Servicer to the related Borrowers and prepayments by the Borrowers between the Initial Cut-off Date and the Closing Date.

All of the Initial Mortgage Loans were originated and all of the Additional Mortgage Loans will be originated under the Originator's Residential Transition Loan Program or with document compensating factors if exceptions. See "*—Mortgage Loan Products and Programs*" in this Offering Memorandum.

The portion of the Principal Limit of a Mortgage Loan not funded at origination is called the "Unfunded Commitment." As of the Initial Cut-off Date, the Mortgage Loans have aggregate Unfunded Commitments of approximately $35,213,520. Rehabilitation Disbursement Requests related to the Mortgage Loans with Unfunded Commitments may be funded at the mortgagee's discretion and in several ways, including (i) by the Servicer advancing funds on behalf of the Issuer, or (ii) by directing the release of amounts on deposit in the Accumulation Account.

The Mortgage Loans are evidenced by promissory notes (the "Mortgage Notes") secured by either mortgages or deeds of trust or instruments creating first liens (the "Mortgages") on single-family residential, planned unit development, condominium, two-to-four unit, manufactured housing properties and, potentially with respect to any Additional Mortgage Loans, multi-family (5-20 unit) properties (the "Mortgaged Properties"), depending upon the prevailing practice in the state in which the Mortgaged Property is located. See "*Certain Legal Aspects of the Mortgage Loans—Types of Mortgage Instruments*" in this Offering Memorandum.

As used in this Offering Memorandum, the "Unpaid Principal Balance," with respect to each (A) Mortgage Loan and any date of determination, means the principal balance of such Mortgage Loan, including, in the case of a Mortgage Loan with Funded Commitments, all disbursed or undisbursed rehabilitation holdback amounts through such date of determination (if any), and all Unfunded Commitment Advances funded through such date of determination (if any), less (x) the sum of (i) all collections and other amounts, which may include Undisbursed Rehabilitation Holdback Amounts cancelled by the Servicer, credited against the principal balance of such Mortgage Loan prior to such date of determination and (ii) any principal reduction resulting from a Debt Service Reduction or Deficient Valuation prior to such date of determination plus (y) any outstanding amounts, such as accrued and unpaid interest and certain Servicing Advances, added to the Unpaid Principal Balance as part of a modification; (B) REO property and any date of determination, means the principal balance of the related Mortgage Loan immediately prior to the date such REO property was acquired less the sum of all collections and other amounts credited against such principal balance prior to such date of determination; and (C) Liquidated Loan, zero.

The Initial Mortgage Loans will be contributed and sold by Seller to the Depositor on the Closing Date pursuant to the First Step Mortgage Loan Purchase Agreement.

The Mortgage Loans will have scheduled monthly payments of interest generally due on the first day of the month (the "Due Date"); and principal is generally due on the final maturity date of the related Mortgage Loan. Each Mortgage Loan accrues interest at the Mortgage Interest Rate.

The delinquency method used for calculations with respect to the Mortgage Loans will be in accordance with the methodology used by the Mortgage Bankers Association (the "MBA Method"). Under the MBA Method, a mortgage loan is considered "30 days delinquent" if the Borrower fails to make a scheduled payment prior to the close of business on the day prior to the Mortgage Loan's first succeeding Due Date. As of the Initial Cut-off Date none of the Initial Mortgage Loans were 30 or more days delinquent in accordance with the MBA Method.

As discussed above, certain of the Mortgage Loans envision the Borrower will undertake certain predetermined repair and/or rehabilitation projects on the related Mortgaged Properties. In underwriting each such Mortgage Loan, the Originator reconciles an "after repair" value against the local real estate market trends for each subject property. Mortgage Loans that require an ARV determination are generally structured with caps on leverage based on the Originator's valuations (unless otherwise specified in the Underwriting Guidelines). In connection with establishing the ARV, the Originator may utilize available information, including (as needed, if applicable) public records, on-site and/or virtual property inspections, internal and/or external automated valuation models, broker price opinion reports, third-party vendor desktop appraisals, exterior appraisals, full interior appraisals, the property condition as illustrated through third-party or Borrower provided information at the time of evaluation, the rehabilitation scope of work to be performed by the Borrower and/or a comparable sales analysis.

For situations where the Borrower is not planning to rehabilitate the property, or in connection with a Seasoned Refinance, the Originator determines the initial disbursement amount to the Borrower on the Mortgage Loan origination date based on the Mortgaged Property's AIV. In connection with establishing the AIV, the Originator may order a third-party desktop appraisal, exterior appraisal, full interior appraisal or broker price opinion report. The AIV of a mortgaged property is the estimated current value of the property, prior to any contemplated repairs and/or rehabilitation projects, and is determined internally.

Additionally, as of the Initial Cut-off Date, the range of Initial Loan-to-Cost Ratio of the Initial Mortgage Loans ranged from approximately 0.00% to 100%, with a weighted average (by aggregate Unpaid Principal Balance) Initial Loan-to-Cost Ratio of approximately 88.75%. For each Mortgage Loan as of the Cut-off Date, the "Initial Loan-to-Cost Ratio" is an amount equal to the quotient of (A) the initial loan proceeds disbursed to the related Borrower at loan origination for such Mortgage Loan, divided by (B) the Cost Basis of such Mortgaged Loan. For the Mortgage Loans that envision the Borrowers will undertake certain predetermined repair and/or rehabilitation projects on the related Mortgaged Properties, the Originator generally determines the total loan amount and initial disbursement amount to such Borrower at loan closing based on a combination of ARV and the Borrower's Cost Basis.

None of the Seller, the Depositor, the Servicer, the Asset Manager, the Indenture Trustee, the Owner Trustee, the Paying Agent, the Securities Intermediary, the Note Registrar, the Certificate Registrar, the Custodian or the Issuer makes any representations or warranties that the Loan-to-ARV Ratio or Initial Loan-to-Cost Ratio of any Mortgage Loan is an accurate representation of a Borrower's equity in their Mortgaged Property.

Mortgage Loan Products and Programs

The Mortgage Loans are designed to fulfill short-term real estate financing solutions solely for commercial purposes with respect to investment properties. These Mortgage Loans are originated pursuant to the Originator's Residential Transition Loan Program. Each Mortgage Loan requires the related Borrower to certify at application that the properties are not owner-occupied and are owned solely for investment purposes. The Mortgage Loans are fixed rate, interest-only loans with original loan terms of twelve (12) to twenty-four (24) months. All of the Initial Mortgage Loans accrue interest based on the full amount of the related Mortgage Note. Mortgage Loans originated under the Residential Transition Loan Program have a business purpose and are thus not covered by the ATR Rules or the TRID Rules.

As of the Initial Cut-off Date, approximately 92.52% of the Initial Mortgage Loans (by aggregate Unpaid Principal Balance) were originated for the purpose (each, a "Loan Purpose") of a Purchase; approximately 4.51% of the Initial Mortgage Loans (by aggregate Unpaid Principal Balance) were originated for the purpose of a Seasoned Refinance; and approximately 2.97% of the Initial Mortgage Loans (by aggregate Unpaid Principal Balance) were originated for the purpose of a Delayed Purchase. See "*The Sponsor, the Originator, the Servicer and the Asset Manager—General—Underwriting—Underwriting Guidelines*" in this Offering Memorandum.

Wet-Ink Mortgage Loans

Each Additional Mortgage Loan that will be acquired by the Issuer and for which the Mortgage Loan Documents otherwise required to be included in the mortgage file have not yet been delivered to the Custodian (a "Wet-Ink Mortgage Loan") will be originated by the Originator and, no earlier than three (3) Business Days following the related date of origination (an "Origination Date"), will be sold to the Depositor and then transferred from the Depositor to Issuer.

Upon acquisition of a Wet-Ink Mortgage Loan, the Issuer will receive a trust receipt from the Custodian with an exception report specifying that the mortgage file is not in the possession of the Custodian. If, within fifteen (15) days of the Origination Date of a Wet-Ink Mortgage Loan, the Custodian has not issued an exception report without exceptions other than Permitted Exceptions, the Seller will be required to purchase such Wet-Ink Mortgage Loan from the Issuer at the applicable Repurchase Price. The acquisition of Wet-Ink Mortgage Loans is subject to all other requirements for the acquisition of Additional Mortgage Loans as well as the availability of sufficient funds in the Accumulation Account to effect such acquisition.

Review Procedures

The Sponsor has engaged the Securitization Diligence Provider to (i) conduct a data integrity review with respect to all of the Initial Mortgage Loans and (ii) conduct a document review, a credit review and valuation review of 66.83% (by number of Initial Mortgage Loans) of the Initial Mortgage Loans as of the Initial Cut-off Date (such document review, credit review and valuation review, the "Pre-Offering Review") as more fully described below. During the Reinvestment Period, an Eligible Diligence Vendor will be engaged by the Sponsor to (i) conduct an Eligibility and Data Integrity Review and (ii) conduct a review similar to the Pre-Offering Review conducted with respect to the Initial Mortgage Loans on a sample size of (a) no less than a 30.0% (by loan count) of the Additional Mortgage Loans purchased by the Issuer during the related Collection Period, until the Issuer has acquired Additional Mortgage Loans with an aggregate Unpaid Principal Balance equal to or greater than the Prefunding Amount and (b) thereafter, no less than 20% (by loan count) of the Additional Mortgage Loans acquired by the Issuer in any Collection Period no later than the Payment Date immediately following the Collection Period in which such Additional Mortgage Loans were acquired. The Sponsor determined the nature, extent and timing of the Pre-Offering Review.

The Pre-Offering Review was conducted for the purpose of providing reasonable assurance that the disclosure regarding the Mortgage Pool in this Offering Memorandum is accurate in all material respects. The results of the Pre-Offering Review were shared with the Initial Purchasers. The Initial Purchasers (i) were not responsible for any final determination as to whether or not particular Mortgage Loans were included in the final Mortgage Pool, (ii) did not determine the nature and extent of the exceptions, (iii) did not determine whether the compensating factors for the Mortgage Loans with exceptions to the Underwriting Guidelines were sufficient for purposes of including such Mortgage Loans in the Mortgage Pool transferred to the Issuer and (iv) did not independently verify the findings of the Securitization Diligence Provider. See "—*Sample Diligence Review*" below.

As more fully described below, the Pre-Offering Review conducted by the Securitization Diligence Provider of the Initial Mortgage Loans consisted of (i) a document review, (ii) a credit review, (iii) a data integrity and (iv) valuation review. None of the procedures conducted as part of the Pre-Offering Review constituted, either separately or in combination, an independent underwriting of the Mortgage Loans. The property valuation review conducted by the Securitization Diligence Provider was not an assessment of the current value of any of the Mortgaged Properties. In addition, the procedures conducted as part of the review of the original appraisals were not re-appraisals of the Mortgaged Properties. To the extent that valuation tools other than a full appraisal were used as part of the appraisal review process, they should not be relied upon as providing an assessment of value of the Mortgaged Properties comparable to that which an appraisal might provide.

The Pre-Offering Review is not a guarantee of the future performance of any of the Mortgage Loans. There can be no assurance that the Pre-Offering Review uncovered all relevant factors relating to the origination of the Mortgage Loans, their compliance with applicable laws and regulations, their compliance with all Underwriting Guidelines, and the original valuations relating to the Mortgaged Properties. Neither the Sponsor nor the Securitization Diligence Provider makes any representation or warranty as to the value of any Mortgage Loan or loan collateral that was reviewed as part of the Pre-Offering Review.

The Pre-Offering Review also included evaluation according to the credit and valuation grading standards of each of S&P Global Ratings, Fitch Ratings Inc., Moody's Investors Service, Inc., Kroll Bond Rating Agency, Inc. and DBRS, Inc. Grade "A" generally indicates compliance with all applicable guidelines. Grade "B" indicates the loan meets most underwriting standards with documented, significant compensating factors. The "B" grade generally corresponds to Mortgage Loans where the primary exception was based on a Mortgage Loan characteristic falling outside of the applicable Underwriting Guidelines; however, a strong documented compensating factor existed.

The percentages in the table below were based on the number of Initial Mortgage Loans as of the Initial Cut-off Date that were reviewed for the Pre-Offering Review. The overall grades set forth below are reflective of the findings based on the scope of the overall review performed by the Securitization Diligence Provider. The Sponsor reviewed the findings of the Pre-Offering Review with respect to the Initial Mortgage Loans and independently decided to include these Mortgage Loans in the Mortgage Pool because the Sponsor determined that either the Mortgage Loans had compensating factors to offset the risk or that the underwriting exceptions were immaterial.

Final Overall Grades		
Grade	**Number of Mortgage Loans**	**% of Mortgage Loans (by number of Mortgage Loans)**
A	340	85.21%
B	59	14.79%
Total	399	**100.00%**

Scope of the Review

Document Review

The Securitization Diligence Provider reviewed the loan file with respect to 66.83% (by loan count) of the Initial Mortgage Loans and verified the following documents, if applicable, were included in the file and if the data on these documents is consistent and logical: (a) initial application, (b) credit report, (c) asset documentation, (d) sales contract, (e) insurance policies, (f) valuation reports, (g) title/preliminary title, (h) mortgage/deed of trust, (i) note, (j) certificate of business purpose / non-owner occupancy, (k) articles of incorporation, if applicable, (l) operating agreement or Borrower authorization in lieu of, (m) background check, (n) experience track record, (o) personal guaranty (if applicable), (p) project scope of work for repairs (if applicable) and (q) HUD-1 / closing settlement statement.

Credit Review

The Securitization Diligence Provider evaluated 66.83% (by loan count) of the Initial Mortgage Loans to determine conformity to applicable Underwriting Guidelines. Any variances from the applicable Underwriting Guidelines were noted. The credit review did not include an income calculation; however the presence of income documentation, if required by applicable Underwriting Guidelines, was noted.

The procedures followed by the Securitization Diligence Provider to review the loan files included, but were not limited to: (a) verifying that the credit application was substantially filled out; (b) verifying a credit report was present for each Borrower or guarantor as applicable, and gathering data including FICO scores; (c) verifying the borrowing entity, if not an individual, was properly documented; (d) verifying the Borrower, if not an individual, was properly documented and if the individual signing the loan documentation has the appropriate authority; (e) identifying guarantor(s) of the Borrower, if applicable; (f) assessing whether the asset documentation required by the Underwriting Guidelines was present in the file, which may have included reviewing depository account statements, stock or security account statements, settlement statements or other evidence of conveyance and transfer of funds if a sale of assets was involved and operating accounts from other properties; (g) verifying whether the appropriate vestee was on the title document and reviewing the title commitment for the disclosure issues such as assessments, covenants, conditions and restrictions, access problems, vicinity of property to military airports, prior leases, court orders/divorce decrees, public probate issues, foreclosures, bankruptcies, judgment liens, state and federal tax liens, and environmental liens, and instances of delinquent taxes; (h) confirming, if applicable, that the final title policy, endorsements, lien position, type of ownership and property tax review conform to the Underwriting Guidelines, and (i) reviewing for potential fraudulent activity as well as the results of the fraud report in conjunction with source documents found in the file to assess the likelihood of any misrepresentations associated with the origination of the loan.

Data Integrity Review

The Securitization Diligence Provider performed a data integrity review with respect to each Initial Mortgage Loan on the following data fields included on the Mortgage Loan Schedule for the Initial Mortgage Loans: (a) Original Loan Amount; (b) Initial Draw Amount; (c) Original Holdback Amount; (d) Rehab Budget; (e) Borrower Interest Rate; (f) Original Monthly P&I; (g) Original Loan Term; (h) Balloon Feature; (i) Interest Only Feature; (j) Interest Only Period; (k) Interest Type; (l) Prepayment Penalty; (m) Escrow; (n) Guarantor Citizenship Status Description; (o) Foreign National Y/N; (p) Loan Age; (q) Months To Maturity; (r) Guarantor Tax ID; (s) LH As-is Value; (t) LH Repaired Value; (u) LH Valuation Date; (v) 3rd Party Valuation Type; (w) Closed Date; (x) Submitted Date; (y) Borrower Experience; (z) Original Maturity Date; (aa) First Payment Due Date; (bb) Borrower Type; (cc) Borrower Tier; (dd) Repeat Borrower; (ee) HomeVestor Franchisee; (ff) Has Guarantor; (gg) FICO Equifax; (hh) FICO Date; (ii) Loan Purpose; (jj) Seasoned Refinance; (kk) Recourse; (ll) Entity; (mm) Undrawn Holdback Percentage; (nn) As-is Value; (oo) 3rd Party Valuation Type; (pp) 3rd Party As-is Value; (qq) 3rd Party After Repair Value; (rr) Adjusted Cost Basis; (ss) Initial Draw LTC; (tt) Platform Refinance; (uu) Borrower Name; (vv) Guarantor Last Name; (ww) Guarantor First Name; (xx) Guarantor Full Name; (yy) City; (zz) State; (aaa) Zip Code; (bbb) Occupancy; (ccc) Property Type; (ddd) Property Purchase Price; (eee) Assignment Fees; (fff) Cost of Improvements; (ggg) Seller Concessions; (hhh) Total Adjusted Value LTC; (iii) Escrow Repair Holdback Amount; (jjj) Loan Grade; (kkk) AIV LTV; (lll) ARV LTV; (mmm) Exception To CP; (nnn) Current Unpaid Principal Balance; (ooo) Remaining Holdback Amount; and (ppp) ID LTCRatio. The Securitization Diligence Provider compared data fields on the tape provided by the Originator to the data found in the actual mortgage file as captured by the Securitization Diligence Provider, and all material discrepancies were noted.

As a result of the data integrity review conducted by the Securitization Diligence Provider, variances in data were discovered in connection with the Initial Mortgage Loans that were not deemed material by the Sponsor. In addition, corrections were made to the data tape by the Sponsor in order to correct other data entry errors. The corrected data tape, including the adjustments made by the Sponsor, was used to generate the numerical information regarding the Initial Mortgage Loans included in this Offering Memorandum.

An additional component of the Pre-Offering Review consisted of recalculations by a third party engaged by the Sponsor of the numerical disclosures selected by the Sponsor and appearing in this Offering Memorandum. These disclosures include the percentages of Initial Mortgage Loans with certain characteristics, which are included under the caption "*The Mortgage Loans,*" and the numerical information contained in "*Annex A—Certain Characteristics of the Initial Mortgage Loans*" (together, the "Mortgage Pool Disclosures"). The recalculations were performed using the data tape, including any adjustments made by the Sponsor, and the results of those recalculations were compared to, or incorporated in (other than above), the corresponding Mortgage Pool Disclosures.

Valuation Review

The Securitization Diligence Provider performed a review of the valuation materials utilized during the origination of 66.83% (by loan count) of the Initial Mortgage Loans and to confirm the AIV and/or ARV of the underlying property based on the internal valuations of KFI. Such review included verifying the third-party appraisal report, as available and applicable, was (a) materially complete, (b) in conformity with the guideline requirements for the property type in question, (c) completed by an appraiser that was actively licensed to perform the valuation, (d) completed such that the named client on the appraisal report is the lender or a related entity that is permitted to engage the lender per Title XI of FIRREA, (e) completed and dated within the guideline requirements, (f) made on an "as is" basis or "after repair" basis, as applicable, or provides satisfactory evidence of completion of all material conditions including all inspections, licenses, and certificates (including certificates of occupancy) to be made or issued with respect to all occupied portions of the mortgaged property and with respect to the use and occupancy of the same, have been made or obtained from the appropriate authorities.

With regard to the use of comparable properties, the Securitization Diligence Provider's review (a) captured the relative comparable data (gross and net adjustments, sale dates and distance from subject property) and ensured that such comparable properties are within standard appraisal guidelines; (b) confirmed the property value and square footage of the subject property was bracketed by comparable properties, (c) verified that comparable properties used are similar in size, style, and location to the subject, and (d) checked for the reasonableness of adjustments when reconciling value between the subject property and comparable properties.

Other aspects of the Securitization Diligence Provider's review included (a) verifying that the address matched the Mortgage Note, (b) verifying that the appraisal and the policies and procedures with regard to appraisal, including the appropriate level of review, when originating the mortgage loan, were followed, (c) noting whether the Mortgaged Property zip code was declared a FEMA disaster area after the valuation date and notifying the KFI of same, (d) confirming the appraisal report does not include any apparent environmental problems, (e) confirming the appraisal notes the current use of the property is legal or legal non-conforming (grandfathered), (f) reviewing pictures to ensure (i) that the Mortgaged Property is in average or better condition and any repairs are noted where required and (ii) that the subject Mortgaged Property is the one for which the valuation was ordered and that there are no negative external factors; and (g) confirming that the value product that was used as part of the origination decision was directly accessible to Securitization Diligence Provider. If more than one valuation was provided, Securitization Diligence Provider confirmed consistency among the valuation products and if there were discrepancies that could not be resolved, Securitization Diligence Provider created an exception.

As a result of the property valuation review conducted by the Securitization Diligence Provider, three hundred and ninety six (396) of the Mortgaged Properties subject to a valuation review received a grade "A", indicating that such Mortgaged Properties were in compliance with all applicable guidelines with respect to properties, while three (3) of the Mortgaged Properties received a grade of "B" due to the property, while not meeting the eligibility requirements, was the subject of a credit exception. The Securitization Diligence Provider's grading of such Mortgaged Properties pursuant to the property valuation review is separate and distinct from the overall grades with respect to the Initial Mortgage Loans discussed above. The Securitization Diligence Provider makes no representation or warranty as to the value of any property that has been reviewed by it, notwithstanding that the Securitization Diligence Provider may have reviewed valuation information for reasonableness.

Limitations of the Review

As noted under "*Risk Factors—Risks Related to Mortgage Loans—Pre-Offering Review of the Mortgage Loans May Not Reveal All Aspects of the Mortgage Loans Which Could Lead to Losses*," there can be no assurance that the Pre-Offering Review uncovered all the relevant factors relating to the origination of the Initial Mortgage

Loans, their compliance with applicable laws and regulations and the original appraisals relating to the Mortgaged Properties or uncovered all relevant factors that could affect the future performance of the Initial Mortgage Loans. In addition, although the Securitization Diligence Review Provider conducted a data integrity review with respect to 100% of the Initial Mortgage Loans, the Pre-Offering Review was limited to 66.83% (by loan count) of the Initial Mortgage Loans as of the Initial Cut-off Date and, with the exception of a 100% Review, document reviews, credit reviews and valuation reviews of Additional Mortgage Loans are expected to include a smaller sample of Additional Mortgage Loans.

Any comparison of the information on the loan tape to the information in the related loan files that was performed by the Securitization Diligence Provider did not cover all fields of information on the loan tape that may relate to characteristics of the Initial Mortgage Loans that are disclosed in this Offering Memorandum, so prospective investors should not rely on that review as having validated all of the statistical information regarding the Initial Mortgage Loans that appears in this Offering Memorandum to the related information that appears in the related loan files.

It is the Sponsor's opinion that the Pre-Offering Review did not constitute an independent re-underwriting of the Initial Mortgage Loans. The Pre-Offering Review is not a guarantee of the future performance of any of the Initial Mortgage Loans.

Investors should note the following with respect to the property valuation review by the Securitization Diligence Provider that was conducted as part of the Pre-Offering Review:

- The procedures stated in the Securitization Diligence Provider's review as being conducted pursuant to the property valuation reviews were not appraisals or re-appraisals of the Mortgaged Properties. To the Issuer's knowledge, the individuals performing such reviews were not persons providing valuations for purposes of the Uniform Standards of Professional Appraisal Practice ("USPAP") or Federal or State law, and the services being performed by such persons did not constitute "appraisal reviews" for purposes of USPAP or Federal or State law. Such reviews should not be construed as or relied upon as providing an assessment of value of the Mortgaged Properties comparable to that which an appraisal might provide.

- The property valuation review conducted by the Securitization Diligence Provider was not an assessment of the current value of any of the Mortgaged Properties.

- Differences may exist among and between estimated valuations due to the subjective nature of estimated valuations and appraisals, particularly between different appraisers estimating valuations or performing appraisals at different points in time, as well as among appraisers and other persons reviewing the appraisals or other valuations.

- Appraisals and other valuations and reviews of those appraisals and valuations represent the analysis and opinion of the person performing the appraisal, valuation or review at the time it is prepared, and are not guarantees of, and may not be indicative of, the present or future value of the Mortgaged Property.

Investors are advised that the aforementioned review procedures carried out by the Securitization Diligence Provider were performed for the benefit of the Sponsor and its affiliates. The Securitization Diligence Provider makes no representation and provides no advice to any investor or future investor concerning the suitability of any transaction or investment strategy. The Securitization Diligence Provider is not responsible for any decision to include any Mortgage Loan in the Mortgage Pool transferred to the Issuer.

Investors should make their own determination as to the extent to which they place reliance on the limited review procedures carried out by the Securitization Diligence Provider as part of the Pre-Offering Review.

Sample Diligence Reviews

In connection with the acquisition of Additional Mortgage Loans by the Issuer during the Reinvestment Period, the Sponsor will engage an Eligible Diligence Vendor to (i) conduct a data integrity review with respect to each Additional Mortgage Loan to verify that each of the Additional Mortgage Loans meet the Eligibility Criteria and

Concentration Limits (an "Eligibility and Data Integrity Review") and (ii) conduct a review similar to the Pre-Offering Review on a sample of Additional Mortgage Loans randomly selected by the Seller consisting of (i) a sample size of no less than 30.0%, until the Issuer has acquired Additional Mortgage Loans with an aggregate Unpaid Principal Balance equal to or greater than the Prefunding Amount and (ii) thereafter, a sample size of no less than 20%, in each case, by loan count, of the Additional Mortgage Loans acquired by the Issuer in any Collection Period (the "Random Sample Review" and such loans and any Additional Mortgage Loan subject to a Sample Diligence Review, a "Review Mortgage Loan"). With respect to any Additional Mortgage Loan, the related Eligibility and Data Integrity Review and the related Random Sample Review will each be required to be completed no later than the Payment Date immediately following the Collection Period in which such Additional Mortgage Loan was acquired. If (i) an Eligibility and Data Integrity Review finds that an Additional Mortgage Loan does not satisfy the Eligibility Criteria or (ii) the Random Sample Review of an Additional Mortgage Loan results in "C" equivalent or lower grades, in each case, the Seller will have ten (10) business days from the date the Seller receives such results to cure any deficiencies noted in the Eligibility and Data Integrity Review and/or the Random Sample Review, failing which, such Additional Mortgage Loan will be subject to automatic repurchase by the Seller from the Issuer at the Repurchase Price. Further, if such Random Sample Review of the Additional Mortgage Loans related to any Collection Period results in "C" equivalent or lower grades for 5.0% or more (by loan count) of such reviewed Additional Mortgage Loans, a second, statistically significant random sample of the Additional Mortgage Loans acquired by the Issuer during the related Collection Period (excluding Additional Mortgage Loans that were subject to the Random Sample Review) will be subject to a review by an Eligible Diligence Vendor similar to the Pre-Offering Review ("Second Sample Review"). If such Second Sample Review also results in "C" equivalent or lower grades for 5.0% or more (by loan count) of such reviewed loans, all of the Additional Mortgage Loans related to such Collection Period, to the extent not previously reviewed as part of the Random Sample Review and Second Sample Review, will be subject to a review by an Eligible Diligence Vendor similar to the Pre-Offering Review ("100% Review"; and collectively with Random Sample Review and Second Sample Review, the "Sample Diligence Reviews"). If the findings of any Second Sample Review or 100% Review (the "Sample Diligence Review Findings") are that a Mortgage Loan which has been acquired by the Issuer had grade level of "C" equivalent or lower deficiencies, the Seller will have sixty (60) days to cure any deficiencies noted in the Sample Diligence Review Findings, failing which, the related Mortgage Loan will be subject to automatic repurchase by the Seller from the Issuer at the Repurchase Price.

The Sponsor will forward to the Indenture Trustee the results of diligence reviews of the Additional Mortgage Loans and will direct the Indenture Trustee to make such results available to Noteholders on the Indenture Trustee's website.

An Eligible Diligence Vendor will be required to conduct a review substantially similar to the Pre-Offering Review with respect to any Mortgage Loan (including both Initial Mortgage Loans and Additional Mortgage Loans) that was not previously reviewed by an Eligible Diligence Vendor but (w) becomes ninety (90) or more days delinquent, (x) is subject to a foreclosure proceeding, (y) converts to an REO Property, or (z) where the related borrower is in bankruptcy (a "Subsequent Review"). If the findings of such review (the "Subsequent Review Findings" and together with the Sample Diligence Review Findings, the "Review Findings") are that the related Mortgage Loan had grade level of "C" equivalent or lower deficiencies, the Seller will have sixty (60) days to cure any deficiencies noted in the Subsequent Review Findings, failing which, the related Mortgage Loan will be subject to automatic repurchase by the Seller from the Issuer at the Repurchase Price.

Any Sample Diligence Review will not be a guarantee of the future performance of any of the Mortgage Loans. There can be no assurance that a Sample Diligence Review uncovered all relevant factors relating to the origination of the Mortgage Loans, their compliance with applicable laws and regulations, their compliance with all Underwriting Guidelines, and the original valuations relating to the Mortgaged Properties. Neither the Sponsor nor the applicable Eligible Diligence Vendor will make any representation or warranty as to the value of any Mortgage Loan or loan collateral that was reviewed as part of a Sample Diligence Review. See "*Risk Factors—Risk Factors Related to the Mortgage Loans—Sample Diligence Review of the Mortgage Loans May Not Reveal All Aspects of the Mortgage Loans Which Could Lead to Losses*" in this Offering Memorandum.

A Sample Diligence Review of the Review Mortgage Loans is subject to the same limitations and qualifications as the Pre-Offering Review of the Initial Mortgage Loans, as described under the heading "—*Limitations of the Review*".

Investors should make their own determination as to the extent to which they place reliance on the limited review procedures carried out by the applicable Eligible Diligence Vendor as part of any Sample Diligence Review.

Assignment of Mortgage Loans

Pursuant to a first step mortgage loan purchase agreement (the "First Step Mortgage Loan Purchase Agreement") between the Seller, as a seller and the Depositor, as purchaser, Seller will (i) sell the Initial Mortgage Loans to the Depositor, (ii) contribute or cause to be contributed approximately $220,671,895 in cash for deposit into the Accumulation Account to be used to fund Unfunded Commitments and to purchase Additional Mortgage Loans, (iii) contribute cash to be used to fully fund Rehabilitation Disbursement Requests for the related Initial Mortgage Loans with Funded Commitments and (iv) make representations and warranties concerning the Mortgage Loans, described below under "*Mortgage Loan Representations and Warranties*" in this Offering Memorandum.

Pursuant to a second step mortgage loan purchase agreement, dated as of the Closing Date (the "Second Step Mortgage Loan Purchase Agreement") between the Depositor, as seller, and the Issuer, as purchaser, the Depositor will (i) sell the Mortgage Loans to the Issuer, (ii) deposit the initial cash contribution for deposit into the Rehab Escrow Account to be used to fully fund Rehabilitation Disbursement Requests with Funded Commitments to the extent such amounts were not deposited by the Seller under the First Step Mortgage Loan Purchase Agreement and (iii) assign the rights to enforce the representations and warranties made by the Seller to the Depositor.

Pursuant to the Indenture, the Issuer will pledge the Mortgage Loans to the Indenture Trustee for the benefit of the Noteholders and issue the Notes. In connection with the conveyances of the Mortgage Loans from the Seller to the Depositor and from the Depositor to the Issuer, Seller will agree to deliver or cause to be delivered to the Issuer all of the documents relating to the Mortgage Loans that the Issuer is required to deliver to the Custodian.

Additional Mortgage Loans

The Depositor will, from time to time during the Reinvestment Period, be obligated to purchase from the Seller, or to acquire from a trust or other issuing entity formed by the Depositor, subject to the availability thereof, Additional Mortgage Loans, secured by fee and/or leasehold interests on single-family residential, planned unit development, condominium, two-to-four unit properties, manufactured housing properties or multi-family (5-20 unit) properties. Each Additional Mortgage Loan will comply with the following requirements (each such mortgage loan, an "Eligible Mortgage Loan") as of the related acquisition date, the (i) Concentration Limits (as defined below), and (ii) the following criteria (the "Eligibility Criteria"); *provided, however,* if the Concentration Limits have been exceeded due to Principal Prepayments or other dispositions of the Mortgage Loans, the Issuer will be permitted to purchase Additional Mortgage Loans to ensure or improve compliance with the Concentration Limits notwithstanding the foregoing:

(1) No Additional Mortgage Loan will have an original Principal Limit greater than $7,500,000;

(2) No Additional Mortgage Loan will have an Initial Loan-to-Cost Ratio in excess of 100.00% (1-4 family) and 85.00% (multi-family (5+ units) and 90.00% infill/new construction);

(3) No Additional Mortgage Loan will have a Loan-to-ARV Ratio in excess of 80.00% (1-4 family) and 75.00% (multi-family (5+ units) and infill/new construction);

(4) No Additional Mortgage Loan will have an original term to maturity greater than twenty-four (24) months;

(5) No Borrower's credit score utilized with respect to any Additional Mortgage Loan will have been less than 600;

(6) Borrowers with respect to each Additional Mortgage Loan will certify at the time of origination that such Mortgage Loan is for a business purpose;

(7) No Additional Mortgage Loan will be thirty (30) or more days delinquent (based on the MBA Method) as of the related Cut-off Date;

(8) No Additional Mortgage Loans in which the Servicer has extended the original term to maturity by more than six (6) months; and

(9) No Additional Mortgage Loan will be secured by mixed-use Mortgaged Properties.

The following criteria (the "Concentration Limits") will be satisfied with respect to each Additional Mortgage Loan as of the related acquisition date of such Additional Mortgage Loan (the percentages specified below being the percentage of the applicable Principal Limit, unless noted otherwise):

(1) No Additional Mortgage Loan, after giving effect to the purchase of such Additional Mortgage Loan, will cause the weighted average Mortgage Interest Rate of all Mortgage Loans in the Mortgage Pool to be less than 8.750%;

(2) No Additional Mortgage Loan, after giving effect to the purchase of such Additional Mortgage Loan, will cause the weighted average Initial Loan-to-Cost Ratio of all Mortgage Loans in the Mortgage Pool to exceed 91.50%;

(3) No Additional Mortgage Loan, after giving effect to the purchase of such Additional Mortgage Loan, will cause the aggregate Undisbursed Rehabilitation Holdback Amount of the Mortgage Pool to exceed 40.00% of the aggregate Principal Limit of the Mortgage Pool;

(4) No Additional Mortgage Loan, after giving effect to the purchase of such Additional Mortgage Loan, will cause the aggregate Unfunded Commitments of the Mortgage Pool to exceed 40.00% of the aggregate Principal Limit of the Mortgage Pool;

(5) No Additional Mortgage Loan, after giving effect to the purchase of such Additional Mortgage Loan, will cause the aggregate Principal Limit of the Mortgage Loans that have an Undisbursed Rehabilitation Holdback Amount exceeding 100% of the related Cost Basis for the related Borrower to exceed 25.00% of the Mortgage Pool;

(6) No Additional Mortgage Loan, after giving effect to the purchase of such Additional Mortgage Loan, will cause the non-zero weighted average Loan-to-ARV Ratio of all Mortgage Loans in the Mortgage Pool to exceed 75.00%, provided, that this Concentration Limit will be only applicable with respect to Mortgage Loans where the Borrower is expected to rehabilitate the related Mortgaged Property in accordance with the Underwriting Guidelines;

(7) No Additional Mortgage Loan, after giving effect to the purchase of such Additional Mortgage Loan, will cause the percentage of Mortgage Loans related to Professional Borrowers to be less than 65.00% of the Mortgage Pool;

(8) No Additional Mortgage Loan, after giving effect to the purchase of such Additional Mortgage Loan and the Issuer's ownership of any other Mortgage Loan guaranteed by the same guarantor under such Additional Mortgage Loan, would cause the percentage of such Mortgage Loans in the Mortgage Pool to exceed 10.00%;

(9) No Additional Mortgage Loan, after giving effect to the purchase of such Additional Mortgage Loan, will cause the percentage of Mortgage Loans originated in California to exceed 50.00%;

(10) No Additional Mortgage Loan, after giving effect to the purchase of such Additional Mortgage Loan, will cause the percentage of Mortgage Loans originated in any single state (other than California) to exceed 25.00%;

(11) No Additional Mortgage Loan, if, after giving effect to the purchase of such Additional Mortgage Loan, will cause the percentage of Mortgage Loans with original terms to maturity greater than twelve (12) months to exceed 35.00%;

(12) No Additional Mortgage Loan, if, after giving effect to the purchase of such Additional Mortgage Loan, will cause the percentage of Mortgage Loans with Principal Limits in excess of $1,000,000 to exceed 25.00%;

(13) No Additional Mortgage Loan, after giving effect to the purchase of such Additional Mortgage Loan, will cause the weighted average of the Borrower's credit score of the Mortgage Pool to be less than 700;

(14) No Additional Mortgage Loan, after giving effect to the purchase of such Additional Mortgage Loan, will cause the percentage of Wet-Ink Mortgage Loans to exceed 10.00%;

(15) No Additional Mortgage Loan, after giving effect to the purchase of such Additional Mortgage Loan, will cause the percentage of mortgage loans secured by manufactured housing Mortgaged Properties to exceed 5.00%; and

(16) No Additional Mortgage Loan, after giving effect to the purchase of such Additional Mortgage Loan, will cause the percentage of mortgage loans secured by multi-family Mortgaged Properties to exceed 10.00%.

The Additional Mortgage Loans will be sold by the Seller to the Depositor pursuant to the First Step Mortgage Loan Purchase Agreement and will be sold by the Depositor to the Issuer pursuant to the Second Step Mortgage Loan Purchase Agreement. In connection with the purchase of Additional Mortgage Loans on such dates of transfer (the "Additional Transfer Dates"), the Issuer will be required to pay to the Depositor from amounts on deposit in the Accumulation Account, a cash purchase price no higher than the Unpaid Principal Balance of such Additional Mortgage Loans. The purchase price paid by the Issuer for any Additional Mortgage Loan may be funded in part by a capital contribution from the holder of the Issuer Residual Interest Certificate. The Depositor will designate the close of business on the last day of the month immediately preceding the month in which the related Additional Transfer Date occurs as the Additional Cut-off Date (such date for each Additional Mortgage Loan, the "Additional Cut-off Date"). The amount paid from the Accumulation Account on each Additional Transfer Date will not include accrued interest on the related Additional Mortgage Loans prior to the Additional Cut-off Date. Following each Additional Transfer Date, the aggregate Unpaid Principal Balance of the Mortgage Loans will increase by an amount equal to the aggregate Unpaid Principal Balance of the Additional Mortgage Loans so purchased, and the amount in the Accumulation Account will decrease accordingly by an amount equal to the cash purchase price attributable to the funds withdrawn from the Accumulation Account for such purchases.

As used herein, the "Cut-off Date" means the Initial Cut-off Date, with respect to the Initial Mortgage Loans, and the related Additional Cut-off Date with respect to Additional Mortgage Loans. Any conveyance of Additional Mortgage Loans on an Additional Transfer Date is subject to certain conditions, including, but not limited to the following: (a) each such Additional Mortgage Loan must satisfy the representations and warranties specified in the First Step Mortgage Loan Purchase Agreement; (b) each Additional Mortgage Loan must be an Eligible Mortgage Loan, (c) the Seller will not select such Mortgage Loans in a manner that it believes to be adverse to the interests of the Noteholders; (d) the Issuer will provide certain certifications with respect to the conveyance of such Additional Mortgage Loans; (e) on or prior to the Additional Transfer Date, receipt by the Custodian of the Mortgage Loan Documents that are to be part of the mortgage loan file and (f) confirmation by the Asset Manager that such Additional Mortgage Loan meets the Eligible Mortgage Loan criteria. In addition, the Issuer will not be permitted to purchase any Additional Mortgage Loans unless (i) such Additional Mortgage Loans are Eligible Mortgage Loans, (ii) after giving effect to the purchase of any Additional Mortgage Loan, no Early Amortization Event has occurred and is continuing, but the Issuer will be permitted to continue to fund Rehabilitation Disbursement Requests and (iii) such acquisition of Additional Mortgage Loans is in compliance with the Trading Restrictions. An Early Amortization Event will terminate the Reinvestment Period and cause principal to be paid in respect of the Class A Notes, as described under "*Description of the Notes—Priority of Payments*" in this Offering Memorandum.

Rehabilitation Disbursement Requests

Disbursement requests by Borrowers to fund rehabilitation, construction, or repairs on the related Mortgaged Properties will be satisfied by the Servicer (on behalf of the Issuer) in accordance with the applicable Mortgage Loan terms by either (a) directing the release of funds from the Rehab Escrow Account to the applicable Borrower, in case of Mortgage Loans with Funded Commitments or (b) in the case of Mortgage Loans with Unfunded Commitments, (i) advancing funds on behalf of the Issuer (each, a "Rehabilitation Advance") or (ii) directing the release of funds from the Accumulation Account to fund the Rehabilitation Disbursement Request to the applicable Borrower, in each case following the satisfactory evaluation of the Rehabilitation Disbursement Request by the Asset Manager or the Servicer (on behalf of the Asset Manager); *provided*, *however*, that the Servicer may advance funds on behalf of the Issuer to satisfy a Rehabilitation Disbursement Request prior to the Asset Manager or the Servicer (on behalf of the Asset Manager) completing its evaluation of the Rehabilitation Disbursement Request but the Servicer will not be entitled to reimbursement of such advance until after the satisfactory evaluation of the Rehabilitation Disbursement Request by the Asset Manager or the Servicer (on behalf of the Asset Manager). The Note Amount of the Notes will not change in connection with the funding of any Rehabilitation Disbursement Request; however, the Unpaid Principal Balance of the related Mortgage Loan will be increased by the amount of any Rehabilitation Disbursement Requests funded pursuant to clause (b) above (such Rehabilitation Disbursement Requests, collectively, "Unfunded Commitment Advances").

MORTGAGE LOAN REPRESENTATIONS AND WARRANTIES

General

All of the Initial Mortgage Loans were originated by the Originator. On the Closing Date, the Seller will contribute and sell the Initial Mortgage Loans to the Depositor on a servicing-retained basis pursuant to the First Step Mortgage Loan Purchase Agreement and make certain representations and warranties with respect to the Mortgage Loans. From time to time during the Reinvestment Period, the Seller may sell Additional Mortgage Loans to the Depositor on a servicing-retained basis pursuant to the First Step Mortgage Loan Purchase Agreement and make certain representations and warranties, as a seller, with respect to such Additional Mortgage Loans. The Depositor will then sell the Initial Mortgage Loans or Additional Mortgage Loans, as applicable, to the Issuer pursuant to the Second Step Mortgage Loan Purchase Agreement, and assign its rights to enforce the representations and warranties made with respect to such Mortgage Loans to the Issuer.

In connection with the conveyance of the Mortgage Loans to the Depositor, Seller will agree to deliver or cause to be delivered to the Custodian all of the documents that are required to be delivered and will make certain representations and warranties regarding the related Mortgage Loans to the Depositor, the benefit of which will be assigned by the Depositor to the Issuer and then assigned by the Issuer to the Indenture Trustee for the benefit of the Noteholders.

On the Closing Date and each Additional Transfer Date, the Seller will be solely responsible for completing or correcting any missing, incomplete or inconsistent documents and the Custodian will not be responsible or liable for taking any such action, causing the Seller, the Issuer, the Indenture Trustee or any other person or entity to do so or notifying any person that any such action has or has not been taken. The Custodian generally will check for the presence of the Mortgage Note, endorsements to the Mortgage Note, Mortgage and assignments of mortgage and certain other items. The Custodian has not been engaged, however, to review any document in detail, other than a limited check of the Mortgage Note against certain fields of the Mortgage Loan Schedule.

To the extent a responsible officer of the Indenture Trustee receives written notice of an allegation of a defective or missing Mortgage Loan Document and such alleged missing document or defect is preventing or materially delaying the (a) realization against the related Mortgaged Property through foreclosure or similar loss mitigation activity or (b) processing of any title claim under the related title insurance policy (such missing document or defect, a "Material Document Defect"), the Indenture Trustee will, as soon as practicable and within two (2) Business Days of receipt of such written notice, forward such written notice to the Depositor, the Issuer, the Servicer, the Asset Manager and the Seller. In no event will the Indenture Trustee be required to determine the impact of such defective or missing loan document). If the conditions in (a) or (b) of the preceding sentence are met, the Seller will have ninety (90) days after receipt of such notice to deliver such missing document or cure such defect or will repurchase the related Mortgage Loan at the Repurchase Price therefor. Unless one of the conditions in (a) or (b) of the second preceding sentence is met, the Seller will not have any repurchase obligation with respect to missing or defective documents.

Further, Seller will agree to repurchase any Mortgage Loans at the Repurchase Price, or with respect to a Liquidated Loan, make an indemnification payment equal to the Make-Whole Amount, discovered at any time not to be in conformance with any representation and warranty made by Seller if it cannot cure such breach within ninety (90) days after notice of such breach, and such breach has caused or is reasonably expected to cause a material increased loss in connection with the liquidation of such Mortgage Loan or will materially impair the ability of the Servicer (on behalf of the Indenture Trustee) to enforce the payment obligations under the related Mortgage Note or to enforce the security interest set forth in the related Mortgage Loan (such breach, a "Material Breach"). To the extent a responsible officer of the Indenture Trustee receives written notice of an allegation of a breach with respect to a Mortgage Loan or a demand (i) for the Seller to repurchase any such Mortgage Loan pursuant to the First Step Mortgage Loan Purchase Agreement or (ii) for the Depositor to cause the Seller to repurchase any such Mortgage Loan, the Indenture Trustee forward such written notice as soon as practicable and within two (2) Business Days of receipt of such written notice, to the Depositor, the Issuer, the Servicer, the Asset Manager and the Seller. In no event will the Indenture Trustee be required to determine the materiality of any breach or alleged breach) and the Seller will cure any such Material Breach or repurchase the affected Mortgage Loan from the Issuer or, with respect to a Liquidated Loan, make an indemnification payment.

In accordance with the terms of the First Step Mortgage Loan Purchase Agreement, the Seller will repurchase a Mortgage Loan because a Material Breach or a Material Document Defect has occurred with respect to a Mortgage Loan, if the Seller fails to cure or correct the Material Breach or Material Document Defect, as applicable, no later than ninety (90) days from discovery by the Seller, or make an indemnification payment with respect to a Liquidated Loan because a Material Breach has occurred with respect to a Mortgage Loan not later than ninety (90) days from discovery by the Seller.

Prior to issuance of the Notes, the Depositor will assign (or cause to be assigned) the cash for deposit into the Accumulation Account, to be used to fund the Pre-funding Interest Account, Unfunded Commitments or to purchase Additional Mortgage Loans, the cash for deposit into the Rehab Escrow Account, to be used to fund Rehabilitation Disbursement Requests, and the Initial Mortgage Loans to the Issuer, together with Funded Commitments as well as assign the Depositor's rights under the First Step Mortgage Loan Purchase Agreement. The Indenture Trustee or the Note Registrar will, concurrently with such assignment, authenticate and deliver the Notes to or at the direction of the Issuer in exchange for the Mortgage Loans and the other assets pledged by the Issuer. Each Mortgage Loan will be identified in a schedule (the "Mortgage Loan Schedule") delivered pursuant to the Mortgage Loan Purchase Agreements and attached to the Indenture. Such Mortgage Loan Schedule will include, among other things, the Unpaid Principal Balance as of the close of business on the Cut-off Date for each Mortgage Loan, the current maturity date and the Mortgage Interest Rate for each Mortgage Loan in the Mortgage Pool. On each Additional Transfer Date, the Depositor will assign the Additional Mortgage Loans to the Issuer, and the Mortgage Loan Schedule will be amended to include the Additional Mortgage Loans sold to the Issuer on such Additional Transfer Date.

As further described in the Custodial Agreement, with respect to each Mortgage Loan in the Mortgage Pool other than in the case of Wet Ink Mortgage Loans, the Mortgage Note or other promissory note or a lost note affidavit with a copy of such Mortgage Note or other promissory note, the Mortgage and any assumption or consolidation agreement or power of attorney will be delivered to the Custodian no later than the Closing Date or the Additional Transfer Date, as applicable, and to the extent permitted in the Custodial Agreement.

Any Repurchase Price or indemnification payment will be remitted by the Seller to the Payment Account. The repurchase and indemnification obligations referred to above will constitute the sole remedy available to the Noteholders or the Indenture Trustee with respect to a Material Breach.

Representations and Warranties of Seller

As described under "*Mortgage Loan Representations and Warranties*," the Seller will make certain representations and warranties about the Mortgage Loans which will ultimately be assigned to the Indenture Trustee for the benefit of the Noteholders pursuant to the Indenture. If any of such representations or warranties are breached and such breach is a Material Breach, then, subject to the terms of the Indenture, the Seller will be obligated to cure the related breach or repurchase the affected Mortgage Loan from the Issuer at the Repurchase Price or, with respect to a Liquidated Loan, make an indemnification payment equal to the Make-Whole Amount.

In connection with the transfer of the Mortgage Loans by Seller to the Depositor, and pursuant to the First Step Mortgage Loan Purchase Agreement, Seller, as a seller, will make the following representations and warranties as of the Closing Date (in the case of the Initial Mortgage Loans) and the Seller will make the following representations and warranties as of each Additional Transfer Date (in the case of the Additional Mortgage Loans) or such other date or dates specified below regarding the Mortgage Loans or each Mortgage Loan, as the case may be:

(1) *Mortgage Loan Schedule*. The information on the Mortgage Loan Schedule is true and correct in all material respects as of the Cut-off Date.

(2) *Origination and Underwriting*. The Seller has complied in all material respects with, or was exempt from, all requirements of all applicable federal, state or local laws, rules and regulations, relating to the origination of the Mortgage Loan ("Applicable Law"); provided that such representation and warranty does not address or otherwise cover any matters with respect to federal, state or local law otherwise covered in these representations and warranties. Each Mortgage Loan was, in all material respects, (i) underwritten in accordance with, or (ii) underwritten with documented exceptions to, the Originator's Underwriting Guidelines in effect on (x) with respect to a Mortgage Loan originated by the Originator directly, the respective date the application submitted by the borrower in connection with the origination of the related Mortgage Loan or (y) with respect to a Mortgage Loan originated indirectly by the Originator, the respective date the Mortgage Loan was approved for funding by the Originator.

(3) *Whole Loan*. Each Mortgage Loan is a whole loan and not a participation interest in a Mortgage Loan.

(4) *Ownership*. Immediately prior to the sale to the Depositor of such Mortgage Loan, the Seller is the sole owner and holder of the Mortgage Loan and the related Mortgage Note and the Mortgage are not assigned or pledged, and the Seller has good title thereto and has full right to transfer, assign and sell the Mortgage Loan to the Depositor, subject to any right, title and interest that any warehouse lender, if applicable, may have in the Mortgage Loan by the related Closing Date, which right, title and interest will be extinguished in connection with the sale of the Mortgage Loan to the Depositor on the related Closing Date.

(5) *Enforceability and Priority of Lien*. Upon recording, the Mortgage is a valid, enforceable and perfected first lien on the Mortgaged Property. The lien of the recorded Mortgage is subject only to: (i) the lien of current real property taxes and assessments not yet due and payable; (ii) covenants, conditions and restrictions, rights of way, easements and other matters of the public record as of the date of recording of such mortgage acceptable to mortgage lending institutions in the area which the Mortgaged Property is located and specifically referred to in the applicable Seller's title insurance policy delivered to the originator of the Mortgage Loan and (a) referred to or otherwise considered in the appraisal made for the originator of the Mortgage Loan or (b) which do not adversely affect the appraised value of the Mortgaged Property set forth in such appraisal; and (iii) other matters to which like properties are commonly subject which do not individually or in the aggregate, materially interfere with the benefits of the security intended to be provided by the Mortgage. With respect to each MERS Mortgage Loan, the Seller has not received any notice of liens or legal actions with respect to such Mortgage Loan and no such notices have been electronically posted by MERS. With respect to each MERS Mortgage Loan, a MIN has been assigned by MERS.

(6) *Taxes and Assessments*. As of the date of origination of the Mortgage Loan and to Seller's knowledge as of the Cut-off Date, all real estate taxes, governmental assessments, homeowner association dues, water, sewer and municipal charges that would be a lien on any Mortgaged Property that would be of equal or superior priority to the lien of the Mortgage and that prior to the related date of origination have become delinquent in respect of such Mortgaged Property have been paid, or an escrow of funds has been established. For purposes of this representation and warranty, governmental assessments, other outstanding governmental charges, homeowner association dues and fees and installments thereof will not be considered delinquent until the earlier of (i) the date on which interest and/or penalties would first be payable thereon and (ii) the date on which enforcement action is entitled to be taken by the related taxing authority or homeowner association.

(7) *Encroachments*. Except for encroachments that (i) do not materially and adversely affect the current marketability or principal use of the Mortgaged Property, or (ii) are intended to be remedied by the Borrower as part of its improvement or rehabilitation of the Mortgaged Property, all material improvements that were included for the purpose of determining the value of the related Mortgaged Property at the time of the origination of such Mortgage Loan are within the boundaries of the related Mortgaged Property, except for encroachments that are insured against by the applicable title policy.

(8) *Assignments*. The Mortgage Note, the related mortgage and any intervening assignments of the mortgage are genuine, and each is the legal, valid and binding obligation of the maker thereof, fully enforceable in accordance with its terms, except (i) as enforceability may be limited by (a) bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or other similar laws relating to or affecting the enforcement of creditors' rights and (b) general principles of equity and (ii) that certain provisions in such Mortgage Loan Documents (including, without limitation, provisions requiring the payment of default interest, late fees or prepayment/yield maintenance fees, charges and/or premiums) are, or may be, further limited or rendered unenforceable by or under Applicable Law, but (subject to the limitations set forth in clause (i) above) such limitations or unenforceability will not render such Mortgage Loan documents invalid as a whole or interfere with the mortgagee's realization of the principal benefits and/or security provided thereby. To the Seller's knowledge, all parties to the Mortgage Note, the mortgage and any intervening assignments had legal capacity to execute the Mortgage Note, the mortgage and such assignments, and each Mortgage Note, mortgage and such assignments have been duly and properly executed and delivered by such parties.

(9) *Title Insurance*. The Mortgage Loan is covered by either (i) an irrevocable title commitment, or an attorney's opinion of title and abstract of title, each of which must be in form and substance acceptable to prudent mortgage lending institutions making mortgage loans in the area wherein the Mortgaged Property is located or (ii) an ALTA lender's title insurance policy or other generally acceptable form of policy or insurance acceptable to the Originator and each such title insurance policy is issued by a title insurer acceptable to the Originator and qualified to do business in the jurisdiction where the Mortgaged Property is located, insuring, subject only to exceptions acceptable to prudent lending institutions in the jurisdiction in which the Mortgaged Property is located at the time of origination of the Mortgage Loan, Seller, its successors and assigns, as to the first priority lien of the Mortgage in the original principal amount of the Mortgage Loan, subject only to the exceptions contained in clauses (i), (ii) and (iii) of clause (5) above. Generally, such lender's title insurance policy affirmatively insures ingress and egress and against encroachments by or upon the Mortgaged Property or any interest therein. The Seller, its successors and assigns, are the sole insureds of such lender's title insurance policy, and, to the Seller's knowledge, such lender's title insurance policy is valid and remains in force and effect. To the Seller's knowledge, no claims have been made under such lender's title insurance policy.

(10) *Hazard and Flood Insurance*. All buildings on the Mortgaged Property are insured against loss by fire and such hazards as are covered under a standard extended coverage endorsement in an amount which is not less than the lesser of (i) the full insurable value of the Mortgaged Property as established by the property insurer and (ii) the outstanding principal balance of the Mortgage Loan on the date of origination. If the Mortgaged Property is a condominium unit, it may be included under the coverage afforded by a blanket policy. If the improvements on the Mortgaged Property are in an area identified in the Federal Register by FEMA as having special flood hazards (specifically zones labeled as "A" or "V," including all sub-codes that start with either of these letters), provided that such flood insurance has been made available, then a flood insurance policy meeting the requirements of the current guidelines of the Federal Insurance Administration is in effect with a generally acceptable insurance carrier. Such flood insurance policy is in an amount representing coverage not less than the least of (A) the outstanding principal balance of the Mortgage Loan on the date of origination, (B) the appraised value plus the insurable value of the improvements to the related Mortgaged Property on the date of origination and (C) the maximum amount of insurance which is available under the National Flood Insurance Act of 1968, as amended by the Flood Disaster Protection Act of 1973. If the Mortgaged Property is a condominium, it may be included under the flood coverage afforded by a blanket policy. All individual insurance policies contain a standard mortgagee clause naming the Seller and its successors and assigns as mortgagee, and, to the Seller's knowledge, all currently due premiums on such insurance policy thereon have been paid. The Mortgage obligates the Borrower thereunder to maintain a hazard insurance policy at the Borrower's cost and expense, and on the Borrower's failure to do so, authorizes the holder of the Mortgage to obtain and maintain such insurance at such Borrower's cost and expense, and to seek reimbursement therefor from the Borrower. Each such insurance policy is the valid and binding obligation of the insurer and, to the Seller's knowledge, is in full force and effect.

(11) *Local Law Compliance*. The terms of the Mortgage, and if applicable, the related loan agreement, require the related Borrower and the related Mortgaged Property to comply in all material respects with all applicable governmental regulations, zoning and building laws.

(12) *Licenses and Permits*. Each Borrower covenants in the Mortgage Loan Documents that it will keep all material licenses, permits and applicable governmental authorizations necessary for its operation of each related Mortgaged Property in full force and effect. The Seller is not aware of any Borrower, guarantor or other obligor on any Mortgage Loan having received notice of any noncompliance with any use or occupancy law, ordinance, regulation, standard, license or certificate with respect to any Mortgaged Property.

(13) *Mortgaged Property Undamaged*. Except to the extent that such Mortgage Loan is being made in connection with a project to repair damage (as reflected on the proposed scope of work), to the knowledge of the Seller, each related Mortgaged Property is free from material structural damage. Except to the extent that such Mortgage Loan is being made in connection with a project to repair structural damage which would result in the cessation or rescission of a condemnation proceeding, to the Seller's knowledge, there is no proceeding pending or threatened for the total or partial condemnation of such Mortgaged Property.

(14) *Access; Utilities; Separate Tax Lots*. To the Seller's knowledge, each Mortgaged Property (a) is located on or adjacent to a public road and has direct legal access to such road, or has access via an irrevocable easement or irrevocable right of way permitting ingress and egress to/from a public road, (b) is served by or has uninhibited access rights to public or private water and sewer (or well and septic) and electricity, all of which are appropriate for the current use of such Mortgaged Property, and (c) constitutes one or more separate tax parcels which do not include any property which is not part of such Mortgaged Property or is subject to an endorsement under the related title insurance policy insuring such Mortgaged Property, or in certain cases, an application has been, or will be, made to the applicable governing authority for creation of separate tax lots, in which case the related Mortgage Loan requires the related Borrower to escrow an amount sufficient to pay taxes for the existing tax parcel of which such Mortgaged Property is a part until the separate tax lots are created.

(15) *Cross-Collateralization*. No Mortgage Loan is cross-collateralized with any mortgage loan outside of this Agreement. To the extent the equity in any Borrower has been pledged pursuant to an equity pledge agreement as collateral for a Mortgage Loan, the applicable Seller's interest in any such equity pledge agreement has been assigned as additional Collateral pursuant to this Agreement.

(16) *Loan Document Status*. To the Seller's knowledge, the related Mortgage Note, Mortgage, Assignment of Leases and Rents (if a separate instrument), guaranty (if applicable) and other agreement executed by or on behalf of the related Borrower, guarantor or other obligor in connection with such Mortgage Loan is the legal, valid and binding obligation of the related Borrower, guarantor or other obligor (subject to any non-recourse provisions contained in any of the foregoing agreements and any applicable state anti-deficiency or market value limit deficiency legislation), as applicable, and is enforceable in accordance with its terms, except (i) as such enforcement may be limited by (a) bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (b) general principles of equity (regardless of whether such enforcement is considered in a proceeding in equity or at law) and (ii) that certain provisions in such Mortgage Loan Documents (including, without limitation, provisions requiring the payment of default interest, late fees or prepayment/yield maintenance fees, charges and/or premiums) are, or may be, further limited or rendered unenforceable by or under Applicable Law, but (subject to the limitations set forth in clause (i) above) such limitations or unenforceability will not render such Mortgage Loan Documents invalid as a whole or materially interfere with the mortgagee's realization of the principal benefits and/or security provided thereby (clauses (i) and (ii) collectively, the "Standard Qualifications").

Subject to the Standard Qualifications and to the Seller's knowledge, there is no valid offset, defense, counterclaim or right of rescission available to the related Mortgage or Mortgage Note, including, without limitation, any such valid offset, defense or counterclaim by any Seller or Originator in connection with the origination of the Mortgage Loan, that would deny the mortgagee the principal benefits intended to be provided by the Mortgage Note, Mortgage or Mortgage Note.

(17) *Mortgage Provisions*. The Mortgage Note or the Mortgage contain provisions regarding the rights and remedies of the holder thereof adequate for the practical realization against the related Mortgaged Property of the principal benefits of the security intended to be provided thereby, including realization by judicial or, if applicable, non-judicial foreclosure, subject to the limitations set forth in the Standard Qualifications.

(18) *Mortgage Status; Waivers and Modifications*. Since the date of origination and except by written instruments set forth in the related mortgage file or as otherwise provided in the related Mortgage Loan Documents (a) the material terms of such Mortgage, Mortgage Note, guaranty, and related Mortgage Loan Documents have not been waived, impaired, modified, altered, satisfied, canceled, subordinated or rescinded in any respect; (b) no related Mortgaged Property or any portion thereof has been released from the lien of the related Mortgage in any manner which materially interferes with the security intended to be provided by such Mortgage or the use or operation of the remaining portion of such Mortgaged Property; and (c) none of the related Borrower, the related guarantor or any other obligor on the Mortgage Loan has been released from its material obligations under the Mortgage Loan. With respect to each Mortgage Loan, except as contained in a written document included in the mortgage file, there have been no modifications, amendments or waivers, that could be reasonably expected to have a material adverse effect on such Mortgage Loan consented to by the Mortgage Loan Seller on or after the date of origination.

(19) *No Fraud*. No fraud with respect to the Mortgage Loan has taken place on the part of the Seller in connection with the origination, sale of the Mortgage Loan or the sale of the Mortgaged Property or in the application of any insurance in relation to such Mortgage Loan.

(20) *Due on Sale*. The loan documents for each Mortgage contains an enforceable provision, to the extent not prohibited by Applicable Law, for the acceleration of the payment of the unpaid principal balance of the Mortgage Loan in the event that the related Mortgaged Property is sold or transferred without the prior written consent of the mortgagee thereunder.

(21) *No Material Default; Payment Record*. To the knowledge of the Seller, there is no material default, breach, violation or event of acceleration existing under the Mortgage or the Mortgage Note and, to the Seller's knowledge, no event, other than payments due but not yet delinquent, which, with the passage of time or with notice and the expiration of any grace or cure period, would constitute a default, breach, violation or event of acceleration, and the Seller has not waived any default, breach, violation or event of acceleration.

(22) *Actions Concerning a Mortgage Loan*. To the knowledge of the Seller, there was no pending action, suit or proceeding, or governmental investigation involving the Mortgage Loan, an adverse outcome of which would reasonably be expected to materially and adversely affect the validity or enforceability of the related Mortgage Note and Mortgage.

(23) *No Mechanics' Liens.* To the Seller's knowledge, as of the Cut-off Date, there are no mechanics' or similar liens or claims which have been filed for work, labor or material affecting the Mortgaged Property which are or may be liens prior to, or equal or coordinate with, the lien of the Mortgage.

(24) *Environmental Matters*. To the Seller's knowledge, there is no pending action or proceeding directly involving any Mortgaged Property in which compliance with any environmental law, rule or regulation is at issue.

(25) *Manufactured Homes*. If a manufactured home is included as part of the related Mortgaged Property, such manufactured home (1) together with the related land, secures the related Mortgage Loan, (2) is part of the real property on which it is located pursuant to the applicable law of the jurisdiction where it is located, (3) is of the kind customarily used at a fixed location, and (4) is not a mobile home.

DESCRIPTION OF THE NOTES

General

The LHOME Mortgage Trust 2024-RTL3, Mortgage-Backed Notes, Series 2024-RTL3 will consist of the Notes described in the Securities Table.

The Notes will be issued pursuant to the Indenture. Set forth below are summaries of the material terms and provisions pursuant to which the Notes will be issued. The following summaries are subject to, and are qualified in their entirety by reference to, the provisions of the Indenture. When particular provisions or terms used in the Indenture are referred to, the actual provisions (including definitions of terms) are incorporated by reference.

The Notes will have the approximate Initial Note Amount specified in the Securities Table. Any difference between the Note Amount as of the Closing Date and the approximate Initial Note Amount as of the date of this Offering Memorandum will not exceed 5% of the Initial Note Amount for the Notes. The Notes will be issued initially in the denominations set forth in the Securities Table.

The Notes will be secured by the assets pledged by the Issuer (the "Trust Estate") to the Indenture Trustee for the benefit of the Noteholders under the Indenture, which will consist of all of the Issuer's right, title and interest in and to, whether now owned or existing, or hereafter acquired or arising:

- the Mortgage Loans, including the related Mortgage Note;
- all rights to administer or manage the Mortgage Loans or to possess related records;
- all Collections related to the Mortgage Loans and the Payment Account, the Accumulation Account, the Pre-funding Interest Account, the Rehab Escrow Account and the Redemption Account and all funds on deposit therein from time to time, excluding any investment income from such fund;
- the Issuer's rights as assignee of the Depositor under the First Step Mortgage Loan Purchase Agreement;
- the Issuer's rights under the Second Step Mortgage Loan Purchase Agreement, the Custodial Agreement, the Servicing Agreement and the Asset Management Agreement; and
- proceeds of any of the foregoing.

Payments on the Notes will be made by the Paying Agent on the 25th day of each month, or the immediately following business day if the 25th day is not a Business Day, commencing in July 2024 (each, a "Payment Date"), to the persons in whose names such Notes are registered at the close of business on the applicable Record Date. The "Record Date," will be (A) for any Notes that are in global form, the close of business on the Business Day immediately preceding such Payment Date and (B) for any Notes that are in definitive certificated form, the close of business of the last Business Day in the calendar month immediately preceding the calendar month in which such Payment Date occurs. All payments with respect to the Notes of any Class on each Payment Date, will be allocated *pro rata* among the outstanding Noteholders of such Class, based on the respective Note Amounts of their Notes as of such Payment Date.

On each Payment Date following the end of the Reinvestment Period (or during the Reinvestment Period if the Class A Minimum Credit Enhancement Test is not satisfied), after payments to the transaction parties, including amounts owed to the Servicer and the Asset Manager, and payments of Interest Payment Amounts, principal will be paid to the extent of Available Funds, as described under the "*—Priority of Payments*." Additionally, an Early Amortization Event will terminate the Reinvestment Period and cause principal to be paid in respect of the Class A Notes, as described under the "*—Priority of Payments*."

Interest Payment Amounts

The Notes will bear interest at the applicable Note Rate set forth in this Offering Memorandum. On each Payment Date, interest will be paid from the Available Funds as described under "*—Priority of Payments*" below.

With respect to each Class of Notes and any Payment Date (other than the first Payment Date), the "Interest Payment Amount" will equal with respect to each Class of Notes (i) the related Cumulative Interest Shortfall Amount for such Class of Notes plus (ii) one-twelfth (1/12th) of the product of (A) the applicable Note Rate for such Class of Notes for the related Accrual Period and (B) the applicable Note Amount for such Class of Notes as of the end of the immediately preceding Payment Date.

For the first Payment Date, the Interest Payment Amount on the Notes will equal the product of (x) the actual number of days from and including the Closing Date to but excluding the first Payment Date (assuming such Payment Date occurs on the 25th of each month), divided by three hundred sixty (360), (y) the Note Rate for such Class of Notes, and (z) the Initial Note Amount of such Class of Notes.

The "Accrual Period" with respect to the Notes and Issuer Residual Interest Certificate and each Payment Date (other than the first Payment Date), the period beginning with the previous Payment Date and ending on the day prior to such Payment Date (in each case assuming the Payment Date occurs on the 25th of the month) with interest calculated on the basis of a three hundred sixty (360)-day year consisting of twelve (12) thirty (30)-day months. The Accrual Period for the first Payment Date is the period beginning on the Closing Date and ending on the date prior to such Payment Date (assuming such Payment Date occurs on the 25th of the month) with interest calculated on the basis of a three hundred sixty (360)-day year consisting of twelve (12) thirty (30)-day months.

The "Cumulative Interest Shortfall Amount" is, for each Payment Date and each Class of Notes, the portion of the Interest Payment Amount for that Class for all previous Payment Dates that has not been paid, if any, plus accrued and unpaid interest thereon at the applicable Note Rate from the most recent previous Payment Date through but excluding the current Payment Date (in each case assuming the Payment Date occurs on the 25th of each month), based on a three hundred sixty (360)-day year consisting of twelve (12) thirty (30)-day periods.

Stated Final Maturity

The Stated Final Maturity for the Notes is the Payment Date set forth in the Securities Table, which is the Payment Date in May 2029 (the "Stated Final Maturity"). The actual final Payment Date of the Notes may be substantially earlier than the Stated Final Maturity.

Book-Entry Notes

The Class A1 Notes, the Class A2 Notes and the Class M Notes will be issuable in book-entry form only (the "Book-Entry Notes"). Persons acquiring beneficial ownership interests in the Book-Entry Notes ("Note Owners") will hold such Notes through DTC (in the United States) or Clearstream Banking ("Clearstream") or the Euroclear System ("Euroclear") (in Europe) if they are participants of such systems (the "Participants"), or indirectly through organizations that are participants in such systems (the "Indirect Participants"). The Book-Entry Notes will be issued in one or more notes which equal the Note Amount of the Notes and will initially be registered in the name of Cede & Co., the nominee of DTC. Clearstream and Euroclear will hold omnibus positions on behalf of their Participants through customers' securities accounts in Clearstream's and Euroclear's names on the books of their respective depositaries which in turn will hold such positions in customers' securities accounts in the depositaries' names on the books of DTC. Investors in the Class A1 Notes, the Class A2 Notes and the Class M Notes may hold such beneficial interests in the Book-Entry Notes in minimum denominations of $100,000 and integral multiples of $1,000 in excess thereof. Except as described below, no person acquiring a Book-Entry Note (each, a "beneficial owner") will be entitled to receive a physical security representing such Note (a "Definitive Note"). Unless and until Definitive Notes are issued, it is anticipated that the only "Noteholder" of the Notes will be Cede & Co., as nominee of DTC. For the Definitive Notes, the "Noteholders" will be beneficial owners of such Notes. Note Owners will not be Noteholders as that term is used in the Indenture. Note Owners are only permitted to exercise their rights indirectly through Participants and DTC.

The Book-Entry Notes offered to U.S. persons that are sold in reliance on the exemption from registration under Rule 144A under the Securities Act will initially be issued (each, a "Rule 144A Global Note") through the facilities of DTC. The Book-Entry Notes offered to U.S. persons that are sold in reliance on the exemption from registration under Rule 144A under the Securities Act will initially be issued (each, a "Rule 144A Global Note") through the facilities of DTC. Rule 144A Global Notes may also be held through the European Depositaries, as participants in DTC. The Book-Entry Notes sold in "offshore transactions" in reliance on Regulation S will initially be issued (each, a "Temporary Regulation S Global Note") through the facilities of DTC for the accounts of each European Depositary. Temporary Regulation S Global Notes may be exchanged on the 40th day (the "Exchange Date") after the later of the commencement of the offering of the Notes and the Closing Date, upon certification of non-U.S. ownership as provided in the Indenture, for interests in a corresponding permanent global note (each, a "Permanent Regulation S Global Note" and together with the Rule 144A Global Note and the Temporary Regulation S Global Note, each a "Global Note"), which will be deposited on the Exchange Date with the Note Registrar as custodian for DTC and registered in the name of a nominee of DTC.

On or prior to the Exchange Date, a beneficial interest in a Temporary Regulation S Global Note may be transferred to a person who takes delivery in the form of a beneficial interest in a Rule 144A Global Note only upon receipt by the Note Registrar of a written certificate substantially in the form provided in the Indenture (a "Rule 144A Transfer Certificate") from the transferor to the effect that such transfer is being made to a person who the transferor reasonably believes is purchasing for its own account or accounts as to which it exercises sole investment discretion and that such person and each such account is a "qualified institutional buyer" as defined in Rule 144A under the Securities Act, in each case in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction and, if requested by the Note Registrar, the receipt by the Note Registrar of such other evidence acceptable to the Note Registrar that such transfer is in compliance with the Securities Act and other applicable laws. Beneficial interests in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of a beneficial interest in a Temporary Regulation S Global Note, on or prior to the Exchange Date, or a Permanent Regulation S Global Note, after the Exchange Date, only upon receipt by the Note Registrar of a written certification substantially in the form provided in the Indenture (a "Regulation S Transfer Certificate") from the transferor to the effect that such transfer is being made to an institution in accordance with Rule 903 or 904 of Regulation S and that, if such transfer occurs on or prior to the Exchange Date, the interest transferred will be held immediately thereafter through Euroclear or Clearstream. Any beneficial interest in one of the Book-Entry Notes that is transferred to a person who takes delivery in the form of a beneficial interest in the other Book-Entry Note will, upon transfer, cease to be a beneficial interest in such Book-Entry Note and become a beneficial interest in the other Book-Entry Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other Book-Entry Note for as long as it remains such an interest.

The beneficial owner's ownership of a Book-Entry Note will be recorded on the records of the brokerage firm, bank, thrift institution or other financial intermediary (each, a "Financial Intermediary") that maintains the beneficial owner's account for such purpose. In turn, the Financial Intermediary's ownership of such Book-Entry Note will be recorded on the records of DTC (or of a participating firm that acts as agent for the Financial Intermediary, whose interest will, in turn, be recorded on the records of DTC, if the beneficial owner's Financial Intermediary is not a DTC Participant and on the records of Clearstream or Euroclear, as appropriate).

Note Owners will receive all payments of principal of and interest on the Book-Entry Notes from the Paying Agent through DTC and DTC Participants. While the Book-Entry Notes are outstanding (except under the circumstances described below), under the rules, regulations and procedures creating and affecting DTC and its operations (the "Rules"), DTC is required to make book-entry transfers among Participants on whose behalf it acts with respect to the Book-Entry Notes and is required to receive and transmit payments of principal of, and interest on, the Book-Entry Notes. Participants and Indirect Participants with whom Note Owners have accounts with respect to Book-Entry Notes are similarly required to make book-entry transfers and receive and transmit such payments on behalf of their respective Note Owners. Accordingly, although Note Owners will not possess notes representing their respective interests in the Book-Entry Notes, the Rules provide a mechanism by which Note Owners will receive payments and will be able to transfer their interest.

Noteholders will not receive or be entitled to receive notes representing their respective interests in the Book-Entry Notes, except under the limited circumstances described below. Unless and until Definitive Notes are issued, Noteholders who are not Participants may transfer ownership of Book-Entry Notes only through Participants and Indirect Participants by instructing such Participants and Indirect Participants to transfer Book-Entry Notes, by book-entry transfer, through DTC for the account of the purchasers of such Book-Entry Notes, which account is maintained with their respective Participants. Under the Rules and in accordance with DTC's normal procedures, transfers of ownership of Book-Entry Notes will be executed through DTC, and the accounts of the respective Participants at DTC will be debited and credited. Similarly, the Participants and Indirect Participants will make debits or credits, as the case may be, on their records on behalf of the selling and purchasing Noteholders.

Because of time zone differences, credits of securities received in Clearstream or Euroclear as a result of a transaction with a Participant will be made during subsequent securities settlement processing and dated the business day following the DTC settlement date. Such credits or any transactions in such securities settled during such processing will be reported to the relevant Euroclear or Clearstream Participants on such business day. Cash received in Clearstream or Euroclear as a result of sales of securities by or through a Clearstream Participant or Euroclear Participant to a DTC Participant will be received with value on the DTC settlement date but will be available in the relevant Clearstream or Euroclear cash account only as of the business day following settlement in DTC.

Transfers between Participants will occur in accordance with DTC Rules. Transfers between Clearstream Participants and Euroclear Participants will occur in accordance with their respective rules and operating procedures.

Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream Participants or Euroclear Participants, on the other, will be effected in accordance with DTC rules on behalf of the relevant European international clearing system by the Relevant Depositary; however, such cross-market transfers will require delivery of instructions to the relevant European international clearing system by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to the Relevant Depositary to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same day funds settlement applicable to DTC. Clearstream Participants and Euroclear Participants may not deliver instructions directly to the depository for Clearstream or the depository for Euroclear (in such capacities, individually the "Relevant Depositary" and collectively the "European Depositaries").

DTC, which is a New York-chartered limited purpose trust company, performs services for its Participants (and/or their representatives), some of which own DTC. In accordance with its normal procedures, DTC is expected to record the positions held by each DTC Participant in the Book-Entry Notes, whether held for its own account or as a nominee for another person. In general, beneficial ownership of Book-Entry Notes will be subject to the Rules, as in effect from time to time.

Clearstream, a Luxembourg limited liability company, was formed in January 2000 through the merger of Cedel International and Deutsche Boerse Clearing.

Clearstream is registered as a bank in Luxembourg, and as such is subject to regulation by the Luxembourg Monetary Authority, which supervises Luxembourg banks.

Clearstream holds securities for its customers ("Clearstream Participants") and facilitates the clearance and settlement of securities transactions by electronic book-entry transfers between their accounts. Clearstream provides various services, including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream also deals with domestic securities markets in several countries through established depository and custodial relationships. Clearstream has established an electronic bridge with Euroclear Bank S.A./N.V. as the Euroclear Operator in Brussels to facilitate settlement of trades between systems. Clearstream currently accepts over 200,000 securities issues on its books.

Clearstream's customers are world-wide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Clearstream's United States customers are limited to securities brokers and dealers and banks. Currently, Clearstream has approximately 2,500 customers located in over 110 countries, including all major European countries, Canada, and the United States. Indirect access to Clearstream is available to other institutions which clear through or maintain a custodial relationship with an account holder of Clearstream.

Euroclear was created in 1968 to hold securities for its participants ("Euroclear Participants") and to clear and settle transactions between Euroclear Participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of securities and any risk from lack of simultaneous transfers of securities and cash. Transactions may be settled in a variety of currencies, including United States dollars. Euroclear provides various other services, including securities lending and borrowing and interfaces with domestic markets in several countries generally similar to the arrangements for cross-market transfers with DTC described above. Euroclear is operated by Euroclear Bank S.A./N.V. (the "Euroclear Operator"). All operations are conducted by the Euroclear Operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Operator. Euroclear plc establishes policy for Euroclear on behalf of Euroclear Participants. Euroclear Participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear Participant, either directly or indirectly.

Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms and Conditions Governing Use of Euroclear and the related operating procedures of the Euroclear System and applicable

Belgian law (collectively, the "Terms and Conditions"). The Terms and Conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific securities to specific securities clearance accounts. The Euroclear Operator acts under the Terms and Conditions only on behalf of Euroclear Participants, and has no record of or relationship with persons holding through Euroclear Participants.

Payments on the Book-Entry Notes will be made on each Payment Date by the Paying Agent to Cede & Co., as nominee of DTC. DTC will be responsible for crediting the amount of such payments to the accounts of the applicable DTC Participants in accordance with DTC's normal procedures. Each DTC Participant will be responsible for disbursing such payments to the beneficial owners of the Book-Entry Notes that it represents and to each Financial Intermediary for which it acts as agent. Each such Financial Intermediary will be responsible for disbursing funds to the beneficial owners of the Book-Entry Notes that it represents.

Under a book-entry format, beneficial owners of the Book-Entry Notes may experience some delay in their receipt of payments, since such payments will be forwarded by the Paying Agent to Cede & Co. Payments with respect to Notes held through Clearstream or Euroclear will be credited to the cash accounts of Clearstream Participants or Euroclear Participants in accordance with the relevant system's rules and procedures, to the extent received by the Relevant Depositary. Such payments will be subject to tax reporting in accordance with relevant United States tax laws and regulations. See "*Certain U.S. Federal Income Tax Consequences—Backup Withholding and Information Reporting*" in this Offering Memorandum. Because DTC can only act on behalf of DTC Participants, the ability of a beneficial owner to pledge Book-Entry Notes to persons or entities that do not participate in the book-entry system, or otherwise take actions in respect of such Book-Entry Notes, may be limited due to the lack of physical securities for such Book-Entry Notes. In addition, issuance of the Book-Entry Notes in book-entry form may reduce the liquidity of such Notes in the secondary market since certain potential investors may be unwilling to purchase Notes for which they cannot obtain physical securities.

Monthly and annual reports on the Notes will be provided to Cede & Co., as nominee of DTC, and may be made available by Cede & Co. to beneficial owners upon request, in accordance with the rules, regulations and procedures creating and affecting the DTC Participants to whose DTC accounts the Book-Entry Notes of such beneficial owners are credited.

DTC has advised the Indenture Trustee, the Paying Agent and the Note Registrar that, unless and until Definitive Notes are issued, DTC will take any action the holders of the Book-Entry Notes are permitted to take under the Indenture only at the direction of one or more DTC Participants to whose DTC accounts the Book-Entry Notes are credited, to the extent that such actions are taken on behalf of Financial Intermediaries whose holdings include such Book-Entry Notes. Clearstream or the Euroclear Operator, as the case may be, will take any other action permitted to be taken by a Noteholder under the Indenture on behalf of a Clearstream Participant or Euroclear Participant only in accordance with its relevant rules and procedures and subject to the ability of the Relevant Depositary to effect such actions on its behalf through DTC. DTC may take actions, at the direction of the related Participants, with respect to some Book-Entry Notes that conflict with actions taken with respect to other Book-Entry Notes.

Definitive Notes will be issued to beneficial owners of the Book-Entry Notes, or their nominees, rather than to DTC, only if DTC advises Indenture Trustee, the Paying Agent or the Note Registrar in writing that DTC is no longer willing, qualified or able to discharge properly its responsibilities as nominee and depository with respect to the Book-Entry Notes and the Paying Agent (at the direction of the Depositor) is unable to locate a qualified successor.

Upon the occurrence of the event described in the immediately preceding paragraph, the Indenture Trustee will be required to notify all beneficial owners of the occurrence of such event and the availability through DTC of Definitive Notes. Upon surrender by DTC of the global note or notes representing the Book-Entry Notes and instructions for re-registration, the Issuer will issue Definitive Notes, and thereafter the Issuer, the Indenture Trustee, the Paying Agent, the Note Registrar and the Owner Trustee will recognize the holders of such Definitive Notes as Noteholders under the Indenture.

Although DTC, Clearstream and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of Book-Entry Notes among participants of DTC, Clearstream and Euroclear, they are under no obligation to perform or continue to perform such procedures and such procedures may be discontinued at any time.

None of the Seller, the Depositor, the Issuer, the Indenture Trustee, the Paying Agent, the Note Registrar, the Certificate Registrar, the Custodian, the Securities Intermediary or the Owner Trustee will have any responsibility for any aspect of the records relating to or payments made on account of beneficial ownership interests of the Book-Entry Notes held by Cede & Co., as nominee for DTC, or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Definitive Notes

In the event that (i) DTC advises the Paying Agent, the Note Registrar or the Indenture Trustee that DTC is no longer willing or able to discharge properly its responsibilities as depository with respect to the Book-Entry Notes and the Paying Agent (at the direction of the Issuer) is unable to locate a qualified successor or (ii) if an Event of Default has occurred and is continuing under the Indenture and a Noteholder materially and adversely affected thereby has requested a Definitive Note, Definitive Notes may be issued by the Issuer and authenticated by the Note Registrar in place of the Book-Entry Notes as described above.

Upon the occurrence of the event described in clause (i) in the immediately preceding paragraph, the Paying Agent will request that DTC notify all applicable Noteholders through Participants of the availability of Definitive Notes. Upon surrender by DTC of the Global Notes representing the corresponding Notes and receipt of instructions for re-registration, the Issuer will reissue such Notes as Definitive Notes to such Noteholders.

No transfer of a Definitive Note will be made unless such transfer is made to a person that has delivered to the Indenture Trustee and the Note Registrar a Rule 144A Transfer Certificate.

Certain U.S. Federal Income Tax Documentation Requirements

A beneficial owner of Book-Entry Notes that is not a United States person for U.S. federal income tax purposes (a "Non-U.S. Noteholder") holding a Book-Entry Note through DTC, Clearstream or Euroclear may be subject to U.S. withholding tax unless it provides certain documentation to the issuer of the Book-Entry Notes, the clearing system, a paying agent or any other entity required to withhold tax (any of the foregoing, a "U.S. Withholding Agent") establishing an exemption from withholding. A Non-U.S. Noteholder may be subject to withholding unless each U.S. Withholding Agent receives:

(i) from a Non-U.S. Noteholder that is classified as a corporation for U.S. federal income tax purposes or is an individual, and is eligible for the benefits of the portfolio interest exemption or an exemption (or reduced rate) based on a treaty, a duly completed and executed IRS Form W-8BEN or W-8BEN-E (or any successor form);

(ii) from a Non-U.S. Noteholder that is eligible for an exemption on the basis that the holder's income from the Book-Entry Notes is effectively connected to its U.S. trade or business, a duly completed and executed IRS Form W-8ECI (or any successor form);

(iii) from a Non-U.S. Noteholder that is classified as a partnership for U.S. federal income tax purposes, a duly completed and executed IRS Form W-8IMY (or any successor form) with all supporting documentation (as specified in the Treasury regulations) required to substantiate exemptions from withholding on behalf of its partners; certain partnerships may enter into agreements with the IRS providing for different documentation requirements and it is recommended that those partnerships consult their tax advisors regarding these certification rules;

(iv) from a Non-U.S. Noteholder that is an intermediary (i.e., a person acting as a custodian, a broker, nominee or otherwise as an agent for the beneficial owner of the Book-Entry Notes):

(a) if the intermediary is a "qualified intermediary" within the meaning of Section 1.1441-1(e)(5)(ii) of the Treasury regulations (a "Qualified Intermediary"), a duly completed and executed IRS Form W-8IMY (or any successor or substitute form):

(1) stating the name, permanent residence address and employer identification number of the Qualified Intermediary and the country under the laws of which the Qualified Intermediary is created, incorporated or governed;

(2) certifying that the Qualified Intermediary has provided, or will provide, a withholding statement as required under Section 1.1441-1(e)(5)(v) of the Treasury regulations;

(3) certifying that, with respect to accounts it identifies on its withholding statement, the Qualified Intermediary is not acting for its own account but is acting as a Qualified Intermediary; and

(4) providing any other information, certifications, or statements that may be required by the IRS Form W-8IMY or accompanying instructions in addition to, or in lieu of, the information and certifications described in Section 1.1441-1(e)(3)(ii) or 1.1441-1(e)(5)(v) of the Treasury regulations; or

(b) if the intermediary is not a Qualified Intermediary, a duly completed and executed IRS Form W-8IMY (or any successor or substitute form):

(1) stating the name and permanent residence address of the non-Qualified Intermediary and the country under the laws of which the non-Qualified Intermediary is created, incorporated or governed;

(2) certifying that the non-Qualified Intermediary is not acting for its own account;

(3) certifying that the non-Qualified Intermediary has provided, or will provide, a withholding statement that is associated with the appropriate IRS Forms W-8 and W-9 required to substantiate exemptions from withholding on behalf of the non-Qualified Intermediary's beneficial owners; and

(4) providing any other information, certifications or statements that may be required by the IRS Form W-8IMY or accompanying instructions in addition to, or in lieu of, the information, certifications, and statements described in Section 1.1441-1(e)(3)(iii) or (iv) of the Treasury regulations; or

(v) from a Non-U.S. Noteholder that is a trust, depending on whether the trust is classified for U.S. federal income tax purposes as the beneficial owner of Book-Entry Notes, either an IRS Form W-8BEN, W-8BEN-E or W-8IMY (with all supporting documentation (as specified in the Treasury regulations)); any Non-U.S. Noteholder that is a trust should consult its tax advisors to determine which of these forms it should provide.

All Non-U.S. Noteholders will be required to update the above-listed forms and any supporting documentation in accordance with the requirements under the Treasury regulations. These forms generally remain in effect for the earlier of the period starting on the date the form is signed and ending on the last day of the third succeeding calendar year or until a change in circumstances makes any information on the form incorrect.

In addition, all holders, including holders that are United States persons for U.S. federal income tax purposes, holding Book-Entry Notes through Clearstream, Euroclear or DTC may be subject to backup withholding unless the holder (a) provides the appropriate IRS Form W-8 (or any successor or substitute form), duly completed and executed, if the holder is a Non-U.S. Noteholder; (b) provides a duly completed and executed IRS Form W-9, if the holder is a United States person for U.S. federal income tax purposes; or (c) can be treated as an "exempt recipient" within the meaning of Section 1.6049-4(c)(1)(ii) of the Treasury regulations (*e.g.*, a corporation or a financial institution such as a bank).

This summary does not deal with all of the aspects of U.S. federal income tax withholding or backup withholding that may be relevant to investors that are Non-U.S. Noteholders. Additional information regarding tax considerations for Non-U.S. Noteholders is provided below under "*Certain U.S. Federal Income Tax Consequences—U.S. Federal Tax Treatment of Non-U.S. Noteholders*" in this Offering Memorandum. Among other considerations described in that section, recent legislation and related IRS guidance concerning the FATCA imposed U.S. withholding tax on interest paid and gross proceeds, including the return of principal, from the sale or other disposition, including redemptions, of interest-bearing obligations paid to certain foreign financial institutions and nonfinancial foreign entities if certain disclosure requirements related to U.S. accounts or ownership are not satisfied. Non-U.S.

Noteholders are advised to consult their tax advisors for specific tax advice concerning their holding and disposing of Book-Entry Notes.

Limitations on Transfers of Notes

The Notes are being offered in a private placement to (i) a limited number of "qualified institutional buyers" (as defined in the Securities Act) in the United States and will not be registered under the Securities Act or any state or foreign securities or "blue sky" laws and (ii) institutions that (a) are "qualified institutional buyers" (with the meaning of Rule 144A under the Securities Act) and (b) are not "U.S. persons" acquiring the securities in "offshore transactions" offered and sold outside the United States in reliance on Regulation S. No party is obligated to register the Notes under the Securities Act or any such other laws. No transfer or sale of the Notes offered hereby will be made unless such transfer is not subject to registration under the Securities Act or any applicable state securities laws, and is made in accordance with the other restrictions on transfer described in this Offering Memorandum. As a result, Notes may be resold or transferred only to (i) "qualified institutional buyers" (as defined in the Securities Act) in reliance on an exemption from registration provided by Rule 144A under the Securities Act and in compliance therewith or (ii) institutions that (a) are "qualified institutional buyers" (with the meaning of Rule 144A under the Securities Act) and (b) are not "U.S. persons" acquiring the securities in "offshore transactions" offered and sold outside the United States in reliance on Regulation S.

Prior to any transfer of a Definitive Note, the proposed transferee will be required to represent to the Indenture Trustee, the Note Registrar and the Depositor in writing that the applicable conditions to transfer set forth under "*Notice to Investors*" herein are satisfied. Such representations will be set forth in an investment letter substantially in the form set forth in the Indenture. A transferee of an interest in a book-entry note, by acceptance of its interest therein, will be deemed to have made all applicable representations set forth in an investment letter and set forth herein under "*Notice to Investors.*" Each transferee will agree to indemnify the Issuer, the Indenture Trustee, the Paying Agent, the Securities Intermediary, the Note Registrar and the Depositor against any liability that may result from a transfer by such Noteholder that is not made in accordance with applicable laws or the provisions of the Indenture.

None of the Issuer, the Owner Trustee, the Indenture Trustee, the Paying Agent or the Note Registrar will have the ability to monitor transfers of the Notes while they are in book-entry form and will have no liability for transfers of the Notes in violation of any of the transfer restrictions described in this Offering Memorandum.

The Indenture will provide that any attempted or purported transfer in violation of these transfer restrictions will be null and void and will vest no rights in any purported transferee. Any transferor or agent to whom the Indenture Trustee, the Paying Agent or the Note Registrar provides information as to any applicable tax imposed on such transferor or agent may be required to bear the cost of computing or providing such information.

The Notes will bear legends reflecting such of the foregoing transfer restrictions as are applicable thereto. The foregoing transfer restrictions may adversely affect the liquidity of the Notes, and investors should be aware that they may be required to bear the financial risks of any investment in the Notes for an indefinite period of time.

Class A Minimum Credit Enhancement Test

For each Payment Date, the Paying Agent will calculate the percentage (the "Class A Credit Enhancement Percentage"), equal to the quotient of (i) the excess of (a) the aggregate Unpaid Principal Balance of the Mortgage Loans as of the immediately preceding Calculation Date plus any amounts held in the Accumulation Account (prior to giving effect to any payments made on such Payment Date) over (b) the Note Amount of the Class A Notes as of the related Calculation Date divided by (ii) the aggregate Unpaid Principal Balance of the Mortgage Loans as of the immediately preceding Calculation Date plus any amounts held in the Accumulation Account (prior to giving effect to any payments made on such Payment Date).

On each Payment Date occurring during the Reinvestment Period, the Paying Agent will, as described in clause *seventh*, set forth under the "*—Priority of Payments*" below, remit Available Funds (i) if the Class A Minimum Credit Enhancement Test is satisfied, to the Accumulation Account in an amount equal to the Required Accumulation Account Deposit Amount, or (ii) if the Class A Minimum Credit Enhancement Test is not satisfied, to pay principal, up to the Class A Paydown Amount, on the Class A1 Notes, until the Note Amount of the Class A1 Notes has been reduced to zero, and then to the Accumulation Account in an amount equal to the Required Accumulation Account

Deposit Amount (calculated after giving effect to any principal payments to the Class A1 Notes on such Payment Date).

The "Calculation Date" is, with respect to any Payment Date, the final day of the related Collection Period.

The "Class A Minimum Credit Enhancement Test" will be satisfied if the Class A Credit Enhancement Percentage, as of such date of determination, is at least equal to 8%. If the Class A Paydown Amount has been paid in full on a Payment Date, then the Class A Minimum Credit Enhancement Test will be deemed to be satisfied until the next succeeding Payment Date.

If the Class A Minimum Credit Enhancement Test is not satisfied, the "Class A Paydown Amount" will be equal to twelve and a half (12.50) multiplied by (i) 8% minus the Class A Credit Enhancement Percentage, multiplied by (ii) the aggregate Unpaid Principal Balance of the Mortgage Loans as of the immediately preceding Calculation Date plus any amounts held in the Accumulation Account, prior to giving effect to any payments made on such Payment Date.

Priority of Payments

On each Payment Date, the Paying Agent will allocate the Available Funds in the following order of priority to the extent available (the "Priority of Payments"):

first, *pro rata*, (i) to the Owner Trustee, the Indenture Trustee, the Custodian and the Asset Manager, the Owner Trustee Fee, the Indenture Trustee Fee, the Custodian Fee and the Asset Management Fee, respectively, and (ii) any related fees, expenses and indemnification amounts reimbursable to the Owner Trustee, the Indenture Trustee, the Paying Agent, the Securities Intermediary, the Note Registrar, the Certificate Registrar, the Custodian and the Asset Manager (the "Transaction Party Expenses") up to the Annual Cap, in each case; and, with respect to the Asset Manager, to the extent that the Asset Manager has not already been reimbursed for such amounts from the Payment Account and Accumulation Account;

second, to the Servicer, any unreimbursed Servicing Advances, expenses, costs and liabilities by and reimbursable to the Servicer pursuant to the Servicing Agreement, in each case, to the extent that the Servicer has not already been reimbursed for such amounts from the Payment Account or the Accumulation Account, reimbursed itself or paid itself for such amounts from Collections;

third, to the *Servicer*, the Servicing Fee, to the extent not otherwise retained pursuant to the Servicing Agreement or reimbursed from the Payment Account or the Accumulation Account;

fourth, to the Class A1 Notes, to pay the Interest Payment Amount thereon;

fifth, to the Class A2 Notes, to pay the Interest Payment Amount thereon;

sixth, to the Class M Notes, to pay the Interest Payment Amount thereon;

seventh, prior to the termination of the Reinvestment Period, as applicable, (i) if the Class A Minimum Credit Enhancement Test is satisfied as of such Payment Date, to the Accumulation Account in an amount equal to the Required Accumulation Account Deposit Amount; or (ii) if the Class A Minimum Credit Enhancement Test is not satisfied, to pay principal, up to the Class A Paydown Amount, until the Note Amount of the Class A1 Notes has been reduced to zero, and then to the Accumulation Account in an amount equal to the Required Accumulation Account Deposit Amount (calculated after giving effect to any principal payments to the Class A1 Notes on such Payment Date);

eighth, following the termination of the Reinvestment Period, to the Accumulation Account, up to an amount directed by the Asset Manager not to exceed the aggregate Unfunded Commitments as of such Payment Date;

ninth, following the termination of the Reinvestment Period, to pay principal on the Class A1 Notes, until the Note Amount thereof is reduced to zero;

tenth, following the earlier to occur of the Class A2 Note Expected Redemption Date or an Event of Default or upon any Optional Redemption, to pay principal in respect of the Class A2 Notes, until the Note Amount thereof is reduced to zero;

eleventh, following the earlier to occur of the Class M Note Expected Redemption Date or an Event of Default or any Optional Redemption, to pay principal in respect of the Class M Notes, until the Note Amount thereof is reduced to zero;

twelfth, on and following the Payment Date on which the Note Amount of the Class A1 Notes has been reduced to zero and prior to the Class M Note Expected Redemption Date or an Event of Default, to the Redemption Account, until amounts contained therein are equal to the Redemption Account Required Amount;

thirteenth, pro rata, to the Indenture Trustee, the Owner Trustee, the Paying Agent, the Note Registrar, the Securities Intermediary, the Certificate Registrar, the Custodian and the Asset Manager, any amounts not reimbursed to such parties as a result of the Annual Cap;

fourteenth, to the Accumulation Account, up to an amount as directed by the Asset Manager in its sole discretion; and

fifteenth, to the holder of the Issuer Residual Interest Certificate, any remaining amounts.

Any Relief Act Shortfalls, Prepayment Interest Shortfalls, interest shortfalls due to delinquencies and defaults, interest shortfalls due to Mortgage Interest Rate modifications and interest shortfalls resulting from reimbursements payable to the transaction parties in respect of indemnification, fees and expenses as described in the Indenture will result in a reduction of Available Funds for the Noteholders for the related Payment Date.

Optional Redemption

On any date on or after the date on which the Note Amount of the Notes is reduced to an amount less than or equal to 25% of the Initial Note Amount of the Notes as of the Closing Date (an "Issuer Optional Redemption Date"), the Issuer may, at its option, exercise a call and purchase all of the outstanding Notes (such redemption, the "Issuer Optional Redemption") for a price equal to the sum of (i) the outstanding Note Amount of the Notes, (ii) any accrued and unpaid interest thereon at the applicable Note Rate through such redemption date, and (iii) any fees, expenses and indemnity payments of the transaction parties pursuant to the Transaction Documents due to such transaction parties and unpaid without regard to the Annual Cap, including any unreimbursed Servicing Advances and unreimbursed Rehabilitation Advances, expenses, costs and liabilities pursuant to the Servicing Agreement (the "Redemption Price").

On any Payment Date following the termination of the Reinvestment Period (a "Depositor Optional Redemption Date" and each of an Issuer Optional Redemption Date and a Depositor Optional Redemption Date may from time to time be referred to herein as an "Optional Redemption Date"), the Depositor may, at its option, exercise a call and purchase all of the Mortgage Loans; *provided* that no less than fifty percent (50%) of the Issuer's assets on any such date of redemption in full of the Class A2 Notes and the Class M Notes consists of Mortgage Loans and/or REO Properties, without duplication, which will be calculated based on the Issuer's assets following the distribution of Available Funds in accordance with the Priority of Payments on such Payment Date (such redemption, a "Depositor Optional Redemption", and each of an Issuer Optional Redemption and a Depositor Optional Redemption may from time to time be referred to herein as an "Optional Redemption") for the Redemption Price. On the following Payment Date, a Redemption Price paid by the Depositor shall be applied to repay the Notes in full and to satisfy and discharge the obligations of the Issuer under the Indenture.

Neither the failure by the Issuer to redeem the Notes in full nor the failure by the Depositor to purchase all of the Mortgage Loans, in each case on or after an Optional Redemption Date, is an Event of Default, a Step-Up Event or a breach of any covenant by the Issuer or the Depositor, as applicable.

No payments of the Redemption Price will be made to any Notes until all fees, expenses and indemnification amounts owing to the transaction parties have been paid in full without regard to the Annual Cap.

THE SERVICING AGREEMENT

The Mortgage Loans will be serviced by the Servicer pursuant to the Servicing Agreement. Set forth below are summaries of the specific terms and provisions pursuant to which the Mortgage Loans will be serviced. The summaries do not purport to be complete and are subject to, and are qualified in their entirety by reference to, the provisions of the Servicing Agreement.

Servicing and Other Compensation and Payment of Expenses

The duties to be performed by the Servicer include collection and remittance of Collections in respect of the Mortgage Loans, remittance and reporting of cash to the Payment Account and making Servicing Advances. The Servicer also will provide such accounting and reporting services as are necessary to provide required information to the Issuer, the Asset Manager, the Paying Agent and the Indenture Trustee with respect to the Mortgage Loans. Additionally, the Servicer will notify the Asset Manager of any Rehabilitation Disbursement Requests, loan modification requests, loss mitigation, bankruptcy and foreclosure proceedings, liquidations of Mortgage Loans and REO Properties of which it has notice in accordance with the terms of the Servicing Agreement.

The Servicer will be entitled to receive the Servicing Fee as compensation for its activities under the Servicing Agreement. In addition to the compensation described above, the Servicer will be entitled to retain all late charges, returned item charges, payoff fees, any modification or conversion fees, assumption fees and other fees and charges, all to the extent collected or assessed against Borrowers and as provided in the Servicing Agreement.

The Servicing Agreement also will provide that the Servicer will be entitled to reimbursement from Collections for Servicing Advances and Servicing Expenses, costs and liabilities. The Servicer will pay all related expenses incurred in connection with its servicing responsibilities, as applicable (subject to limited reimbursement as described in the Servicing Agreement).

Servicing Advances

The Servicer is required to advance all "out-of-pocket" costs (including third party costs and expenses) relating to servicing, administration, management, maintenance, property protection, disposition, operation, liquidation, sale, enforcement proceedings or foreclosure of the related Mortgage Loan or REO Property, including, but not limited to, the cost of (a) if so directed by the Asset Manager, preservation, restoration and repair of a Mortgaged Property or REO Property, including, without limitation, advances in respect of prior liens, real estate taxes and assessments, (b) any collection, enforcement or judicial proceedings with respect to a Mortgage Loan, including foreclosures, collections and liquidations, (c) if so directed by the Asset Manager, the conservation, management and sale of any REO Property, (d) taxes, assessments, water rates, sewer rents and other charges which are or may become a lien upon the Mortgaged Property, and fire and hazard insurance coverage, as required pursuant to the Servicing Agreement, (e) legal counsel (including court filing fees), arbitrators, appraisers (including broker price opinions), real estate brokers, environmental consultants, environmental assessments or inspections, environmental remediation, insurance, property managers, tax services, receivers, state and federal regulatory agencies incident to their audits or inquiries, tax searches, title, structural reviews, surveys, property inspections, arbitration filing fees, and mortgage filings, releases and recordings, (f) if so directed by the Asset Manager, expenses incurred in connection with any loss mitigation programs and (g) fees and expenses incurred in connection with sales, refinancings or short refinancings of Mortgage Loans ("Servicing Advances"). The Servicer will have the right to determine, in accordance with the Servicing Agreement, the necessity for all Servicing Advances. The Servicer will advance all such funds as are necessary for the purpose of effecting the payment of any Servicing Advance in connection with the servicing and administering of the Mortgage Loans; *provided, however*, that notwithstanding anything to the contrary in the Servicing Agreement, the Servicer will not be required to make any Servicing Advance that would be a nonrecoverable Servicing Advance.

Servicing Advances are reimbursable to the Servicer from Collections in respect of the related Mortgage Loan, including late collections, Liquidation Proceeds, Condemnation Proceeds, insurance proceeds and such other amounts as may be collected from the Borrower or otherwise relating to the Mortgage Loan. To the extent Servicing Advances are not reimbursed from Collections, such Servicing Advances may be withdrawn from funds on deposit in the Payment Account upon written demand to the Paying Agent from the Asset Manager, from funds on deposit in the Accumulation Account upon written demand to the Paying Agent from the Asset Manager, to the extent not collected from the Payment Account, or otherwise paid to the Servicer in accordance with the Priority of Payments. Notwithstanding the determination of the Servicer that a Servicing Advance was recoverable when made, if a Servicing Advance becomes a Non-Recoverable Servicing Advance, the Servicer will be entitled to reimbursement for that Servicing Advance from Collections in respect of all of the Mortgage Loans. The Servicer is not under any obligation to remit unpaid interest or principal in respect of any Mortgage Loan.

The Servicer will be entitled to withdraw or cause to be withdrawn from Collections recovered on any Mortgage Loan or REO Property, prior to the payments of such Collections to Noteholders, amounts representing unreimbursed Servicing Advances, and certain permitted expenses, costs and liabilities with respect to the Mortgage Loans or REO Properties. To the extent not previously reimbursed from Collections, the Servicer will be entitled to be reimbursed for Servicing Advances made after the Cut-off Date from Available Funds as described in the Priority of Payments.

Under the terms of the Servicing Agreement, the Servicer is permitted to enter into an arrangement with a third-party or an affiliate whereby the Servicer sells or pledges its right to be reimbursed for Servicing Advances.

The Servicer will provide its monthly report to the Issuer, the Asset Manager, the Indenture Trustee and the Paying Agent no later than three (3) business days prior to any Payment Date.

Rehabilitation Disbursement Requests Process

Disbursement requests by Borrowers to fund rehabilitation, construction, or repairs on the related Mortgaged Properties will be satisfied by the Servicer (on behalf of the Issuer) in accordance with the applicable Mortgage Loan terms by either (a) directing the release of funds from the Rehab Escrow Account to the applicable Borrower, in the case of Mortgage Loans with Funded Commitments or (b) in the case of Mortgage Loans with Unfunded Commitments, (i) advancing funds on behalf of the Issuer (each, a "Rehabilitation Advance") or (ii) directing the release of funds from the Accumulation Account, in each case following the satisfactory evaluation of the Rehabilitation Disbursement Request by the Asset Manager or the Servicer (on behalf of the Asset Manager); *provided, however*, that the Servicer may advance funds on behalf of the Issuer to satisfy a Rehabilitation Disbursement Request prior to the Asset Manager or the Servicer (on behalf of the Asset Manager) completing its evaluation of the Rehabilitation Disbursement Request but the Servicer will not be entitled to reimbursement of such advance until after the satisfactory evaluation of the Rehabilitation Disbursement Request by the Asset Manager or the Servicer (on behalf of the Asset Manager). The Note Amount of the Notes will not change in connection with the funding of any Rehabilitation Disbursement Request; however, the Unpaid Principal Balance of the related Mortgage Loan will be increased by the amount of any Rehabilitation Disbursement Requests funded pursuant to clause (b) above.

Rehab Escrow Account

The Servicer will establish and maintain the Rehab Escrow Account (the "Rehab Escrow Account"), in the name of the Indenture Trustee, for the benefit of the Noteholders, to fund construction, rehabilitation or repairs on the Mortgaged Properties securing Mortgage Loans with Funded Commitments on the Closing Date of approximately $307,700. On each date of purchase of Additional Mortgage Loans with Funded Commitments, the Issuer will deposit into the Rehab Escrow Account an amount equal to the aggregate amount of undrawn rehabilitation holdback amounts with respect to such Additional Mortgage Loans. Rehabilitation holdback disbursement requests will be satisfied by the Servicer (on behalf of the Issuer) directing the release of funds following the satisfactory evaluation of the rehabilitation holdback disbursement request by the Asset Manager or the Servicer (on behalf of the Asset Manager). Rehabilitation holdback funds available in the Rehab Escrow Account to fund future construction, rehabilitation or repairs on the Mortgaged Properties are deposited in such account in escrow at the time of origination of the related Mortgage Loan, and the release of such funds to the Borrower by the Servicer (on behalf of the Issuer) will not affect the Unpaid Principal Balance of the related Mortgage Loan; however, under certain circumstances (including instances of Mortgage Loan delinquency or default) the Servicer may cancel any remaining undrawn rehabilitation holdback amounts for a Mortgage Loan and release funds from the Rehab Escrow Account that are deemed to be principal payments and will result in a reduction of the Unpaid Principal Balance. The Note Amount of the Notes will not change as a result of any rehabilitation holdback disbursement request funded from a Rehab Escrow Account.

Payments on Mortgage Loans; Servicer Remittances

Pursuant to the Servicing Agreement, the Servicer will deposit into the Payment Account all Collections with respect to Mortgage Loans received, on or after the applicable Cut-off Date, within three (3) Business Days of receipt by the Servicer (meaning collected, cleared and not subject to charge back) net of (i) fees payable to the Servicer and (ii) amounts representing reimbursement of Servicing Advances and Servicing Expenses. On each Payment Date during the Reinvestment Period, the Paying Agent will automatically withdraw from amounts on deposit in the Accumulation Account, to the extent available, an amount equal to the excess, if any, of (i) the sum of all amounts due and payable on such Payment Date under clauses *first* through *sixth* of the Priority of Payments, plus the Class A Paydown Amount, if any, over (ii) the amount of Available Funds on deposit in the Payment Account on such Payment Date prior to any amounts being withdrawn from the Accumulation Account and deposited into the Payment Account *plus* any payments being made from the Payment Account or the Redemption Account on such Payment Date. On each Payment Date after the Reinvestment Period, the Paying Agent will automatically withdraw all amounts on deposit in the Accumulation Account and deposit such amounts in the Payment Account for distribution pursuant to the Priority of Payments. See "*The Indenture—Accounts*" in this Offering Memorandum.

Hazard and Flood Insurance

With respect to each Mortgage Loan, the Servicer will maintain accurate records reflecting the status of fire and hazard insurance coverage and, if applicable, flood insurance.

The Servicer will cause to be maintained, for each Mortgage Loan, a fire and hazard insurance policy and such other hazards as are customary in the area where the Mortgaged Property is located, in an amount which is at least equal to the lesser of (1) appraised value plus one hundred percent (100%) of the insurable value of improvements as established by the property insurer on the origination date and (2) the outstanding principal balance of the Mortgage Loan on the date of origination. If the Mortgaged Property is a condominium unit, it may be included under the coverage afforded by a blanket policy for the project.

With respect to each Mortgage Loan, if the related Mortgaged Property is in an area identified in the Federal Register by the Federal Emergency Management Agency as having special flood hazards (specifically zones labeled as "A" or "V," including all sub-codes that start with either of these letters), provided that such flood insurance has been made available and may be acquired for the related Mortgage Loan, the Servicer will cause to be maintained a flood insurance policy meeting the requirements of the National Flood Insurance Program with a generally acceptable insurance carrier, in an amount representing coverage not less than the least of (i) the outstanding principal balance of the Mortgage Loan on the date of origination, (ii) appraised value plus the insurable value of the improvements to the related Mortgaged Property on the date of origination and (iii) the maximum amount of insurance which is available under the National Flood Insurance Program, as amended, on the date of origination. If the Mortgaged Property is a condominium, it may be included under the flood coverage afforded by a blanket policy. All individual insurance policies required under the Servicing Agreement contain standard mortgagee clauses with loss payable to the Servicer and its successors and assigns as beneficiary. The Servicer will not interfere with the Borrower's freedom of choice in selecting either its insurance carrier or agent; *provided, however*, that the Servicer will not accept any such insurance policies from insurance companies unless such companies are qualified insurers pursuant to the Servicing Agreement. The Servicer will maintain on each REO Property, fire, hazard and, to the extent applicable, flood insurance satisfying the foregoing requirements.

In general, the standard form of fire and extended coverage policy covers physical damage to or destruction of the improvements on the property by fire, lightning, explosion, smoke, windstorm, hail, riot, strike and civil commotion, subject to the conditions and exclusions specified in each policy. Although the policies relating to the Mortgage Loans will be underwritten by different insurers under different state laws in accordance with different applicable state forms and, therefore, will not contain identical terms and conditions, the terms of the policies are dictated by respective state laws, and most such policies typically do not cover any physical damage resulting from the following: war, revolution, governmental actions, floods and other weather-related causes, earth movement, including earthquakes, landslides and mudflows, nuclear reactions, wet or dry rot, vermin, rodents, insects or domestic animals, theft and, in certain cases, vandalism. The foregoing list is merely indicative of certain kinds of uninsured risks and is not intended to be all-inclusive.

Certain Matters Regarding the Servicer

The Servicing Agreement will also provide that neither the Servicer, nor any director, member, manager, officer, employee, agent or representative of the Servicer will be under any liability to the Indenture Trustee, the Issuer, Paying Agent, Noteholders or any third party for the taking of any action or for refraining from the taking of any action in good faith in connection with or pursuant to the Servicing Agreement, or for errors in judgment nor will the Servicer have any liability that results from the Issuer's, Paying Agent's or Indenture Trustee's failure to perform any of its obligations hereunder; *provided*, *however*, that this will not protect the Servicer against any liability which would otherwise be imposed on the Servicer by reason of the Servicer's gross negligence in selecting or supervising any subservicer engaged by the Servicer pursuant to the Servicing Agreement with respect to the Mortgage Loans. The Servicing Agreement will further provide that, subject to certain limitations, the Servicer, and any director, officer, employee, agent or representative of the Servicer will be entitled to indemnification from the assets of the Trust Estate and will be held harmless against any and all claims, losses, damages, penalties, fines, forfeitures, reasonable legal fees and judgments and related court costs, and any other reasonable costs, fees and expenses related thereto incurred in connection with (i) the performance of its duties and obligations under the Servicing Agreement; (ii) the actions or inactions of the Servicer that were taken or omitted upon the instruction or direction of the Issuer; (iii) the Issuer's failure to perform any of its obligations under the Servicing Agreement; (iv) complying with the terms of the Servicing Agreement; or (v) the servicing or administering of any Mortgage Loan or REO Property, provided that, such claims, losses, damages, penalties, fines, forfeitures, legal fees, judgments, costs, fees and expenses do not result from the Servicer not servicing or administering the related Mortgage Loan or related REO Property in compliance with the related terms of the Servicing Agreement in all material respects. In addition, the Servicing Agreement will provide, subject to the limitations set forth therein, that the Servicer will not be under any obligation to appear in, prosecute or defend any legal action which is not incidental to its obligation to sell or duty to service the Mortgage Loans in accordance with the Servicing Agreement and that in its opinion may involve it in any expense or liability; *provided, however,* that the Servicer may in its discretion undertake any action, subject to the terms of the Servicing Agreement, related to its obligations under the Servicing Agreement that it may deem necessary or desirable with respect to the Servicing Agreement. In such event, the legal expenses and costs of such action and any liability resulting therefrom are reimbursable from the Issuer upon written demand unless such expenses, costs and liabilities are subject to the Servicer's indemnification under the Servicing Agreement.

Any person into which the Servicer may be merged or consolidated, or any person resulting from any merger, conversion or consolidation to which the Servicer is a party, or any organization succeeding to the business through the transfer of substantially all of its assets or all assets relating to such business, or otherwise, of the Servicer will be the successor of the Servicer under the Servicing Agreement without requiring the consent of any party; provided that such successor or resulting entity will (i) be a recognized servicer of loans similar to the Mortgage Loans, (ii) have a net worth of not less than $2,000,000 and (iii) be capable of assuming the obligations of the servicer under the Servicing Agreement. Notwithstanding the foregoing, a successor to the Servicer as a result of a change of control of the Servicer will not require the consent of any party or otherwise be subject to the qualifications specified in the preceding sentence.

Servicer Defaults

Servicer events of default (each, a "Servicer Default") under the Servicing Agreement means any one of the following events: (i) any failure by the Servicer to deposit, or cause to be deposited, into the Payment Account, or remit to the Paying Agent (or its designee) any payment required to be so deposited or remitted by the Servicer under the terms of the Servicing Agreement or the Indenture when and as due which continues unremedied by the Servicer for a period of five (5) Business Days after the first date on which such deposit or remittance was due; (ii) failure on the part of the Servicer to duly observe or perform in any material respect any other of the material servicing covenants or agreements on the part of the Servicer set forth in the Servicing Agreement which continues unremedied for a period of sixty (60) days from the date of receipt by the Servicer of written notice of a failure or breach under the Servicing Agreement within which to correct or cure such breach in all material respects (such period, the "Cure Period"); *provided, however,* that in the case of a failure that cannot be cured within such Cure Period, the Cure Period will be extended by a period of time reasonably approved by the Indenture Trustee (acting at the direction of the Issuer or Noteholders holding more than 50% of the Percentage Interest of the Notes) if the Servicer is diligently pursuing remedial action; (iii) a decree or order of a court or agency or supervisory authority having jurisdiction for the appointment of a conservator or receiver or liquidator in any insolvency, bankruptcy, readjustment of debt, marshalling of assets and liabilities or similar proceedings, or for the winding-up or liquidation of its affairs, will have been entered against the Servicer and such decree or order will have remained in force undischarged or unstayed for a period of ninety (90) days; (iv) the Servicer will consent to the appointment of a conservator or receiver or liquidator in any insolvency, bankruptcy, readjustment of debt, marshalling of assets and liabilities or similar proceedings of or relating to the Servicer or of or relating to all or substantially all of its property or an attempt by the Servicer, without the consent of the Issuer, to sell or otherwise dispose of all or substantially all of its property or assets; or (v) the Servicer will admit in writing its inability to pay its debts generally as they become due, file a petition to take advantage of any applicable insolvency or reorganization statute, make an assignment for the benefit of its creditors, or voluntarily suspend payment of its obligations.

Rights upon Servicer Defaults

So long as a Servicer Default under the Servicing Agreement has not been remedied or waived by the Indenture Trustee (acting at the direction of the Issuer or Noteholders holding more than 50% of the Percentage Interest of the Notes), the Indenture Trustee (acting at the direction of the Noteholders holding at least 67% Percentage Interest of the Notes) may, by notice in writing to the Servicer, terminate all of the rights and obligations of the Servicer with respect to the Mortgage Loans, as provided in the Servicing Agreement, whereupon a successor servicer, appointed by the Issuer, will succeed to all of the responsibilities and duties of the Servicer, including the obligation to make any required Servicing Advances. The Servicer will continue to service the Mortgage Loans until a successor has assumed all of its responsibilities under the Servicing Agreement. Any successor servicer must be reasonably acceptable to the Indenture Trustee.

In the event that the Servicer is terminated, the Issuer will, within ninety (90) days of such termination, appoint a successor servicer reasonably acceptable to the Indenture Trustee (acting at the direction of the Noteholders holding more than a 50% Percentage Interest of the Notes). Any fee payable to a successor servicer appointed by the Issuer will not exceed the Servicing Fee.

Any reasonable servicing transfer costs of the successor servicer incurred in connection with the transfer of servicing from the predecessor Servicer, including, without limitation, any reasonable costs or expenses associated with the documentation of the assumption of duties by the successor servicer, the complete transfer of all servicing data and the completion, correction and manipulation of such servicing data as may be required by the successor to correct any errors or insufficiencies in the servicing data or otherwise to enable the successor servicer to service the Mortgage Loans properly and effectively, will be paid by the predecessor Servicer. The successor servicer will assume the servicing obligations as soon as practicable, but in no event later than ninety (90) days after its appointment.

No assurance can be given that termination of the rights and obligations of the Servicer would not adversely affect the servicing of the Mortgage Loans, including the delinquency experience of the Mortgage Loans. See "*Risk Factors—Risks Related to the Notes—Failure of the Servicer to Perform, Servicer Event of Default, Servicer Termination or Servicer Resignation May Cause the Notes to Suffer Delays or Shortfalls in Payments*" in this Offering Memorandum.

Subservicing and Delegation of Duties

Any of the servicing obligations of the Servicer may be delegated to another person who meets the eligibility requirements set forth in the Servicing Agreement and agrees to conduct such duties in accordance with the Servicing Agreement, and neither the Servicer nor any other person will be entitled to any additional compensation from assets of the Trust Estate. In the case of any such delegation, the Servicer will remain liable under the Servicing Agreement and will be obligated to cause the subservicer to service the Mortgage Loans in accordance with the terms of the Servicing Agreement.

Access to Documentation

The Servicer will provide access to all records and documentation regarding the Mortgage Loans to the Indenture Trustee (upon direction of the Noteholders or otherwise), the Asset Manager and the Issuer without charge, upon reasonable advance written notice thereof, during normal business hours at the offices of the Servicer. Unless a Servicer Default has occurred and is continuing the rights of any person under the Servicing Agreement are limited to one (1) inspection per calendar year.

Assignment and Resignation of the Servicer

Except in the limited circumstances permitted under the Servicing Agreement, the Servicer may not assign its obligations under the Servicing Agreement or resign from the obligations and duties imposed on it by the Servicing Agreement except by mutual consent of the Issuer, the Asset Manager, the Servicer and the Indenture Trustee (at the direction of the Noteholders holding more than a 50% Percentage Interest of the Notes) or upon the determination that the Servicer's duties under the Servicing Agreement are no longer permissible under applicable law and such incapacity cannot be cured by the Servicer without the incurrence of unreasonable expense. Notwithstanding the foregoing, the Servicer has the right to resign as Servicer under the Servicing Agreement if the Servicer has proposed a successor servicer to the Indenture Trustee and the Issuer in writing and such proposed successor is consented to by the Indenture Trustee (with the consent of the Noteholders holding more than a 50% Percentage Interest of the Notes) and the other parties to the Servicing Agreement. No such resignation will become effective until a successor has assumed the Servicer's responsibilities and obligations in accordance with the Servicing Agreement. Servicing transfer costs of the successor servicer will be paid by the outgoing Servicer or, if such Servicer fails to pay such costs within sixty (60) days of written notice thereof, from the Trust Estate.

Amendment

The Servicing Agreement may be amended only by written agreement signed by the Servicer, the Issuer and the Indenture Trustee; provided that the party requesting such amendment will, at its own expense, provide the Indenture Trustee with an opinion of counsel that such amendment (A)(i) is authorized or permitted under the Servicing Agreement and (ii) will not materially adversely affect the interest of the Noteholders and the Issuer and (B) all conditions precedent to such amendment have been satisfied, unless such opinion is waived by the Indenture Trustee (acting at the direction of Noteholders holding 100% Percentage Interest of the Notes). None of the Servicer, the Issuer or the Indenture Trustee will enter into any amendment that would adversely affect the interests of the Owner Trustee without the Owner Trustee's prior written consent.

ASSET MANAGEMENT AGREEMENT

The Asset Manager will, in accordance with the Asset Management Agreement, provide certain management services in connection with the servicing and sale of the Mortgage Loans and the Rehabilitation Disbursement Request disbursement process, and will advise the Issuer regarding the purchase of Additional Mortgage Loans. Set forth below are summaries of the specific terms and provisions pursuant to which the Mortgage Loans will be managed. The summaries do not purport to be complete and are subject to, and are qualified in their entirety by reference to, the provisions of the Asset Management Agreement.

Asset Management and Other Compensation and Payment of Expenses

The Asset Manager will be entitled to receive the Asset Management Fee as compensation for its activities under the Asset Management Agreement. The Asset Manager is entitled to retain as additional compensation for performing its duties as Asset Manager, but not duplicative, any net interest earned on deposits in the Accumulation Account. Additionally, the Asset Manager will be entitled to reimbursement from the Accumulation Account for certain expenses, costs and liabilities incurred in connection with its management activities pursuant to the Asset Management Agreement. The Asset Management Fee and reimbursements for certain expenses, costs and liabilities incurred pursuant to the Asset Management Agreement may be paid, directly by the Paying Agent, unless an Event of Default has occurred or is continuing, at the Asset Manager's discretion, from amounts on deposit in the (i) Payment Account or (ii) to the extent not already paid from the Payment Account, the Accumulation Account. See "*The Indenture—Accounts*" in this Offering Memorandum.

The Asset Manager will be required to pay all related expenses incurred in connection with its asset management responsibilities (subject to limited reimbursement as described in the Asset Management Agreement).

Servicing Oversight

The Asset Manager will be responsible for managing the Mortgage Loans and related REO Properties on behalf of the Issuer pursuant to the Asset Management Agreement. Specifically, the Asset Manager's general role is to maximize value of the Mortgage Loans and REO Properties through certain “Servicing Oversight” functions, including:

- providing guidance and necessary approvals with respect to any acts or decisions required to be made by the Servicer under the Servicing Agreement, including without limitation, loss-mitigation activities and resolution of the Mortgage Loans and REO Properties undertaken by the Servicer pursuant to the Servicing Agreement and approval of any modifications or forbearances with respect to the Mortgage Loans;

- facilitating sales of the Mortgage Loans or REO Properties on behalf of the Issuer at any time at a fair market value (as reasonably determined by the Asset Manager in its reasonable business judgment and taking into account any expenses of such sale) in arm’s-length transactions;

- managing foreclosures conducted by the Servicer for any Mortgage Loan;

- providing guidance and oversight with respect to the Servicer’s collection practices;

- engaging additional vendors or third-party servicers, as needed, to maximize the value of the Mortgage Loans or REO Properties;

- exercising the right to terminate (or direct the termination of) the Servicer with respect to some or all of the Mortgage Loans and REO Properties, and appointing a qualified successor servicer in accordance with the Servicing Agreement;

- reviewing the Securitization Diligence Provider’s or other Eligible Diligence Vendor’s reports with respect to Additional Mortgage Loans, or in the case of a Sample Diligence Review, the Review Mortgage Loans representative of the Additional Mortgage Loans, proposed to be sold to the Issuer during the Reinvestment Period and confirming that no adverse diligence findings exist with respect to such Additional Mortgage Loans;

- calculating the criteria for Eligible Mortgage Loans and confirming that the Additional Mortgage Loans comply with such Eligible Mortgage Loan criteria;

- confirming that each Additional Mortgage Loan has been originated in an Eligible State; and

- to the extent the Asset Manager has actual knowledge of (x) an allegation of Material Document Defect and such alleged missing document or defect is preventing or materially delaying the (a) realization against the related Mortgaged Property through foreclosure or similar loss mitigation activity or (b) processing of any title claim under the related title insurance policy; or (y) an allegation of Material Breach with respect to a Mortgage Loan, in each case notifying the Indenture Trustee in writing of such allegation.

Special Services

In addition to Servicing Oversight, the Asset Manager will, in its discretion, direct the Servicer or its subservicer or its designee in writing to perform special services on behalf of the Issuer, as described below. “Special Services” means those loan servicing services pertaining to the Mortgage Loans and REO Properties which, applying the Servicing Standard, are required under the Asset Management Agreement and the Servicing Agreement to be performed by the Servicer, and which will include:

(i) modification, waiver or amendment, whether or not material, of or with respect to any Mortgage Loan, including, without limitation, any forgiveness of principal, any change in the amount or timing of any payment of principal or interest, maturity or prepayment provisions (except for the Servicer’s exercise of its discretion, as specifically contemplated in the Mortgage Note, to extend payment or maturity dates, which will not be deemed a modification or require the Issuer’s or the Asset Manager’s consent) or the substitution, release or addition of any real property collateral for any Mortgage Loan;

(ii) the granting or withholding of consent to any transfer of ownership of a Mortgaged Property or any transfer of any interest of an owner of a Mortgaged Property or a Borrower;

(iii) the granting or withholding of consent to any request for approval to place subordinate financing on a Mortgaged Property;

(iv) the determination of whether or not to release proceeds of condemnation or casualty insurance to the Borrower under any Mortgage Loan and to oversee the disbursement thereof in connection with the performance of restoration or rebuilding of the related Mortgaged Property;

(v) the waiver or deferral of any Default Interest (but not a late payment charge) or Prepayment Charge under any Mortgage Loan;

(vi) the approval of any lease or material contract;

(vii) the taking of any action to initiate, prosecute and manage foreclosure proceedings and other legal proceedings related thereto in connection with any Mortgage Loan pursuant to the Servicing Agreement; and

(viii) the selling or disposing of any Mortgage Loan or REO Property and at the express direction of Issuer.

Further, the Asset Manager may, at it its discretion, cause the Servicing Fee to be paid and the Servicer to be reimbursed for unreimbursed Servicing Advances from amounts on deposit in the (i) Payment Account or (ii) to the extent not already paid from the Payment Account, the Accumulation Account. See "*The Indenture—Accounts*" in this Offering Memorandum.

Unfunded Commitment Requests Process

Upon a request from a Borrower that an Unfunded Commitment be funded in accordance with the terms of the related Mortgage Note, the Asset Manager may utilize the services of a third-party construction loan management service provider, licensed in the state of the subject property, to facilitate the construction progress inspection and reporting process. Upon completion of the Reimbursement Advance Request review process, the Asset Manager (on behalf of the Issuer) may disburse funds from the Accumulation Account to fund any such Unfunded Commitment or with respect to Mortgage Loans with Funded Commitments will release amounts from the related Rehab Escrow Account.

Extensions; Modifications

Pursuant to the terms of the Mortgage Note, the Servicer is authorized, without the Asset Manager's consent, to extend the terms of Mortgage Loans past the original maturity date. Pursuant to the Asset Management Agreement, the Asset Manager will authorize repayment plans or forbearance plans with Borrowers. In addition, the Asset Manager may modify the payment terms of Mortgage Loans that are in default, or as to which the Asset Manager has determined default is foreseeable by reducing the Mortgage Interest Rate, forgiving payments of interest, extending the final maturity date, deferring delinquent interest and other amounts owed under such Mortgage Loans, with or without interest, or any combination of these or other modifications that comply with accepted servicing practices.

Loss Mitigation

Pursuant to the terms of the Asset Management Agreement, the Asset Manager will take such action as it deems to be in the best interest of the Issuer with respect to defaulted Mortgage Loans and foreclose upon or otherwise comparably convert the ownership of properties securing defaulted Mortgage Loans as to which no satisfactory collection arrangements can be made. To the extent set forth in the Asset Management Agreement, the Asset Manager will service the property acquired through foreclosure or deed-in-lieu of foreclosure in accordance with procedures that the Asset Manager employs and exercises in servicing and administering mortgage loans for its own account and that are in accordance with accepted mortgage servicing practices of prudent lending institutions for mortgage loans similar to the Mortgage Loans. Other potential loss mitigation actions to be taken by the Asset Manager with respect to delinquent Mortgage Loans include short sales, refinancings (including short refinancings) and acceptance of deeds-in-lieu of foreclosure. The Servicer will not conduct foreclosures or carry out loss-mitigation activities unless directed to do so by the Asset Manager in connection therewith.

In the case of foreclosure or of damage to a Mortgaged Property or an REO Property, the Asset Manager will not be required to expend its own funds to foreclose or restore any damaged property, unless it determines (i) that such foreclosure and/or restoration will increase the proceeds of liquidation of the Mortgage Loan or REO Property after reimbursement to the Asset Manager for its expenses and (ii) that such expenses will be recoverable to it through Collections received in respect of the related Mortgage Loan or REO Property, as applicable. In the event that the Asset Manager has expended its own funds for foreclosure or to restore damaged property, it will be entitled to be reimbursed from the Accumulation Account an amount equal to all costs and expenses incurred by it.

REO Management and Disposition

Pursuant to the Asset Management Agreement, the Asset Manager or an agent selected by the Asset Manager will manage, conserve, protect and operate any REO Property in accordance with the Asset Manager's policies and procedures and the requirements of the Asset Management Agreement and in the same manner that similar property in the same locality as such REO Property is managed consistent with accepted servicing practices and Applicable Law. The Asset Manager will use reasonable efforts to dispose of any REO Property as soon as possible for the purpose of maximizing returns for the Issuer. In connection with the disposition or liquidation of an REO Property, the Asset Manager may transfer, or approve the transfer of, such REO Property to a special purpose vehicle controlled by the Depositor.

Accumulation Account

The Paying Agent, on behalf of the Indenture Trustee for the benefit of the Noteholders, will establish and maintain the Accumulation Account under the Indenture as a segregated, non-interest bearing account pursuant to the Indenture. On the Closing Date, approximately $220,671,895 will be deposited in the Accumulation Account which may be in the form of highly rated liquid securities (such as short-term U.S. treasuries) that satisfy the criteria for a Permitted Investment as set forth in the Indenture.

From time to time during the Reinvestment Period, the Asset Manager, subject to the requirements set forth under "*Description of the Mortgage Loans—Additional Mortgage Loans*" may withdraw amounts on deposit in the Accumulation Account at its discretion and remit such amounts to enable the Issuer to purchase Additional Mortgage Loans from the Depositor and to enable the Depositor to purchase Additional Mortgage Loans from the Seller. Any Additional Mortgage Loans purchased by the Issuer during the Reinvestment Period will have the characteristics set forth under "*Description of the Mortgage Loans—Additional Mortgage Loans*" in this Offering Memorandum. The amount paid from the Accumulation Account on each Additional Transfer Date will not include accrued interest on the related Additional Mortgage Loans accrued prior to the related Additional Cut-off Date. The Note Amount of the Notes will not be increased as a result of the purchase of Additional Mortgage Loans by the Depositor. The Issuer will not be permitted to purchase Additional Mortgage Loans from amounts on deposit in the Accumulation Account if, as of such date of determination, an Early Amortization Event is in effect or the Class A Minimum Credit Enhancement Test is not satisfied, but the Issuer will be permitted to continue to fund Unfunded Commitments, as described under "*The Indenture—Accounts*" in this Offering Memorandum.

Additionally, amounts on deposit in the Accumulation Account may be used by the Asset Manager, at its discretion, (i) to fund Unfunded Commitments with respect to the Mortgage Loans; (ii) to acquire Additional Mortgage Loans, (iii) to reimburse the Servicer for unreimbursed Servicing Advances; or (iv) to pay for all customary, reasonable and/or necessary "out-of-pocket" costs and expenses incurred in the performance of its obligations under the Asset Management Agreement.

Amounts on deposit in the Accumulation Account may, at the written direction of the Asset Manager, be invested in Permitted Investments (as defined in the Indenture). If no written direction is provided by the Asset Manager, funds on deposit in the Accumulation Account will remain uninvested. The Asset Manager will be entitled to any investment earnings and will bear any investment losses. Following the declaration of an Event of Default under the Indenture, the Asset Manager will not be permitted to make withdrawals from the Accumulation Account.

In addition, if the Note Amount of the Class M Notes is reduced to zero and there are remaining amounts on deposit in the Accumulation Account, such remaining amounts will be distributed *pro rata* to the holders of the Issuer Residual Interest Certificate in accordance with the Priority of Payments.

Acquisitions of Additional Mortgage Loans

From time to time during the Reinvestment Period, the Asset Manager, subject to the requirements set forth under "*Description of the Mortgage Loans—Additional Mortgage Loans*" may direct the Paying Agent to withdraw amounts on deposit in the Accumulation Account at its discretion and remit such amounts to enable the Issuer to purchase Additional Mortgage Loans from the Depositor and to enable the Depositor to purchase Additional Mortgage Loans from the Seller. Any Additional Mortgage Loans purchased by the Issuer during the Reinvestment Period must satisfy the criteria described under "*Description of the Mortgage Loans—Additional Mortgage Loans*" in this Offering Memorandum. The amount paid from the Accumulation Account on each Additional Transfer Date will not include accrued interest on the related Additional Mortgage Loans accrued prior to the related Additional Cut-off Date. The Note Amount of the Notes will not be increased as a result of the purchase of Additional Mortgage Loans by the Depositor. The Issuer will not be permitted to purchase Additional Mortgage Loans from amounts on deposit in the Accumulation Account if, as of such date of determination, an Early Amortization Event is in effect or the Class A Minimum Credit Enhancement Test is not satisfied, but the Issuer will be permitted to continue to fund Rehabilitation Disbursement Requests, as described under "*The Indenture—Accounts*" in this Offering Memorandum.

In connection with the acquisition of Additional Mortgage Loans by the Issuer during the Reinvestment Period, the Sponsor will engage an Eligible Diligence Vendor to conduct an Eligibility and Data Integrity Review, and conduct a Random Sample Review on each Review Mortgage Loan, in each case, no later than the Payment Date immediately following the Collection Period in which such Additional Mortgage Loans were acquired. If a Random Sample Review of the Additional Mortgage Loans related to any Collection Period results in "C" equivalent or lower grades for 5.0% or more (by loan count) of such reviewed Additional Mortgage Loans, the Issuer will be required to conduct a Second Sample Review. If such Second Sample Review also results in "C" equivalent or lower grades for 5.0% or more (by loan count) of such reviewed loans, the Issuer will be required to conduct a 100% Review. See "*Description of the Mortgage Loans—Review Procedures*" in this Offering Memorandum for more information.

Collateral Oversight Obligations; Delegation of Duties

Pursuant to the Asset Management Agreement, the Asset Manager will be obligated to evaluate compliance of the Mortgage Loans with certain of the Originator's Underwriting Guidelines and review the Collateral reports of the Servicer as follows (collectively, the "Collateral Oversight Obligations"):

1. *Additional Mortgage Loan Review*: The Asset Manager will evaluate the Securitization Diligence Provider's or Eligible Diligence Provider's, as applicable, reporting related to review of Mortgage Loans as described under "*Description of the Mortgage Loans—Review Procedures*." to verify the following:

    - whether each Additional Mortgage Loan complies with the Eligible Mortgage Loan criteria using the Underwriting Guidelines;
    - confirm the "as is" or "after repair" value (as applicable) of the underlying Mortgaged Property;
    - identify items for correction based on the data integrity review; and
    - the summary grading of each mortgage file.

2. *Collateral Reporting Review*: The Asset Manager will evaluate the Servicer's reporting related to the Notes and the Mortgage Loans to verify the following:

    - whether such Mortgage Loans are Eligible Mortgage Loans including whether any Concentration Limit is exceeded; and

- the delinquency status of the Mortgage Loans (based on the MBA Method) using the following categories: (A) delinquent 0-29 days, i.e., current, (B) delinquent 30-59 days, (C) delinquent 60-89 days, (D) delinquent 90-119 days and (E) delinquent 120 days or more.

The Asset Manager will have discretion to delegate any of its Collateral Oversight Obligations to the Servicer or any person who meets the definition of an "Eligible Diligence Vendor" under the Asset Management Agreement. The Asset Manager will be responsible for the payment of fees of any such Eligible Diligence Vendor, and no such Eligible Diligence Vendor will be entitled to any compensation from assets of the Trust Estate. In the case of any such delegation, the Asset Manager will remain liable under the Asset Management Agreement and will be obligated to cause such Eligible Diligence Vendor to perform the Collateral Oversight Obligations in accordance with the terms of the Asset Management Agreement.

The Asset Manager anticipates that it will engage an Eligible Diligence Vendor to perform the Collateral Oversight Obligations.

Certain Matters Regarding Asset Manager

The Asset Management Agreement will also provide that neither the Asset Manager, nor any affiliate, director, member, manager, officer, employee or agent of the Asset Manager will be under any liability to the Indenture Trustee, the Issuer or the Noteholders for the taking of any action or for refraining from the taking of any action in good faith pursuant to the Asset Management Agreement, or for errors in judgment; *provided*, *however*, that none of the Asset Manager, any subcontractor, or any director, officer, employee or agent of the Asset Manager will be protected against any breaches of representations and warranties in the Asset Management Agreement, failure to perform its respective obligations in compliance with any standards of care set forth in the Asset Management Agreement or any liability that would otherwise be imposed by reason of willful misfeasance, bad faith or gross negligence in the performance of his, her or its duties or by reason of reckless disregard of his, her or its respective obligations and duties thereunder. The Asset Management Agreement will further provide that, subject to certain limitations, the Asset Manager, and any affiliate, director, member, manager, officer, employee or agent of the Asset Manager will be entitled to indemnification from the assets of the Trust Estate and will be held harmless against any loss, liability or expense incurred, including reasonable attorneys' fees, in connection with the performance of its duties and obligations and any claim, legal action, investigation or proceeding relating to the Asset Management Agreement, the Notes, the Asset Manager's performance under the Asset Management Agreement, or any specific action that the Asset Manager was authorized or required to perform pursuant to the Asset Management Agreement, as such are incurred, except for any loss, liability or expense incurred by reason of willful misfeasance, bad faith or gross negligence in the performance of its respective duties thereunder or by reason of reckless disregard of its respective obligations and duties thereunder. In addition, the Asset Management Agreement will provide, subject to the limitations set forth therein, that the Asset Manager will not be under any obligation to appear in, prosecute or defend any legal action that is not incidental to its obligations under the Asset Management Agreement and that in its opinion may result in its incurring any expenses or liability; *provided*, *however*, that the Asset Manager may in its discretion undertake any such action that it may deem necessary or desirable with respect to the Asset Management Agreement and the rights and duties of the parties under the Asset Management Agreement and the interests of the Noteholders and the Issuer. In such event, the legal expenses and costs of such action and any liability resulting therefrom will be expenses, costs and liabilities of the Asset Manager.

Any person into which the Asset Manager may be merged or consolidated, or any person resulting from any merger, conversion or consolidation to which the Asset Manager is a party, or any organization succeeding to the business through the transfer of substantially all of its assets or all assets relating to such business, or otherwise, of the Asset Manager will be the successor of the Asset Manager under the Asset Management Agreement without requiring the consent of any party; provided that such successor or resulting entity (other than a successor to the Asset Manager as a result of a change of control of the Asset Manager) will (i) be a recognized servicer of loans similar to the Mortgage Loans, (ii) have a net worth of not less than $2,000,000 and (iii) be capable of assuming the obligations of the Asset Manager under the Asset Management Agreement.

Asset Manager Termination Events

Any of the following acts or occurrences will constitute a termination event under the Asset Management Agreement for the Asset Manager (each, an "Asset Manager Termination Event"): (i) the Asset Manager fails to observe or perform in any material respect any covenant or agreement required to be performed under the Asset Management Agreement and such failure continues unremedied for sixty (60) days following its receipt of written notice thereof; (ii) any representation or warranty of the Asset Manager set forth in the Asset Management Agreement proves to be incorrect in any material respect as of the date made, and such breach continues unremedied for sixty (60) days following its receipt of written notice thereof; or (iii) the insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceedings, and certain actions by or on behalf of the Asset Manager indicating its insolvency or inability to pay its obligations as they become due.

Rights upon Asset Manager Termination Events

So long as an Asset Manager Termination Event has not been remedied or waived by the Indenture Trustee (acting at the direction of the Issuer or Noteholders holding more than 50% of the Percentage Interest of the Notes), in writing, the Indenture Trustee, at the direction of the Noteholders holding at least 67% Percentage Interest of the Notes, may, by notice in writing to the Asset Manager terminate all of the rights and obligations of the Asset Manager with respect to the Mortgage Loans, as provided in the Asset Management Agreement, without any other party thereto or the Paying Agent incurring any penalty or fee of any kind whatsoever in connection therewith and whereupon a successor asset manager will succeed to all of the responsibilities and duties of the Asset Manager. The Asset Manager will continue to service or manage the Mortgage Loans until a successor has assumed all of its responsibilities under the Asset Management Agreement. Any successor asset manager must be acceptable to the Indenture Trustee.

In the event that the Asset Manager is terminated by the Indenture Trustee (acting at the direction of the Issuer or Noteholders holding at least 67% Percentage Interest of the Notes), the Issuer will, within ninety (90) days of such termination, appoint a successor asset manager acceptable to the Indenture Trustee (acting at the direction of the Noteholders holding at least a 67% Percentage Interest of the Notes). Any fee payable to a successor asset manager appointed by the Issuer will not exceed the Asset Management Fee.

Any reasonable transfer costs of the successor incurred in connection with the transfer of management from the predecessor Asset Manager, including, without limitation, any reasonable costs or expenses associated with the documentation of the assumption of duties by the successor, the complete transfer of all management data and the completion, correction and manipulation of such management data as may be required by the successor to correct any errors or insufficiencies in the management data or otherwise to enable the successor to manage the Mortgage Loans properly and effectively, will be paid by the predecessor Asset Manager. The successor asset manager will assume the management obligations as soon as practicable, but in no event later than ninety (90) days after its appointment. Upon completion of the transfer to any successor asset manager, any Asset Management Fees, all customary, reasonable and necessary "out-of-pocket" costs incurred in the performance of the Asset Management Agreement and any other fees and expenses due and payable to the previous Asset Manager pursuant to the Asset Management Agreement which remain unpaid or unreimbursed as of such date will be remitted by the Paying Agent to such Asset Manager on the next Payment Date or any subsequent Payment Dates until fully reimbursed, and subject to available funds.

No assurance can be given that termination of the rights and obligations of the Asset Manager would not adversely affect the servicing of the Mortgage Loans, including the delinquency experience of the Mortgage Loans.

Assignment and Resignation of the Asset Manager

Except in the limited circumstances permitted under the Asset Management Agreement, the Asset Manager may not assign its obligations under the Asset Management Agreement or resign from the obligations and duties imposed on it by the Asset Management Agreement except by mutual consent of the Issuer, the Asset Manager and the Indenture Trustee (at the direction of the Noteholders holding more than a 50% Percentage Interest of the Notes) or upon the determination that the Asset Manager's duties under the Asset Management Agreement are no longer permissible under applicable law and such incapacity cannot be cured by the Asset Manager without the incurrence of unreasonable expense. Notwithstanding the foregoing, the Asset Manager has the right to resign as Asset Manager under the Asset Management Agreement, if the Asset Manager has proposed a successor asset manager to the Indenture Trustee and the Issuer in writing and such proposed successor asset manager is consented to by the Indenture Trustee (at the written direction of Noteholders holding more than a 50% Percentage Interest of the Notes) and the Issuer. No such resignation will become effective until a successor has assumed the Asset Manager's responsibilities and obligations in accordance with the Asset Management Agreement. Transfer costs of the successor asset manager will be paid by the outgoing Asset Manager or, if such Asset Manager fails to pay such costs within 60 days of written notice thereof, from the Trust Estate.

Amendment

The Asset Management Agreement may be amended only by written agreement signed by the Issuer, the Asset Manager and the Indenture Trustee; provided that the party requesting such amendment will, at its own expense, provide the Indenture Trustee with an opinion of counsel that such amendment (A)(i) is authorized or permitted under the Asset Management Agreement and (ii) will not materially adversely affect the interest of the Noteholders and the Issuer and (B) all conditions precedent to such amendment have been satisfied, unless such opinion is waived by the Indenture Trustee (acting at the direction of Noteholders holding 100% Percentage Interest of the Notes). None of the Servicer, the Issuer or the Indenture Trustee will enter into any amendment that would adversely affect the interests of the Owner Trustee without the Owner Trustee's prior written consent.

THE INDENTURE

General

The Notes will be issued pursuant to the Indenture, to be dated as of the Closing Date (the "Indenture"), among the Issuer, the Indenture Trustee, the Paying Agent and the Note Registrar. Set forth below are summaries of the specific terms and provisions pursuant to which the Notes will be issued. The summaries do not purport to be complete and are subject to, and are qualified in their entirety by reference to, the provisions of the Indenture.

The Issuer will grant to the Indenture Trustee for the benefit of the Noteholders all of the Issuer's right, title and interest in and to, whether now owned or existing, or hereafter acquired or arising: (i) the Mortgage Loans, including the related Mortgage Notes; (ii) all rights to administer or manage the Mortgage Loans or to possess related records; (iii) all Collections related to the Mortgage Loans and the Payment Account, the Accumulation Account, the Pre-funding Interest Account, the Rehab Escrow Account and the Redemption Account and all funds on deposit therein from time to time, excluding any investment income from such funds; (iv) the Issuer's rights as assignee of the Depositor under the First Step Mortgage Loan Purchase Agreement; (v) the Issuer's rights under the Second Step Mortgage Loan Purchase Agreement, the Custodial Agreement, the Servicing Agreement and the Asset Management Agreement; and (vi) any proceeds of any of the foregoing.

Any Mortgage Loan repurchased by Seller or otherwise transferred by the Issuer in accordance with the terms of the Indenture will be deemed to be automatically released by the Issuer and from the lien of the Indenture Trustee without any action being taken by the Issuer upon payment by Seller of the related Repurchase Price for such repurchased Mortgage Loan or receipt of proceeds from the sale of such Mortgage Loan, as the case may be.

Accounts

Accumulation Account

The Paying Agent, on behalf of the Indenture Trustee, will establish and maintain the Accumulation Account (the "Accumulation Account") under the Indenture as a segregated, non-interest bearing account pursuant to the Indenture. Unless an Event of Default has occurred and is continuing upon direction from the Asset Manager, the Paying Agent may withdraw amounts on deposit in the Accumulation Account (i) for the purchase by the Issuer of Additional Mortgage Loans during the Reinvestment Period, pursuant to the Mortgage Loan Purchase Agreements; (ii) to fund approved Rehabilitation Disbursement Requests on Mortgaged Properties securing Mortgage Loans with Unfunded Commitments; or (iii) to reimburse the Servicer for unreimbursed Rehabilitation Advances; or (iv) to the extent not already paid from the Payment Account, (a) to reimburse the Servicer for unreimbursed Servicing Advances; (b) to pay the Asset Management Fee; (c) to pay the Servicer the Servicing Fee; or (d) to pay for all customary, reasonable and/or necessary out-of-pocket costs and expenses incurred in the performance of the Asset Manager's obligations under the Asset Management Agreement.

On the Closing Date, approximately $220,671,895 in cash will be deposited into the Accumulation Account.

In addition, on each Payment Date during the Reinvestment Period, after the distribution of Available Funds is made pursuant to the Priority of Payments, the Paying Agent, upon written direction from the Asset Manager, may withdraw from the Accumulation Account an amount equal to the excess, if any, of (i) the aggregate Note Amount of the Class A Notes and Class M Notes (after giving effect to any principal payments made to the Class A Notes on such Payment Date) divided by 95.0%, over (ii) the aggregate Unpaid Principal Balance of the Mortgage Loans plus any amounts held in the Accumulation Account as of the immediately preceding Calculation Date and distribute such amounts to the holder of the Issuer Residual Interest Certificate.

During the Reinvestment Period, the Paying Agent will, at the direction of the Asset Manager, remit all Collections deposited by the Servicer into the Payment Account with respect to the Mortgage Loans representing principal (which includes the principal portion of any Net Liquidation Proceeds and Repurchase Price) from the Payment Account into the Accumulation Account.

During the Reinvestment Period, the Issuer will not be permitted to purchase any Additional Mortgage Loans unless, (i) such Additional Mortgage Loan is an Eligible Mortgage Loan, (ii) after giving effect to the purchase of any Additional Mortgage Loan, no Early Amortization Event has occurred and is continuing and (iii) such acquisition of Additional Mortgage Loans is in compliance with the Trading Restrictions.

Payment Account

The Paying Agent, on behalf of the Indenture Trustee for the benefit of the Noteholders, will establish and maintain the "Payment Account" under the Indenture. The Paying Agent will hold the funds in the Payment Account uninvested. From time to time, unless an Event of Default has occurred and is continuing, upon direction from the Asset Manager, the Paying Agent will be required to withdraw amounts on deposit in the Payment Account (i) to reimburse the Servicer for unreimbursed Servicing Advances; (ii) to pay the Asset Management Fee; (iii) to pay the Servicer the Servicing Fee; or (iv) to pay for all customary, reasonable and/or necessary out-of-pocket costs and expenses incurred in the performance of the Asset Manager's obligations under the Asset Management Agreement.

The Servicer will deposit all Collections with respect to the Mortgage Loans into the Payment Account in accordance with the Servicing Agreement and the Paying Agent, at the direction of the Asset Manager, will then remit from the Payment Account all such Collections representing principal (which includes the principal portion of any Net Liquidation Proceeds or Repurchase Price) from the Payment Account into the Accumulation Account.

On each Payment Date during the Reinvestment Period, the Paying Agent will automatically withdraw from amounts on deposit in the Accumulation Account and deposit such amounts in the Payment Account, to the extent available, an amount equal to the excess, if any, of (i) the sum of all amounts due and payable on such Payment Date under clauses *first* through *sixth* of the Priority of Payments, plus the Class A Paydown Amount, if any, over (ii) the amount of Available Funds on deposit in the Payment Account on such Payment Date prior to any amounts being withdrawn from the Accumulation Account and deposited into the Payment Account and any payments being made from the Payment Account or the Redemption Account on such Payment Date. On each Payment Date after the Reinvestment Period, the Paying Agent will (i) remit all funds on deposit in the Accumulation Account as of such date, for deposit into the Payment Account for distribution pursuant to the Priority of Payments, and (ii) deposit into the Accumulation Account funds pursuant to clauses *seventh*, *eighth* and *fourteenth* of the Priority of Payments. All amounts deposited to the Payment Account will be held in the name of the Indenture Trustee for the benefit of the Noteholders in accordance with the terms and provisions of the Indenture. Any amounts held in the Payment Account will remain uninvested.

On each Payment Date, the Paying Agent will remit all necessary funds to pay the Noteholders and the other transaction parties in accordance with the provisions set forth under "*Description of the Notes—Priority of Payments*" in this Offering Memorandum.

Pre-funding Interest Account

The Paying Agent, on behalf of the Indenture Trustee, will establish and maintain the "Pre-funding Interest Account" under the Indenture as a segregated account pursuant to the Indenture. On the Closing Date, the Depositor will deposit approximately $3,500,000 in cash into the Pre-funding Interest Account to be included in Available Funds for the Payment Dates occurring in July 2024, August 2024 and September 2024. On the Payment Dates occurring in

July 2024 and August 2024, the Paying Agent will withdraw an amount specified by the Asset Manager on deposit in the Pre-funding Interest Account to be included in Available Funds. The remaining amounts on deposit in the Pre-funding Interest Account will be withdrawn on the Payment Date occurring in September 2024 to be included in Available Funds.

Amounts on deposit in the Pre-funding Interest Account, at the written direction of the Asset Manager, shall be invested in "Permitted Investments" (as defined in the Indenture). If no written direction is provided by the Asset Manager, funds on deposit in the Pre-funding Interest Account will remain uninvested. The Asset Manager will be entitled to any investment earnings and will reimburse the Pre-funding Interest Account for any losses on Permitted Investments.

Redemption Account

The Class A2 Notes and the Class M Notes will have the benefit of the Redemption Account. On and following the Payment Date on which the Note Amount of the Class A1 Notes has been reduced to zero, all Collections on the Mortgage Loans will, in accordance with the Priority of Payments, be deposited by the Paying Agent into the Redemption Account until the amount in the Redemption Account is equal to (a) the Class A2 Note Amount *plus* (b) the Class M Note Amount *plus* (c) the sum of expected Interest Payment Amounts for the Class A2 Notes for each of the remaining Payment Dates to and including the Class A2 Note Expected Redemption Date *plus* (d) the sum of expected Interest Payment Amounts for the Class M Notes for each of the remaining Payment Dates to and including the Class M Note Expected Redemption Date *plus* (e) $50,000 (the "Redemption Account Required Amount").

On and following each Payment Date on which the Note Amount of the Class A1 Notes has been reduced to zero, any Available Funds Shortfall Amount will be withdrawn from the Redemption Account by the Paying Agent and included in Available Funds on such Payment Date. On the Class A2 Note Expected Redemption Date, the Paying Agent will withdraw the required amount from the amounts on deposit in the Redemption Account and deposit such amounts into the Payment Account, and apply them, prior to application of Available Funds on such date in accordance with the Priority of Payments, to (i) *first*, pay the Interest Payment Amount for the Class A2 Notes and (ii) *second*, reduce the Note Amount of the Class A2 Notes until the principal balance on the Class A2 Notes has been reduced to zero. On the Class M Note Expected Redemption Date, the Paying Agent will withdraw the required amount from the amounts on deposit in the Redemption Account and deposit such amounts into the Payment Account, and apply them, prior to application of Available Funds on such date in accordance with the Priority of Payments, to (i) *first*, pay the Interest Payment Amount for the Class M Notes and (ii) *second* reduce the Note Amount of the Class M Notes until the principal balance on the Class M Notes has been reduced to zero.

Amounts on deposit in the Redemption Account, at the written direction of the Asset Manager, shall be invested in "Permitted Investments" (as defined in the Indenture). If no written direction is provided by the Asset Manager, funds on deposit in the Redemption Account will remain uninvested. The Asset Manager will be entitled to any investment earnings and will reimburse the Redemption Account for any losses on Permitted Investments.

With respect to any Payment Date, after all Available Funds are allocated pursuant to the Priority of Payments, the Paying Agent will be required to recalculate the Redemption Account Required Amount, and if the amount on deposit in the Redemption Account (net of any investment earnings, if any) exceeds this recalculated Redemption Account Required Amount (calculated based on the ending Note Amount of the Class M Notes and sum of expected Interest Payment Amounts for the Class M Notes for each of the remaining Payment Dates), the Paying Agent will distribute such excess (net of any investment earnings) *pro rata* to the holders of the Issuer Residual Interest Certificate.

In addition, if the Note Amount of the Class M Notes is reduced to zero and there are remaining amounts on deposit in the Redemption Account, such remaining amounts will be distributed *pro rata* to the holders of the Issuer Residual Interest Certificate.

Sales and Acquisitions of Mortgage Loans; Repurchase Option.

Sales of Mortgage Loans.

Under the Indenture, the Issuer may sell a Mortgage Loan in the following circumstances: (i) in the event the Seller is required to repurchase such Mortgage Loan for the Repurchase Price as a result of (a) a Material Breach or a Material Document Defect, (b) if, in connection with a Wet-Ink Mortgage Loan, the Custodian has not issued an exception report without exceptions other than Permitted Exceptions within fifteen (15) days of the related Origination Date of such Mortgage Loan or (c) in the event of a deficient finding during the Sample Diligence Review, Subsequent Review or Eligibility and Data Integrity Review, in each such case, the Issuer will sell such Mortgage Loan to the Seller; (ii) in the event that the Depositor notifies the Issuer, the Indenture Trustee and the Paying Agent that it is exercising its Repurchase Option, pursuant to the Mortgage Loan Purchase Agreements; (iii) in the event an automatic repurchase is triggered in connection with a Sample Diligence Review or a Subsequent Review and (iv) in the event of an Optional Redemption pursuant to the Indenture, the Issuer may sell such Mortgage Loan.

After the Issuer has notified the Indenture Trustee and the Paying Agent of an Optional Redemption, any disposition of Mortgage Loans will be effected by the Issuer and the Issuer will sell in such manner, any Mortgage Loan; provided that: (i) the Sale Proceeds therefrom must be used to pay certain amounts and expenses under the Transaction Documents and to redeem all of the Notes in whole but not in part pursuant to the Indenture, and upon any such sale the Indenture Trustee will release the lien of such Mortgage Loan, and the Custodian will, upon receipt of a request for release, release the related Mortgage Loan files, pursuant to the Custodial Agreement; (ii) the Issuer will not sell (and the Indenture Trustee will not be required to release) a Mortgage Loan unless the Sponsor delivers an officer's certificate that certifies to the Indenture Trustee that, based on calculations included in the certification (which will include the sales prices of the Mortgage Loans), the Sale Proceeds from the sale of one or more of the Mortgage Loans and all cash and proceeds from Permitted Investments, together with any capital contributions to the Issuer from the holder of the Issuer Residual Interest Certificate, will be sufficient to pay the Redemption Price; and (iii) in connection with an Optional Redemption, all the Mortgage Loans to be sold pursuant to the Indenture must be sold in accordance with the requirements set forth therein. Any Mortgage Loan sold pursuant to the foregoing limitations will be released from the lien of the Indenture.

Acquisition of Additional Mortgage Loans.

During the Reinvestment Period, the Depositor will, from time to time, be obligated to purchase from the Seller in accordance with the First Step Mortgage Loan Purchase Agreement, or to acquire from a trust or other issuing entity formed by the Depositor, Additional Mortgage Loans secured by residential or multifamily properties. The Issuer will acquire any such Additional Mortgage Loans from the Depositor (in which, upon acquisition by the Issuer, a security interest will be granted to the Indenture Trustee pursuant to the Indenture) with funds on deposit in the Accumulation Account, for a cash purchase price no higher than the Unpaid Principal Balance of such Additional Mortgage Loans. The purchase price paid by the Issuer for any Additional Mortgage Loan may be funded in part by a capital contribution from the holder of the Issuer Residual Interest Certificate. For the avoidance of doubt, the acquisition of Additional Mortgage Loans pursuant to the Indenture will include any Rehabilitation Holdback Amounts related thereto as set forth in the First Step Mortgage Loan Purchase Agreement.

During the Reinvestment Period, the Issuer will not be permitted to purchase any Additional Mortgage Loans unless, (i) such Additional Mortgage Loans are Eligible Mortgage Loans and in compliance with all representations and warranties, (ii) after giving effect to the purchase of any Additional Mortgage Loan, no Early Amortization Event has occurred and is continuing and (iii) such acquisition of Additional Mortgage Loans is in compliance with the Trading Restrictions. The Asset Manager will be required to determine that each Additional Mortgage Loan is an Eligible Mortgage Loan and satisfies the Concentration Limits. In addition, the Asset Manager will be required to conduct an Eligibility and Data Integrity Review no later than the Payment Date immediately following the Collection Period in which such Additional Mortgage Loan was acquired.

The acquisition by the Issuer of any Additional Mortgage Loan, and the disbursement by the Asset Manager of amounts from the Accumulation Account, as applicable, as consideration for such acquisition will be conditioned upon (A) receipt by the Servicer of the subsequent transfer instrument substantially in the form set forth in the Indenture with respect to the transfer of the applicable Additional Mortgage Loan, which subsequent transfer instrument will, as of Subsequent Transfer Date, (1) list the Additional Mortgage Loans, (2) warrant and confirm the satisfaction of the conditions precedent to the sale of the Initial Mortgage Loans under the First Step Mortgage Loan Purchase Agreement and (3) reaffirm certain representations and warranties made in the First Step Mortgage Loan Purchase Agreement, and (B) other than with respect to any Wet-Ink Mortgage Loan, receipt by the Custodian of such documents which are to be part of the Mortgage Loan file. Upon the satisfaction of the foregoing conditions, the Asset Manager will on the Business Day such conditions are satisfied or the transfer date specified in the related flow of funds memo, instruct the Paying Agent to remit from the Accumulation Account to, or at the direction of, the Issuer the purchase price specified in the related flow of funds memo for the applicable Additional Mortgage Loan(s) to the applicable recipient of such funds as stated in the related flow of funds memo.

The acquisition of any Wet-Ink Mortgage Loan and the disbursement of amounts as consideration for such acquisition will be subject to all requirements for the acquisition of Additional Mortgage Loans as well as the availability of sufficient funds in the Accumulation Account to effect such acquisition; *provided* that the documents which are to be part of the Mortgage Loan file may be provided to the Custodian and the inclusion of the Wet-Ink Mortgage Loan in the Mortgage Pool. In connection with the acquisition of Wet-Ink Mortgage Loans, the Paying Agent will be required to transfer funds from the Accumulation Account as consideration for such acquisition upon written direction to the Paying Agent from the Asset Manager. If, within fifteen (15) days of the Origination Date of a Wet-Ink Mortgage Loan, the Custodian has not issued an exception report without exceptions other than Permitted Exceptions, the Seller will be required to purchase such Wet-Ink Mortgage Loan from the Issuer at the applicable Repurchase Price.

After the termination of the Reinvestment Period, the Issuer may not acquire any Additional Mortgage Loans.

Repurchase Option.

The Depositor will have the option, but not the obligation, to repurchase from the Issuer at the Repurchase Price any Mortgage Loan in the event that (A) amounts on deposit in the Accumulation Account are insufficient to fund any Unfunded Commitments with respect to such Mortgage Loan, (B) such Mortgage Loan is delinquent or defaulted or (C) the maturity date of such Mortgage Loan has been extended more than six (6) months beyond the maturity date of such Mortgage Loan at origination (such right, the "Repurchase Option"); *provided, however,* (x) that, prior to the termination of the Reinvestment Period, the aggregate Unpaid Principal Balance of Mortgage Loans voluntarily repurchased by the Depositor pursuant to the Repurchase Option will not exceed 10% of the Cumulative Principal Balance of the Mortgage Loans and (y) such repurchase will not violate the Trading Restrictions. With respect to any date of determination, the "Cumulative Principal Balance" is an amount equal to the sum of (i) the Unpaid Principal Balance of the Mortgage Loans as of the Initial Cut-off Date (as increased by any approved Rehabilitation Disbursement Requests on Mortgage Loans with Unfunded Commitments, satisfied by the Servicer after the Initial Cut-off Date) *plus* (ii) the Unpaid Principal Balance of each Additional Mortgage Loan acquired by the Issuer during the Reinvestment Period.

Events of Default

An "Event of Default" under the Indenture is any one of the following:

(1) the failure by the Issuer to pay the Interest Payment Amount on any Payment Date, which failure has not been cured within five (5) Business Days;

(2) the failure by the Issuer to pay in full all interest, principal and fees due in respect of each Class of Notes by the applicable Stated Final Maturity of such Class of Notes, without regard to Available Funds;

(3) the failure by the Issuer to redeem the Class A2 Notes in full, on or before the third (3rd) Payment Date following the Class A2 Note Expected Redemption Date;

(4) the failure by the Issuer to redeem the Class M Notes in full, on or before the third (3rd) Payment Date following the Class M Note Expected Redemption Date;

(5) a default by the Issuer in the observance of any negative covenants in the Indenture or any representation or warranty made by the Issuer in the Indenture (other than any representation or

warranty regarding the Mortgage Loans) having been incorrect as of the time made, which default or breach has a material adverse effect on the Noteholders, and the continuation of any such default or breach for a period of thirty (30) days after notice to the Issuer by the Indenture Trustee or by the holders of at least 25% Percentage Interest of the Notes;

(6) certain events of bankruptcy, insolvency, receivership or reorganization of the Issuer;

(7) the Issuer is treated as a corporation for federal income tax purposes, as determined by a proceeding of final determination;

(8) the Issuer or the Trust Estate will have become subject to registration as an "investment company" within the meaning of the Investment Company Act, as determined by a court of competent jurisdiction in a final and non-appealable order; or

(9) any material portion of the security interest in the Trust Estate created under the Indenture ceases to be a valid and perfected first priority security interest or lien in the Trust Estate.

Rights Upon Event of Default

If an Event of Default should occur and be continuing with respect to the Notes, the Indenture Trustee at the written direction of the Noteholders holding more than 66 2/3% Percentage Interest of the Notes will declare the principal of the Notes, together with accrued and unpaid interest thereon through the date of acceleration, to be due and payable immediately and may require the Issuer to sell the Trust Estate or any portion thereof at one or more public or private sales called and conducted in any manner permitted by law. Such declaration may, under certain circumstances, be rescinded and annulled by the Noteholders holding more than 66 2/3% Percentage Interest of the Notes. The Indenture Trustee may not sell the Mortgage Loans without the written direction of Noteholders holding a 100% Percentage Interest of the Notes unless the proceeds of such sale are sufficient to retire the Notes in full. The holders of the Issuer Residual Interest Certificate or any affiliate will have the right to match any bid for the Mortgage Loans solicited by the Indenture Trustee (or its agents) and purchase the Mortgage Loans.

If the Indenture Trustee collects any money or property with respect to the Mortgage Loans following an Event of Default, it will cause the Paying Agent to pay out the money or property, first to the Owner Trustee, the Indenture Trustee, the Paying Agent, the Note Registrar, the Certificate Registrar, the Asset Manager, the Custodian and the Servicer for amounts due and not previously paid pursuant to the Indenture or the other agreements (without regard to the Annual Cap), and then in accordance with the Priority of Payments.

Duties of the Indenture Trustee, the Paying Agent and the Note Registrar

Each of the Indenture Trustee, the Paying Agent, the Securities Intermediary and the Note Registrar will be required to perform only those duties specifically required of it under the Indenture. Upon receipt of the various notes, statements, reports or other instruments required to be furnished to it, the Indenture Trustee, the Paying Agent or the Note Registrar, as applicable, will be required to examine them to determine whether they are in the form required by the Indenture; however, none of the Indenture Trustee, the Paying Agent or the Note Registrar will be responsible for the accuracy or content of any documents furnished to such party by any other party; in addition, none of the Indenture Trustee, the Paying Agent or the Note Registrar will be required to verify or recompute any Mortgage Loan data received from the Servicer, but will be entitled to rely conclusively on such information.

None of the Indenture Trustee, the Paying Agent or the Note Registrar will have any liability arising out of or in connection with the Indenture, except that it may be held liable for its own negligent action or failure to act, or for its own willful misconduct; *provided*, *however*, that none of the Indenture Trustee, the Paying Agent or the Note Registrar will be personally liable with respect to any action taken, suffered or omitted to be taken by it in good faith in accordance with the direction of the required Noteholders (as set forth in the Indenture). None of the Indenture Trustee, the Paying Agent, the Securities Intermediary or the Note Registrar will be deemed to have notice or knowledge of any default, Servicer Event of Default, Asset Manager Termination Event or Event of Default unless a responsible officer of none of the Indenture Trustee, the Paying Agent, the Securities Intermediary or the Note Registrar, as applicable, has actual knowledge of such default, Servicer Event of Default, Asset Manager Termination Event or Event of Default, or written notice of such event that is in fact a default, Servicer Event of Default, Asset

Manager Termination Event or Event of Default is received by a responsible officer of the Indenture Trustee, the Paying Agent and the Note Registrar at its corporate trust office. None of the Indenture Trustee, the Paying Agent or the Note Registrar is required to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties under the Indenture, or in the exercise of any of its rights or powers, if it has reasonable grounds for believing that repayment of those funds or indemnity satisfactory to it against risk or liability is not reasonably assured to it.

None of the Indenture Trustee, the Paying Agent, the Securities Intermediary or the Note Registrar will have any duties under the Indenture with respect to any claim, notice or other document it may receive or which may be alleged to have been delivered to it or served upon it by the parties as a consequence of the assignment of any Mortgage Loan under the Indenture; *provided*, *however*, that the Indenture Trustee, the Paying Agent, the Securities Intermediary or the Note Registrar, as applicable, will remit to the Servicer any claim, notice or other document it may receive or which is delivered to its corporate trust office, of which a responsible officer of the Indenture Trustee, the Paying Agent, the Securities Intermediary or the Note Registrar has actual knowledge and which contains information sufficient to permit the Indenture Trustee, the Paying Agent, the Securities Intermediary or the Note Registrar to make a determination that the real property to which such document relates is a Mortgaged Property. None of the provisions in the Indenture will in any event require the Indenture Trustee, the Paying Agent, the Securities Intermediary or the Note Registrar to perform, or be responsible for the manner of performance of, any of the obligations of the Servicer or any other party under the Indenture. None of the Indenture Trustee, the Paying Agent, the Securities Intermediary or the Note Registrar will be responsible for any act or omission of the Servicer, the Depositor or any other party.

None of the Indenture Trustee, the Paying Agent, the Securities Intermediary or the Note Registrar will be responsible for (a) any recording, filing or depositing of any agreement or of any financing statement or continuation statement evidencing a security interest, or the maintenance of any such recording or filing or depositing or any rerecording, refiling or redepositing, (b) the payment of any insurance, (c) the payment or discharge of any tax, assessment, or other governmental charge or penalty or any lien or encumbrance of any kind owing with respect to, assessed or levied against, the assets of the Issuer, other than from funds available in the Payment Account, or (d) confirming or verifying the contents or any reports or certificates of the Servicer delivered to the Indenture Trustee, the Paying Agent, the Securities Intermediary or the Note Registrar pursuant to the Indenture believed by the Indenture Trustee, the Securities Intermediary, the Paying Agent or the Note Registrar, as applicable, to be genuine and properly signed or presented. None of the Indenture Trustee, the Paying Agent, the Securities Intermediary or the Note Registrar is responsible for the legality or validity of the Indenture or the Notes or the validity, priority, perfection or sufficiency of the security for the Notes.

All of the rights, protections, privileges, immunities and indemnities afforded to the Indenture Trustee, the Securities Intermediary, the Paying Agent and the Note Registrar under the Indenture will be afforded to the Indenture Trustee, the Securities Intermediary, the Paying Agent and the Note Registrar, as applicable, in each of its capacities thereunder and under any Transaction Document.

Custody of Mortgage Loan Files

The Custodian will hold the mortgage documents for the exclusive use and benefit of the Indenture Trustee and will segregate and maintain continuous custody of all mortgage documents constituting the mortgage file in secure and fire-resistant facilities in accordance with customary standards for such custody. Documents will be released by the Custodian pursuant to a request for release. The Custodian Fee will be paid by the Paying Agent out of funds on deposit in the Payment Account in accordance with the Indenture.

As to each Mortgage Loan, pursuant to the terms of the Custodial Agreement, the following documents will be delivered to the Custodian on behalf of the Indenture Trustee in connection with the Closing Date or Additional Transfer Date, as applicable: (1) the related original Mortgage Note (in physical form)(including all applicable schedules thereto), bearing all intervening endorsements, endorsed by an authorized representative of Seller “pay to the order of, without recourse” to [blank], or if the original Mortgage Note has been lost or destroyed, a copy of such Mortgage Note together with a lost note affidavit, (2) a copy of the guaranty in connection with the Mortgage Note, if any, (3) if such Mortgage Loan is a MERS Mortgage Loan and (x) is a MOM Loan, a copy of the original Mortgage having on its face both such mortgage’s MIN and language indicating that the Mortgage Loan is a MOM Loan or (y) was not a MOM Loan at origination, the original or a copy of (A) the Mortgage, (B) its MIN and (C) its assignment to MERS, (5) if such Mortgage Loan is not a MERS Mortgage Loan, (x)(A) the original mortgage (including all applicable schedules thereto) or a copy of the mortgage with evidence of recording thereon, and (B) the original or a copy of the recorded power of attorney, if the mortgage was executed pursuant to a power of attorney with evidence of recording thereon, if recordation is required, (y) originals, copies of any intervening assignments of mortgage with evidence of recording thereon; provided that if any such assignment of mortgage is in the process of recordation, such assignment of mortgage may be evidenced by a certified copy, and (z) an original assignment of mortgage in blank, signed by an authorized representative of Seller, (6) the originals or copies of all assumption, modification, consolidation or extension agreements of which the Custodian has been specifically notified (as identified in the mortgage loan schedule accompanying delivery of the related mortgage file), with evidence of recording indicated thereon if noted as required on the mortgage loan schedule accompanying delivery of the related file, (7) the original or copy of the mortgagee title insurance policy or attorney's opinion of title and abstract of title, together with all endorsements or riders that were issued with or subsequent to the issuance of such policy (if any), insuring the priority of the Mortgage as a first lien on the Mortgaged Property represented therein as a fee interest vested in the mortgagor and (8) the original or copy of the business purpose and non-occupancy affidavit or the certificate of investment property executed by the related Borrower. With respect to each Mortgage Loan, "Mortgage Loan Documents" means each of the documents listed in clauses (1) through (8) of the immediately preceding sentence delivered (other than in the case of Wet Ink Mortgage Loans) to the Custodian no later than the Closing Date or the related Additional Transfer Date, pursuant to the terms of the Custodial Agreement.

Prior to the Closing Date with respect to the Initial Mortgage Loans and prior to any Additional Transfer Date with respect to any Additional Mortgage Loans, the Custodian will review the mortgage loan file documentation and on the Closing Date or Additional Transfer Date, as applicable, the Custodian will provide an initial certification to the Issuer, the Servicer and the Indenture Trustee, certifying, subject to any exceptions noted thereto, as to each such Mortgage Loan that: (i) all of the documents required to be delivered in respect of such Mortgage Loan pursuant to the Custodial Agreement have been delivered and are in the Custodian's possession; (ii) such documents have been reviewed by the Custodian and appear regular on their face and purport to relate to such Mortgage Loan; and (iii) the data elements listed in the Custodial Agreement conform to the information in the related mortgage file delivered to the Custodian. The Custodian will provide on a weekly basis an asset detail and exception report, which will include any variances from the applicable review requirements set forth in the Custodial Agreement with respect to each Mortgage Loan.

In the event the Originator elects to originate certain Additional Mortgage Loans by having the related Borrower execute an eMortgage Note and eMortgage Loan, it may be necessary for the parties to the transaction to amend the Indenture with respect to the origination of eMortgage Loans. In such event, the Indenture may be amended only by written agreement signed by the Issuer, the Indenture Trustee, the Paying Agent and the Note Registrar without the consent of the Noteholders; provided that the party requesting such amendment will, at its own expense, provide the Indenture Trustee with an opinion of counsel (A) that such amendment (i) is authorized or permitted under the Indenture and (ii) will not materially adversely affect the interest of the Noteholders and the Issuer, (B) all conditions precedent to such amendment have been satisfied, unless such opinion is waived by the Indenture Trustee (acting at the direction of Noteholders holding 100% Percentage Interest of the Notes) and (C) covering perfection of such eMortgage Loans.

Limitation on Suits

To the extent set forth in the Indenture, no Noteholder will have any right to institute any proceedings with respect to the Indenture or the Notes unless (1) such Noteholder has previously given written notice to a responsible officer of the Indenture Trustee of the occurrence and continuance of an Event of Default; (2) Noteholders representing not less than a 25% Percentage Interest of the Notes have made written request to a responsible officer of the Indenture Trustee to institute proceedings in respect of such Event of Default in its own name as Indenture Trustee, on behalf of the Noteholders (and no direction inconsistent therewith has been given by Noteholders in accordance with clause (5) below); (3) such Noteholders have offered to the Indenture Trustee indemnity satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request; (4) the Indenture Trustee for sixty (60) days after its receipt of such notice, request and offer of indemnity the Indenture Trustee has failed to institute any such proceedings; (5) no direction inconsistent with such written request has been given to a responsible officer of the Indenture Trustee during such 60-day period by the Noteholders representing more than a 50% Percentage Interest of the Notes; and (6) an Event of Default has occurred and is continuing.

As set forth in the Indenture, the Indenture Trustee, by entering into the Indenture, and each Noteholder, by accepting a Note, will agree or be deemed to agree that they will not at any time prior to one (1) year from the date of termination of the Indenture institute against the Issuer, or join in any institution against the Issuer of, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings under any United States federal or state bankruptcy or similar law in connection with any obligations relating to the Notes, the Indenture or any of the Transaction Documents; *provided*, *however*, that nothing in the Indenture will prohibit the Indenture Trustee from filing proofs of claim in any suit in equity, action at law or other judicial or administrative proceeding.

Governing Law

The Indenture and the Notes provide that they will be governed by, and will be construed in accordance with, the laws of the State of New York.

Satisfaction and Discharge of the Indenture

The Indenture will be discharged (except with respect to certain continuing rights specified in the Indenture) if all of the following conditions are met: (a)(1) delivery to the Indenture Trustee for cancellation of all of the Notes other than Notes that have been mutilated, lost or stolen and have been replaced or paid and Notes for which money has been deposited for the full payment thereof (and thereafter repaid to the Issuer and discharged from such trust) as provided in the Indenture or (2) at such time as all Notes not previously canceled by the Note Registrar have become, or, on the next Payment Date or within one (1) year of the Stated Final Maturity, will become due and payable or called for redemption and the Indenture Trustee or the Paying Agent has on deposit in the Payment Account, or the Issuer has deposited with the Paying Agent, an amount sufficient to repay the Notes, (b) the Issuer has paid or caused to be paid all other amounts payable under the Indenture and (c) the Issuer has delivered to the Indenture Trustee, the Paying Agent and the Note Registrar an officer's certificate stating that all conditions precedent provided for in the Indenture relating to the satisfaction and discharge of the Indenture have been satisfied. Payments on Definitive Notes on any Payment Date will be made directly to Noteholders of Definitive Notes in whose names the Definitive Notes were registered at the close of business on the related Record Date. The final payment on any Definitive Note will be made only upon presentation and surrender of such Note at the office or agency specified in the Indenture.

Reports to Noteholders

On each Payment Date, the Paying Agent or the Indenture Trustee, based solely on information provided to it by the Servicer and the Asset Manager, will make available a statement to each Noteholder in the form required by the Indenture, setting forth, among other things, the following information for such Payment Date:

(a) the amount of Available Funds;

(b) the Interest Payment Amount for the Notes and the Cumulative Interest Shortfall Amount, if any;

(c) the Note Rate for the Notes;

(d) the amount on deposit in the Payment Account as of such Payment Date (after giving effect to payments on such date) and as of the prior Payment Date;

(e) the amount of Available Funds deposited to the Accumulation Account on such Payment Date and the aggregate amount on deposit in the Accumulation Account as of the related Calculation Date and as of such Payment Date;

(f) the amount on deposit in the Rehab Escrow Account as of the end of the related Collection Period;

(g) the amount of Servicing Advances made and reimbursed during the related Collection Period and the amount of Servicing Advances outstanding at the end of the related Collection Period;

(h) the amount of any reimbursable costs or expenses subject to the Annual Cap that have been paid to the Indenture Trustee, the Paying Agent, the Note Registrar, the Certificate Registrar, the Custodian and Asset

Manager, the amount of the Annual Cap (and sub-caps) that remains available and any amounts that have been paid or remain outstanding above the Annual Cap;

(i) the amount of any fees, charges, costs and indemnity payments paid or reimbursed from the Payment Account pursuant to the Indenture;

(j) information regarding delinquencies, foreclosures and bankruptcies during the related Collection Period and since the Cut-off Date, using the MBA Method, by number of Mortgage Loans and Unpaid Principal Balance;

(k) information regarding the number of REO Properties and the aggregate Unpaid Principal Balance of the Mortgage Loans as to which such REO Properties were created, during the related Collection Period and since the Cut-off Date;

(l) aggregate Realized Losses with respect to the related Payment Date and cumulative Realized Losses since the Closing Date;

(m) the number and aggregate Unpaid Principal Balance of Unfunded Commitments funded by the Issuer during the related Collection Period and cumulatively since the Cut-off Date;

(n) if applicable, the aggregate amount of Rehabilitation Disbursement Requests disbursed by the Servicer during the related Collection Period;

(o) the number and aggregate Unpaid Principal Balance of Mortgage Loans that were subject to a Principal Prepayment in full during the related Collection Period;

(p) the number and aggregate Unpaid Principal Balance of Additional Mortgage Loans purchased by the Issuer during the related Collection Period and cumulatively since the related Closing Date;

(q) with respect to any Additional Mortgage Loans purchased by the Issuer during the related Collection Period (if any), any related third party due diligence reports and each final due diligence report of the Review Mortgage Loans or if applicable, the Second Sample Review Mortgage Loans or the results of any 100% Review provided by the applicable Eligible Diligence Vendor for the month that the Additional Mortgage Loan purchased by the Issuer during the related Collection Period (if any) was originated;

(r) with respect to Mortgage Loans that were subject to a modification or extension during the related Collection Period: (a) the Mortgage Loan identifying number, (b) the Unpaid Principal Balance prior to and after modification or extension, (c) the monthly payment prior to and after modification or extension, (d) the Mortgage Interest Rate prior to and after modification or extension, and (e) the maturity date prior to and after modification or extension;

(s) the amount of Extension Fees earned during the related Collection Period;

(t) the amounts and types of indemnification payments and transaction expenses paid from the Trust Estate during the related Collection Period;

(u) the amount on deposit in the Redemption Account after all payments on such Payment Date and the amount, if any, withdrawn from the Redemption Account to pay the Note Amount on the Class A2 Notes and the Class M Notes;

(v) whether an Early Amortization Event is in effect and the information related to the cause that resulted in the Early Amortization Event;

(w) the 60+ Day Delinquency Rate with respect to the Mortgage Loans as of such Payment Date;

(x) the 90+ Day Delinquency Rate with respect to the Mortgage Loans as of such Payment Date;

(y) the Default Rate with respect to the Mortgage Loans as of such Payment Date;

(z) the nature of any Material Breach;

(aa) the amount, if any, remitted to the holders of the Issuer Residual Interest Certificate on such Payment Date; and

(bb) an updated schedule of the fields of information (other than certain redactions relating to Borrower information) contained in the Mortgage Loan Schedule delivered pursuant to the Mortgage Loan Purchase Agreements.

The Paying Agent or the Indenture Trustee will make such monthly statement to Noteholders (and, at its option, any additional files containing the same information in an alternative format) available each month via the Indenture Trustee's website to Noteholders that provide appropriate certification in the form furnished by Paying Agent or the Indenture Trustee (which form may be furnished and submitted electronically via the Indenture Trustee's and the Paying Agent's internet website), to the Issuer, to any designee of the Issuer and to the Depositor. The initial internet website will be located at https://pivot.usbank.com. Assistance in using the website can be obtained by calling the website assistance line at (800) 934-6802. Parties that are unable to use the above distribution option are entitled to have a paper copy mailed to them via first-class mail by requesting such in writing to the Paying Agent. The Indenture Trustee and the Paying Agent will have the right to change the way the monthly statements to Noteholders are distributed in order to make such distribution more convenient and/or more accessible to the Noteholders, and the Indenture Trustee or the Paying Agent will provide timely and adequate notification to the Noteholders, the Issuer and the Depositor regarding any such changes.

Amendments

Modifications of and amendments to the Indenture may be made by the Issuer, the Indenture Trustee, the Paying Agent and the Note Registrar with the consent of the Noteholders holding more than a 50% Percentage Interest of the Notes without the consent of each Noteholder, provided that no such modification or amendment may materially and adversely affected thereby, for the following purposes, among others:

(i) change the date of payment of any installment of principal of or interest on any Note, or reduce the principal amount thereof or the interest rate thereon, change the provisions of the Indenture relating to the application of collections on, or the proceeds of the sale of, the Trust Estate and to payment of principal of or interest on the Notes, or change any place of payment where, or the coin or currency in which, any Note or the interest thereon is payable, or impair the right to institute suit for the enforcement of the provisions of the Indenture requiring the application of funds available therefor, as provided in the Indenture, to the payment of any such amount due on the Notes;

(ii) reduce the Percentage Interest for consent required for any such supplemental indenture, or the consent of the holders of which is required for any waiver of compliance with certain provisions of the Indenture or certain defaults thereunder and their consequences provided for in the Indenture;

(iii) reduce the Percentage Interest required to direct the Indenture Trustee to direct the Issuer to sell or liquidate the Trust Estate pursuant to the Indenture;

(iv) modify any provision of the amendment section of the Indenture, except to increase any percentage specified therein or to provide that certain additional provisions of the Indenture or other Transaction Documents cannot be modified or waived without the consent of the holder of each Note affected thereby;

(v) modify any of the provisions of the Indenture in such a manner as to affect the calculation of the amount of any payment of interest or principal due on any Note on any Payment Date (including the calculation of any of the individual components of such calculation); or

(vi) permit the creation of any lien ranking prior to or on a parity with the lien of the Indenture with respect to any part of the Trust Estate or, except as otherwise permitted or contemplated therein, terminate the lien of the Indenture on any property at any time subject hereto or deprive the holder of any Note of the security provided by the lien of this Indenture;

provided, further, that such action will not, as evidenced by an opinion of counsel, cause the Issuer to be subject to taxation on its net income as (x) an association taxable as a corporation, (y) a publicly traded partnership taxable as a corporation or (z) a taxable mortgage pool taxable as a corporation, each for U.S. federal income tax purposes.

The Issuer, the Indenture Trustee, the Paying Agent and the Note Registrar may also amend the Indenture without obtaining the consent of Noteholders for the following purposes, among others:

(i) correct or amplify the description of any property at any time subject to the lien of the Indenture, or better to assure, convey and confirm unto the Indenture Trustee any property subject or required to be subjected to the lien of the Indenture, or to subject to the lien of the Indenture additional property;

(ii) evidence the succession, in compliance with the applicable provisions of the Indenture, of another person to the Issuer and the assumption by any such successor of the covenants of the Issuer contained therein and in the Notes;

(iii) add to the covenants of the Issuer, for the benefit of the holders of the Notes, or to surrender any right or power herein conferred upon the Issuer;

(iv) convey, transfer, assign, mortgage or pledge any property to or with the Indenture Trustee;

(v) (a) correct a typographical error, (b) cure any ambiguity or mistake or to correct or supplement any provision therein or in any supplemental indenture that may be inconsistent with any other provision therein or in any supplemental indenture or (c) correct any error or cause the provisions therein to conform to or be consistent with or in furtherance of the statements made with respect to the Notes, the Issuer or the Mortgage Loans in any private placement memorandum or other offering document related to the offer and sale of the Notes;

(vi) prevent the Issuer or any Noteholder from being subject to withholding or other taxes, fees or assessments or prevent the Issuer from being subject to taxation on its net income;

(vii) make any other provisions with respect to matters or questions arising under the Indenture or in any supplemental indenture; provided that such action will not materially and adversely affect the interests of the holders of the Notes as evidenced by an opinion of counsel to such effect; or

(viii) evidence and provide for the acceptance of the appointment thereunder of a successor owner trustee, successor indenture trustee or successor paying agent with respect to the Notes and add to or change any of the provisions of the Indenture as are necessary to facilitate the administration of the trusts thereunder by more than one trustee;

provided, *however*, that no such amendment or indenture supplements will be entered into unless the Indenture Trustee, the Paying Agent and the Note Registrar receive an opinion of counsel not at the expense of the Indenture Trustee, the Paying Agent and the Note Registrar to the effect that (i) such amendment or indenture supplement is permitted under the Indenture, (ii) all conditions precedent to the effectiveness of such indenture supplement or amendment have been satisfied and (iii) entering into such indenture supplement will not cause the Issuer to be subject to taxation on its net income as (x) an association taxable as a corporation, (y) a publicly traded partnership taxable as a corporation or (z) a taxable mortgage pool taxable as a corporation, each for U.S. federal income tax purposes.

Fees and Expenses; Indemnification

The Indenture Trustee, the Securities Intermediary, the Paying Agent and the Note Registrar will be entitled to receive the Indenture Trustee Fee on each Payment Date as compensation for its activities under the Indenture. The Paying Agent will remit the Indenture Trustee Fee from amounts in the Payment Account in accordance with the Indenture.

The Owner Trustee will be entitled to receive the Owner Trustee Fee as compensation for its activities in its capacity as Owner Trustee under the Trust Agreement. The Paying Agent will remit the Owner Trustee Fees from amounts in the Payment Account in accordance with the Indenture.

The Custodian will be entitled to receive the Custodian Fee on each Payment Date as compensation for its activities under the Custodial Agreement. The Paying Agent will remit the Custodian Fees from amounts in the Payment Account in accordance with the Indenture.

The Asset Manager will be entitled to receive the Asset Management Fee as compensation for its activities in its capacity as Asset Manager under the Asset Management Agreement. The Paying Agent will remit the Asset Management Fees from amounts in the Payment Account in accordance with the Indenture.

The Servicer will be entitled to receive the Servicing Fee as compensation for its activities in its capacity as Servicer under the Servicing Agreement. To the extent the Servicing Fee is not otherwise retained pursuant to the Servicing Agreement, the Servicing Fee may be reimbursed from the Payment Account or the Accumulation Account in accordance with the Servicing Agreement and the Indenture.

The Indenture Trustee, the Paying Agent, the Securities Intermediary, the Note Registrar, the Custodian, the Asset Manager and each of their respective directors, officers, employees or agents will be indemnified from the assets of the Trust Estate and held harmless against any loss, liability or expense (including reasonable attorney's fees and expenses) incurred in the administration of the Indenture, the Asset Management Agreement, the Custodial Agreement and any other Transaction Document (other than ordinary overhead expenses incurred thereunder) or in connection with any claim or legal action relating to (a) the Indenture, the Asset Management Agreement, the Custodial Agreement or any other Transaction Document or (b) the Notes, including any claim or legal action commenced by such party to enforce this indemnification obligation, other than any loss, liability or expense incurred by reason of its own negligence or intentional misconduct, or which is the responsibility of the Noteholders as provided in the Indenture.

The Indenture Trustee, the Securities Intermediary, the Paying Agent, the Note Registrar, the Certificate Registrar, the Custodian, the Asset Manager and each of their respective directors, officers, employees and agents will be indemnified and held harmless by, and entitled to reimbursement from, the Trust Estate for any claim, loss, liability, damage, cost or expense (other than ordinary overhead expenses), including any reasonable legal, accountant and expert fees and expenses and any extraordinary or unanticipated expense, incurred or expended (without negligence or willful misconduct (as agreed to by such party or as otherwise finally determined by a non-appealable order from a court of competent jurisdiction) on its or their part) in connection with, (a) investigating, preparing for, defending itself or themselves against, or prosecuting for itself or themselves or for the sake of the Trust Estate any legal proceeding, whether pending or threatened, that is related directly or indirectly in any way to the Indenture, the Asset Management Agreement, the Custodial Agreement, the Mortgage Loans or other collateral, or the Notes (including without limitation the initial offering, any secondary trading and any transfer and exchange of the Notes), (b) pursuing the enforcement (including without limitation by means of any action, claim, or suit brought by an indemnified party for such purpose) of any indemnification or other obligation owed to an indemnified party as finally determined by a non-appealable order from a court of competent jurisdiction, the indemnification afforded under this clause (b) to include any reasonable legal, accountant and expert fees, costs and expenses incurred by an indemnified party (without negligence, bad faith or willful misconduct on its part) in connection therewith, or (c) the performance of any or all of its or their duties and responsibilities and the exercise or lack of exercise of any or all of its or their powers, rights or privileges hereunder, including without limitation (i) complying with any new or updated laws or regulations directly related to the performance by the indemnified parties as applicable, of its obligations under the related Transaction Documents and (ii) addressing any bankruptcy in any way related to or affecting the applicable Transaction Documents or any party to such agreements.

Each of the Indenture Trustee, the Securities Intermediary, the Paying Agent, the Note Registrar, the Certificate Registrar, the Custodian and the Asset Manager will be entitled to reimbursement of certain expenses and indemnification payments from the assets of the Trust Estate prior to payments on the Notes to the extent that such expenses and payments would not exceed the Annual Cap in the aggregate for any calendar year; *provided*, *however*, (i) any expenses of the Indenture Trustee or the Paying Agent relating to a servicing transfer will not be subject to the Annual Cap, (ii) any such expenses and payments in excess of the Annual Cap may be paid, to the extent funds are available, pursuant to clause *thirteenth* as set forth under the Priority of Payments or in the subsequent year or years (subject to the Annual Cap for such subsequent year or years) until paid in full and (iii) the Annual Cap will not apply after the occurrence and during the continuation of an Event of Default or upon any redemption of or other final payment on the Notes. The Custodian will be entitled to be indemnified from the Trust Estate to the extent set forth in the Custodial Agreement, and the Owner Trustee will be entitled to be indemnified from the Trust Estate to the extent set forth in the Trust Agreement.

With respect to any third-party claim: (i) the Indenture Trustee, the Paying Agent and the Note Registrar will be required to give the Issuer written notice thereof promptly after a responsible officer of the Indenture Trustee, the Paying Agent and the Note Registrar (as applicable) has actual knowledge thereof; (ii) the Indenture Trustee, the Paying Agent and the Note Registrar will be required to cooperate and consult fully with the Issuer in preparing such defense, *provided*, *however*, that the Indenture Trustee, the Paying Agent, or the Note Registrar, as applicable, will be entitled to its own counsel; and (iii) notwithstanding the foregoing, none of the Indenture Trustee, the Paying Agent and the Note Registrar will be entitled to reimbursement out of the Payment Account for settlement of any such claim by the Indenture Trustee, the Paying Agent or the Note Registrar entered into without the prior consent of the Issuer, which consent will not be unreasonably withheld.

Resignation and Removal of the Indenture Trustee

The Indenture Trustee may resign at any time upon sixty (60) days' notice to the Issuer, in which event the Issuer will be obligated to appoint a successor indenture trustee as set forth in the Indenture. The Issuer may remove the Indenture Trustee if the Indenture Trustee ceases to be eligible to continue as such under the Indenture or if the Indenture Trustee becomes insolvent. If the Issuer removes the Indenture Trustee, the Issuer will be obligated to appoint a successor indenture trustee. The Indenture Trustee may be removed at any time by the Noteholders holding more than a 50% Percentage Interest of the Notes. Any resignation or removal of the Indenture Trustee and appointment of a successor indenture trustee will not become effective until acceptance of the appointment by the successor indenture trustee.

Voting Rights

Voting rights will be allocated among the Noteholders based upon their respective Percentage Interest of the Notes.

Cancellation

All Notes surrendered for payment, registration of transfer, exchange or redemption will be promptly cancelled by the Note Registrar. The Issuer may at any time deliver to the Note Registrar for cancellation any Notes previously authenticated and delivered under the Indenture that the Issuer may have acquired in any manner whatsoever, and all Notes so delivered will be promptly cancelled by the Note Registrar.

TRUST AGREEMENT

The Issuer is a statutory trust formed under the laws of the State of Delaware and will be organized pursuant to an Amended and Restated Trust Agreement (the "Trust Agreement"), between the Depositor and Wilmington Savings Fund Society, FSB, as owner trustee (the "Owner Trustee"). The Issuer has trust power and authority to take actions in connection with the transaction described in this Offering Memorandum, subject to the terms of its Trust Agreement. Pursuant to the Trust Agreement, the Depositor will be entitled to perform certain administrative functions on behalf of the Issuer.

The Issuer will have the power and authority set forth in the Trust Agreement, including: (i) to execute, authenticate, deliver and issue each Note and to sell such Notes; (ii) to acquire, purchase, repurchase, sell, transfer, convey, dispose, contribute, finance, pledge, own, hold, manage, maintain, service, collect, administer, mortgage, lease, transfer title to any interest in, invest in and otherwise deal with the Trust Estate, including without limitation any purchases and sales, transfers, assignments, financings, pledges and/or conveyances of Mortgage Loans in connection with the Transaction Documents; (iii) to exercise, enforce, pursue, realize and protect any rights, interests, benefits and remedies arising from or relating to the Trust Estate, and to collect, distribute and disburse the Trust Estate for the benefit of the Noteholders; (iv) to enter into, execute and deliver from time to time each of the Transaction Documents to which the Issuer is a party and perform its respective obligations thereunder, including to enter into the Indenture and to issue Notes thereunder and to pledge the Trust Estate as collateral therefore, to enter into any amendments, supplements or restatements thereto, and to perform its obligations thereunder; (v) to acquire, collect, hold, manage, invest, distribute and disburse to the persons entitled thereto the proceeds from the Trust Estate pursuant to the Transaction Documents; (vi) to engage, retain and contract with other persons to perform the foregoing activities on behalf of the Issuer, including without limitation the management, servicing, operation and/or administration of the Trust Estate on behalf of the Issuer; (vii) to engage in and perform any related, ancillary or incidental activities, including entering into other agreements and any amendments, supplements or restatements thereto and issuing any other instruments, that are necessary or appropriate to accomplish the foregoing or are incidental thereto or connected therewith subject to compliance with the Transaction Documents and (viii) to engage in such other activities as may be required in connection with conservation of the Trust Estate and the making of distributions to the certificateholders and the Noteholders.

After its formation, the Issuer will not engage in any business or activities other than in connection with, or relating to, the purposes specified in the previous paragraph. The operations of the Issuer will be conducted in accordance with the standards set forth in the Trust Agreement, including:

(i) The Issuer will not become involved in the day-to-day management of any other person;

(ii) The Issuer will not permit any Noteholder or any other person to become involved in the day-to-day management of the Issuer, except in the capacity of acting as the administrator for the Issuer and its Trust Estate to the extent provided in the Transaction Documents and the Trust Agreement;

(iii) The Issuer will not engage in transactions other than those activities permitted by the Trust Agreement, the other Transaction Documents and matters necessarily incident or ancillary thereto;

(iv) The Issuer will observe all formalities required of a statutory trust under the laws of the State of Delaware;

(v) The Issuer will maintain separate corporate records and books of account and a separate business office from any other person;

(vi) The Issuer will not comingle its assets with assets of any other person and maintain its assets separately from the assets of any other person (including through the maintenance of a separate bank account) in a manner that is not costly or difficult to segregate, identify or ascertain such assets;

(vii) The Issuer will maintain separate financial statements (or if part of a consolidated group, then it will show as a separate member of such group), books and records from any other person, *provided, however,* that if the Issuer's assets are included in a consolidated financial statement of its affiliate, (a) appropriate notation will be made on such consolidated financial statements to indicate the separateness of the Issuer from such affiliate and to indicate that the Issuer's assets and credit are not available to satisfy the debts and other obligations of such affiliate or any other person and (b) such assets will also be listed on the Issuer's own separate balance sheet;

(viii) The Issuer will allocate and charge fairly and reasonably any overhead shared with affiliates;

(ix) The Issuer will transact all business with affiliates on an arm's-length basis and pursuant to written, enforceable agreements, except for capital contributions and distributions permitted by the Transaction Documents and the Trust Agreement that are properly reflected as such on the books and records of the Issuer;

(x) The Issuer will not hold out its credit or assets as being available to satisfy the obligations of any other person, not assume, pay or guarantee any other person's obligations or advance funds to any other person for the payment of expenses or otherwise, and not pledge its assets to secure the obligations of any other person;

(xi) The Issuer will conduct all business correspondence of the Issuer and other communications in the Issuer's own name, and use separate stationery, invoices, and checks;

(xii) The Issuer will not act as an agent of any other person in any capacity;

(xiii) The Issuer will not act as an agent of any Noteholder or any other person nor permit any Noteholder or agent of any Noteholder or any other person to act as its agent, except to the limited extent permitted under the Transaction Documents and the Trust Agreement, including the administrator thereunder;

(xiv) The Issuer will correct any known misunderstanding regarding the Issuer's separate identity from any other person, including without limitation any Noteholder;

(xv) The Issuer will pay its own liabilities and expenses only out of its own funds and will not permit any affiliate to guarantee, provide indemnification for or pay its obligations;

(xvi) The Issuer will compensate its consultants or agents, if any, from its own funds;

(xvii) The Issuer will maintain adequate capital in light of its contemplated business purpose, transactions and liabilities, provided, that the foregoing will not require any certificateholder to make additional capital contributions to the Issuer and provided, further, that the certificateholders may make distributions pursuant to the Trust Agreement;

(xviii) The Issuer will cause the agents and other representatives of the Issuer, if any, to act at all times with respect to the Issuer consistently and in furtherance of the foregoing;

(xix) The Issuer will not engage in inter-affiliate transactions except to the extent permitted by the Trust Agreement or any Transaction Documents;

(xx) The Issuer will not incur, create or assume any indebtedness or liabilities other than indebtedness and liabilities incurred in the ordinary course of its business that are related to the ownership and operation of the Trust Estate and are expressly permitted under the Transaction Documents;

(xxi) The Issuer will not, to the fullest extent permitted by law, engage in any dissolution, liquidation, consolidation, merger, division into two (2) or more statutory trusts or other legal entities, sale or other transfer of any of its assets outside the ordinary course of the Issuer's business, other than such activities as are expressly permitted pursuant to the Transaction Documents; and

(xxii) The Issuer will not own any asset or property other than the Trust Estate and incidental personal property necessary for the ownership or operation of the Trust Estate.

The permitted activities of the Issuer may be modified or amended only with the consent of the majority holder of the Notes and the majority holder of the Residual Interest Certificate.

AMENDMENTS TO TRANSACTION DOCUMENTS RELATING TO EMORTGAGE LOANS

The Originator may elect with respect to certain Additional Mortgage Loans, to originate such Additional Mortgage Loans using E-SIGN or UETA, for one or more of the Mortgage Loan Documents, as applicable, by having the related Borrower execute one or more of the Mortgage Loan Documents electronically including execution of an eMortgage Note and eMortgage Loan. If the Originator makes such election, it may be necessary for the parties to the Transaction Documents to amend the Transaction Documents with respect to the origination of such Mortgage Loans. In such event, the Transaction Documents may be amended only by written agreement signed by the parties thereto, in accordance with the terms of the applicable Transaction Documents, which may include that the party requesting such amendment will, at its own expense, provide the Indenture Trustee with an opinion of counsel (A) that such amendment (i) is authorized or permitted under the Transaction Documents and (ii) will not materially adversely affect the interest of the Noteholders and the Issuer, (B) all conditions precedent to such amendment have been satisfied, unless such opinion is waived by the Indenture Trustee (acting at the direction of Noteholders holding 100% Percentage Interest of the Notes) and (C) if such amendment permit eMortgage Loans, covering perfection of such eMortgage Loans. Such amendments may not require the consent of Noteholders.

U.S. CREDIT RISK RETENTION

General

Pursuant to the Risk Retention Rules, a "securitizer" of asset-backed securities is required, unless an exemption exists, to retain at least a 5% economic interest in the credit risk of the assets collateralizing a securities transaction (the "Required Credit Risk"), as more fully described below. Under Section 15G of the Exchange Act, a "securitizer" includes a person who organizes and initiates a securitization transaction by selling or transferring assets, either directly or indirectly, including through an affiliate or issuer, which definition is substantially identical to the definition of a "sponsor" under Regulation AB. In the case of an asset-backed securities transaction with multiple "sponsors" the entire Required Credit Risk must be retained by at least one "sponsor." Therefore, the Sponsor is required to retain the entire Required Credit Risk of this LHOME Mortgage Trust 2024-RTL3 securitization, either directly or through a majority-owned affiliate (as defined in the Risk Retention Rules). As of the Closing Date, the Required Credit Risk of this LHOME Mortgage Trust 2024-RTL3 securitization is expected to be held by the Depositor or another majority-owned affiliate of the Sponsor.

Until the later of (i) the fifth (5th) anniversary of the Closing Date and (ii) the date on which the aggregate Unpaid Principal Balance of the Mortgage Loans has been reduced to 25% of the aggregate Unpaid Principal Balance of the Mortgage Loans and cash deposited into the Accumulation Account as of the Closing Date, but in any event no longer than the seventh (7th) anniversary of the Closing Date (the "Sunset Date"), the Risk Retention Rules impose limitations on the ability of the majority-owned affiliate of the Sponsor holding the Required Credit Risk to dispose of or hedge the Required Credit Risk. In general, prior to the Sunset Date, the Sponsor or its majority-owned affiliate may not transfer the Required Credit Risk to any person other than another majority-owned affiliate of the Sponsor. In addition, prior to the Sunset Date, the Sponsor, and its affiliates may not engage in any hedging transactions if payments on the hedge instrument are materially related to the Required Credit Risk and the hedge position would limit the financial exposure of the Sponsor (or a majority-owned affiliate of the Sponsor) to the Required Credit Risk. The Sponsor (or a majority-owned affiliate of the Sponsor) may not pledge its interest in any Required Credit Risk as collateral for any financing unless such financing is full recourse to the Sponsor (or a majority-owned affiliate of the Sponsor). In the event that the Risk Retention Rules are repealed or amended in a manner such that the Sponsor is no longer required to hold the Required Credit Risk, the Sponsor (or a majority-owned affiliate of the Sponsor) may transfer the Risk Retained Securities.

Majority Owned Affiliate to Hold an Eligible Horizontal Residual Interest

Under the Risk Retention Rules, the Required Credit Risk may be held in the form of an "eligible horizontal residual interest" of at least 5% of the fair value of the Notes and Issuer Residual Interest Certificate issued by the Issuer as determined using a fair value measurement framework under GAAP (an "EHRI"), an "eligible vertical interest" of at least 5% of each class of securities issued in a securitization transaction (an "EVI") or a combination of an EHRI and an EVI. The Sponsor intends to satisfy the Risk Retention Rules by acquiring or causing its majority-owned affiliate to acquire on the Closing Date an EHRI consisting of 100% of the Issuer Residual Interest Certificate. Either the Sponsor or a majority-owned affiliate of the Sponsor will retain until the Sunset Date such Issuer Residual Interest Certificate representing at least 5% of the fair value of the Notes and Issuer Residual Interest Certificate (the "Risk Retained Securities").

Fair Value of the Notes and the Issuer Residual Interest Certificate

The estimated range of fair values of the Notes and Issuer Residual Interest Certificate are summarized below:

Class	Estimated Range of Fair Values or Fair Value ($)(1)	Estimated Range of Fair Values (as a percentage)(1)
Class A1 Notes	$294,736,000	77.81% - 78.48%
Class A2 Notes	$36,842,000	9.73% - 9.81%
Class M Notes	$18,422,000	4.86% - 4.91%
Issuer Residual Interest Certificate	$25,573,818 - $28,798,838	6.81% - 7.60%
Aggregate Fair Value	**$375,573,818 - $378,798,838**	**100.00%**

(1) Based on estimated pricing as set forth below (other than the Issuer Residual Interest Certificate).

The Sponsor determined the estimated fair value of the Notes and Issuer Residual Interest Certificate using a fair value measurement framework under generally accepted accounting principles. In measuring fair value, the use of observable and unobservable inputs and their significance in measuring fair value are reflected in the fair value hierarchy assessment, with Level 1 inputs favored over Level 3 inputs.

- *Level 1* – inputs include quoted prices for identical instruments and are the most observable,
- *Level 2* – inputs include quoted prices for similar instruments and observable inputs such as interest rates and yield curves, and
- *Level 3* – inputs include data not observable in the market and reflect management judgment about the assumptions market participants would use in pricing the instrument.

The fair value of the Notes is categorized within Level 2 of the hierarchy, reflecting the use of inputs derived from prices for similar instruments. The fair value of the Issuer Residual Interest Certificate is categorized within Level 3 of the hierarchy as inputs to the fair value calculation (other than the payment entitlement) are generally not observable in the market and reflect the Sponsor's assumptions about the considerations that other market participants would employ in evaluating the Issuer Residual Interest Certificate.

The estimated ranges of fair values of the Notes are based on the estimated ranges of Note Rates of the Notes and the price at which such Notes will be purchased by investors will be consistent with the assumptions below:

Class	**Estimated Range of Note Rates**[(1)]	**Estimated Prices (as a Percentage of Par)**
Class A1 Notes	6.700% - 7.186%	100.00000%
Class A2 Notes	8.175% - 8.657%	100.00000%
Class M Notes	10.531% - 11.010%	100.00000%

(1) A Step-Up Event will occur if the Notes are not redeemed in full on or prior to the Step-Up Date. Following a Step-Up Event, the fixed *per annum* rate used in the calculation of the Note Rate for the Notes will increase as set forth in the Securities Table.

To calculate the estimated range of fair values of the Notes and the Issuer Residual Interest Certificate, the Sponsor used an internal valuation model. This model projects future interest and principal payments and other recoveries on the Mortgage Loans, the interest and principal payments on the Notes and transaction fees and expenses. The resulting cash flows to the Class A1 Notes, Class A2 Notes, Class M Notes and Issuer Residual Interest Certificate are discounted to present value based on a range of required yields that reflects the credit exposure to these cash flows.

In completing these calculations, the Sponsor made the following assumptions:

- The estimated yield used to determine the fair value for the Issuer Residual Interest Certificate is set forth below:

Class	**Estimated Yield**
Issuer Residual Interest Certificate	20.00%

- the Issuer exercises its Optional Redemption right on the Step-Up Date;
- the assumptions are as set forth under "*Prepayment and Yield Considerations—Structuring Assumptions*" in this Offering Memorandum, except the estimated range of Note Rates as set forth in the table of Notes above; and
- the Mortgage Loans are redeemed at par.

The Sponsor developed these inputs and assumptions by considering the current interest rate environment and the expectation of anticipated interest rates following the Closing Date, composition of the Mortgage Loans and the performance of mortgage loans similar to the Mortgage Loans that were previously originated by the Sponsor. In particular, the Sponsor reviewed the prepayment, default and loss history of its previously originated mortgage loans, as adjusted for any updates to the Underwriting Guidelines, to project an anticipated prepayment, default and loss scenario for the Mortgage Loans.

The Sponsor believes that the inputs and assumptions described above include the inputs and assumptions that could have a significant impact on the fair value calculation or a prospective Noteholder's ability to evaluate the fair value calculation. The fair values of the Notes and the Issuer Residual Interest Certificate were based on the assumptions described above, including the assumptions regarding the characteristics and performance of the Mortgage Loans that likely will differ from the actual characteristics and performance of the Mortgage Loans.

The Sponsor will cause the Paying Agent or the Indenture Trustee to include a statement (prepared by the Sponsor) in the July 2024 monthly report to Noteholders setting forth the following information:

- the fair value, expressed as a percentage of the fair value of all of the Notes and Issuer Residual Interest Certificate issued by the Issuer on the Closing Date, of the Issuer Residual Interest Certificate retained by the Sponsor or a majority-owned affiliate of the Sponsor as of the Closing Date, based on actual sale prices and finalized class sizes;

- the fair value, expressed as a percentage of the fair value of all of the Notes and Issuer Residual Interest Certificate issued by the Issuer on the Closing Date, of the eligible horizontal residual interest that the Sponsor or a majority-owned affiliate of the Sponsor is required to retain under the Risk Retention Rules;

- to the extent the valuation methodology or any of the key inputs and assumptions that were used in calculating the fair values as disclosed herein materially differs from the methodology or key inputs and assumptions used to calculate the fair value on the Closing Date, descriptions of those material differences; and

- to the extent the EHRI retained by the Sponsor as of the Closing Date is materially different from the amount that the Sponsor intends to acquire and retain as described herein, the actual EHRI retained by the Sponsor as of the Closing Date.

None of the Indenture Trustee, the Owner Trustee, the Paying Agent, the Initial Purchasers, the Certificate Registrar, the Custodian or the Note Registrar will be charged with knowledge of any Risk Retention Rules, nor will the Indenture Trustee, the Owner Trustee, the Paying Agent, the Initial Purchasers, the Certificate Registrar, the Custodian or the Note Registrar be responsible for monitoring, confirming or enforcing any Risk Retention Rules applicable to this transaction. None of the Indenture Trustee, the Owner Trustee, the Paying Agent, the Custodian, the Initial Purchasers, the Certificate Registrar or the Note Registrar will be liable to any Noteholder or other party for violation of such rules now or hereinafter in effect.

PREPAYMENT AND YIELD CONSIDERATIONS

The yield to maturity and weighted average life of a Note will depend upon, among other things, the timing and amounts of principal payments on the Mortgage Loans, the amount of Available Funds deposited to the Accumulation Account and whether such funds are used to fund Unfunded Commitments or to purchase Additional Mortgage Loans during the Reinvestment Period, whether the Issuer redeems the Notes on or after an Optional Redemption Date, whether the Depositor purchases the Mortgage Loans on or after an Optional Redemption Date, or a Step-Up Event occurs, respectively, the price at which the Note is purchased, and the amount and timing of extensions of maturity and principal payments on the Mortgage Loans and Borrower delinquencies, defaults, and loss severity on the Mortgage Loans.

On each Payment Date during the Reinvestment Period, holders of the Notes will not receive any payments of principal so long as the Class A Minimum Credit Enhancement Test is satisfied.

As described herein, principal is not due on the Mortgage Loans until their maturity and many of the Mortgage Loans have had their maturities extended. It is possible that payments on the Mortgage Loans will be irregular, with large amounts of principal being paid at maturity, whether through payments by the Borrower or sales of the related properties.

Prior to an Optional Redemption Date, the rate of payments in reduction of the Note Amount of the Notes, the aggregate amount of payments on the Notes and the Weighted Average Life and yield to maturity of the Notes purchased at a discount or premium will be directly related to the amount of eligible Available Funds deposited to the Accumulation Account, the rate of payments of principal on the Mortgage Loans, the timing and amount of extensions of maturities on the Mortgage Loans, the purchase of Additional Mortgage Loans and Borrower delinquencies and defaults on the Mortgage Loans. The Issuer is expected (but not required) to redeem the Notes on or following an Optional Redemption Date following the Issuer's or Depositor's exercise of an Optional Redemption, but the Issuer may not be able to do so without a refinancing of the Notes or sale of the Mortgage Loans or of the related Mortgaged Properties by the Borrower. As such, the Issuer's ability to redeem the Notes may be dependent on the market for mortgage loans similar to the Mortgage Loans and properties similar to the Mortgaged Properties. If the Notes are redeemed, the Note Amount of the Notes will be paid in full. If the Notes are not redeemed in full on or prior to the Step-Up Date, a Step-Up Event will occur and the rate of payments in reduction of the Note Amount of the Notes, the aggregate amount of payments on the Notes and the Weighted Average Life and yield to maturity of the Notes purchased at a discount or premium will be affected by the increase in the fixed *per annum* Note Rate.

Prepayments (which, as used in this Offering Memorandum, include all unscheduled payments of principal, including payments as the result of liquidations and repurchases) of the Mortgage Loans will result in payments to Noteholders of amounts which would otherwise be paid at the maturity of such Mortgage Loans. Since the rate of prepayment on the Mortgage Loans will depend on future events and a variety of factors (as described more fully below), no assurance can be given as to such rate or the rate of principal payments or yield on, or Weighted Average Life of, a Note or the aggregate amount of payments on the Notes. Interest rates have risen significantly in recent months. If interest rates begin to decline, it could result in a significant increase in prepayments by Borrowers who take advantage of the opportunity to refinance their existing mortgages. Any such increase in prepayments could adversely affect the yields on the Notes.

The rate of principal payments on the Mortgage Loans will be affected by the repayment of the Mortgage Loans, the rate and timing of principal prepayments (including partial prepayments and those resulting from refinancing) thereon by Borrowers, the rate, timing and allocation of payaheads, liquidations of defaulted Mortgage Loans, the timing of Borrowers' monthly payments, modifications and extensions of the maturities of Mortgage Loans and repurchases by the Depositor of Mortgage Loans as a result of certain defective or missing documentation or certain breaches of representations and warranties. If prevailing rates for similar mortgage loans fall below the Mortgage Interest Rates on the Mortgage Loans, the rate of prepayment would generally be expected to increase. Conversely, if interest rates on similar mortgage loans rise above the Mortgage Interest Rates on the Mortgage Loans, the rate of prepayment would generally be expected to decrease. See "*Mortgage Loans and Representations and Warranties*" in this Offering Memorandum.

If a holder of a Note calculates its anticipated yield based on an assumed rate of default and amount of Realized Losses that is lower than the default rate and amount of losses, its actual yield to maturity will be lower than that so calculated. The timing of Realized Losses will also affect a Noteholder's actual yield to maturity, even if the average rate of defaults and severity of losses are consistent with such Noteholder's expectations. In general, the earlier a loss occurs, the greater the effect on an investor's yield to maturity. There can be no assurance as to the default, extension of maturity or loss experience with respect to the Mortgage Loans. See "*Risk Factors—Risks Related to Mortgage Loans—Nature of the Mortgage Loans*" in this Offering Memorandum.

No representation is made as to the rate of principal payments on the Mortgage Loans. Since certain of the Mortgage Loans contain due on sale clauses, acceleration of mortgage payments as a result of any such sale will affect the level of principal payments on the Mortgage Loans.

The yield to maturity of the Notes will be sensitive in varying degrees to the amount of Available Funds deposited to the Accumulation Account and whether such amounts are used to fund Unfunded Commitments or to purchase Additional Mortgage Loans during the Reinvestment Period, whether the Issuer redeems the Notes on or following an Optional Redemption Date or the Step-Up Date, whether the Depositor purchases the Mortgage Loans on or following an Optional Redemption Date or the Step-Up Date, or a Step-Up Event occurs, as well as the rate and timing of principal payments (including prepayments) on the Mortgage Loans. The ability of the Issuer or the

Depositor, as applicable, to exercise its right to an Optional Redemption and redeem the Notes on or following the Optional Redemption Date will be affected by the market for mortgage loans similar to the Mortgage Loans and properties similar to the Mortgaged Properties. Investors in the Notes should consider the associated risks, including, in the case of Notes purchased at a discount, the risk that during the Reinvestment Period certain Available Funds are deposited to the Accumulation Account and that such funds are not used to fund Unfunded Commitments or to purchase Additional Mortgage Loans, the Issuer fails to redeem the Notes on or following an Optional Redemption Date, or, with respect to the Class A2 Notes, the Class A2 Note Expected Redemption Date, with respect to the Class M Notes, the Class M Note Expected Redemption Date, the risk that principal payments (including prepayments) on the Mortgage Loans are received more slowly than you expect or extensions of maturity occur at a higher rate than you expect, which may have a negative effect on the yields to maturity of such Notes and, in the case of Notes purchased at a premium, the risk that no or limited Available Funds on each Payment Date during the Reinvestment Period are deposited to the Accumulation Account or Payment Account, the risk that the Issuer redeems the Notes on or following an Optional Redemption Date, the risk that the Depositor purchased all of the Mortgage Loans on or following an Optional Redemption Date, the risk that payments (including prepayments) in respect of the Mortgage Loans are received faster than you expect or extensions of maturity occur at a lower rate than you expect which may have a negative effect on the yield to maturity of such Notes.

An investor is urged to make an investment decision with respect to the Notes based on the anticipated yield to maturity resulting from its purchase price and such investor's own determination as to the amount of Available Funds deposited to the Accumulation Account during the Reinvestment Period and used to fund Unfunded Commitments or to purchase Additional Mortgage Loans, the timing and amounts of principal payments on the Mortgage Loans, whether the Issuer redeems the Notes on or following an Optional Redemption Date or the Step-Up Date, whether the Depositor purchased all of the Mortgage Loans on or following an Optional Redemption Date or the Step-Up Date, or a Step-Up Event occurs, the amount, timing and occurrence of sales of Mortgage Loans, if any, and the rate of extensions of maturity on the Mortgage Loans.

No representation is made as to the amount of Available Funds that will be deposited to the Accumulation Account or Payment Account during the Reinvestment Period and used to fund Unfunded Commitments or to purchase Additional Mortgage Loans, the rate of principal payments on the Mortgage Loans, the amount and timing of loan sales, if any, the ability of the Issuer to redeem the Notes, the ability of the Issuer or Depositor to exercise its Optional Redemption right, or as to the yield to maturity of the Notes.

Weighted Average Lives of the Notes

The "Weighted Average Life" of the Notes is the average amount of time that will elapse from the date of the issuance of such Note to the date of payment to the investor of each dollar paid in net reduction of the Note Amount of such Note. Because the Issuer may redeem the Notes on or after an Optional Redemption Date and there will be defaults, principal prepayments, extensions of maturity and other modifications of the Mortgage Loans, the actual Weighted Average Life of the Notes may vary substantially from the weighted average remaining terms to maturity of the Mortgage Loans as set forth in the applicable tables below.

Prepayments on mortgage loans are commonly measured relative to a prepayment model or standard.

There can be no assurance that prepayments of the Mortgage Loans will conform to any level of the prepayment model. A number of factors, including but not limited to economic conditions, natural disasters, changes in Borrowers' housing needs, adverse economic conditions, Borrowers' net equity in the properties securing the Mortgage Loans, servicing decisions, enforceability of due on sale clauses, modifications, mortgage market interest rates, mortgage recording taxes, competition among mortgage loan originators resulting in reduced refinancing costs and the availability of mortgage funds, may affect prepayment and liquidation experience. In general, however, if prevailing mortgage rates fall below the Mortgage Interest Rates borne by the Mortgage Loans, it would be expected that more Borrowers would refinance their mortgage obligations and repay their Mortgage Loans and that the prepayment rates of the Mortgage Loans would therefore be higher than if prevailing rates remain at or above the rates borne by such Mortgage Loans. Conversely, if prevailing mortgage rates rise above the Mortgage Interest Rates borne by the Mortgage Loans, it would be expected that fewer Borrowers would refinance their mortgage obligations and repay their Mortgage Loans and that the prepayment rates of the Mortgage Loans would therefore be lower than if prevailing rates remain at or below such Mortgage Interest Rates. However, there can be no assurance that prepayments will rise or fall according to such changes in mortgage rates. The amount of equity in a Mortgaged Property may also affect the rate of prepayments because as the amount of equity in the Mortgaged Property increases, the related Borrower may be more likely to enter into a "cash out" refinancing of the Mortgaged Property (if such refinancing is available), which will result in a prepayment in full of the Mortgage Loan.

Prepayments on the Mortgage Loans will also be affected by the obligation of the Seller to repurchase certain of the Mortgage Loans under certain circumstances and the right of the Issuer and the Depositor to exercise an Optional Redemption right.

Unlike traditional mortgage securitizations in which the balances of the securities pay down over time from collections on the mortgage loans, it is possible (particularly during the Reinvestment Period) that the Note Amount of the Notes will remain relatively unchanged for a period of time and pay down in significant amounts on certain Payment Dates due to the principal amount being due at maturity on each Mortgage Loan and the potential redemption of the Notes.

See "*Risk Factors—Risks Related to Mortgage Loans—Nature of the Mortgage Loan*s" in this Offering Memorandum. The Issuer may, at its option, redeem the Notes as set forth under "*Description of the Notes—Optional Redemption*" in this Offering Memorandum.

No assurance can be made regarding the amount of Available Funds deposited to the Accumulation Account or Payment Account or whether such funds will be used to fund Unfunded Commitments or to purchase Additional Mortgage Loans during the Reinvestment Period. However, during the Reinvestment Period, the holders of the Notes will not receive any payments of principal so long as the Class A Minimum Credit Enhancement Test is satisfied.

There can be no assurance as to the rate at which prepayments by the Borrowers, if any, will be received in respect of the Mortgage Loans, repurchases of Mortgage Loans by the Depositor as a result of the obligation to repurchase certain of the Mortgage Loans under certain limited circumstances or redemption of the Notes.

Structuring Assumptions

To provide a starting point for prospective investors to evaluate the Notes, average life and other scenarios for the Notes have been based on the following (the "Structuring Assumptions"):

(i) the Unpaid Principal Balance of the Initial Mortgage Loans is approximately $147,749,158 and the Mortgage Loans have the characteristics set forth in Annex A;

(ii) on the Closing Date, the Depositor will remit approximately $220,671,895 for deposit to the Accumulation Account;

(iii) monthly payments of interest and principal on the Mortgage Loans will be timely received on the applicable Due Date, commencing in July 2024, subject to the extension, prepayment and default assumptions set forth in (xxi), (xxii), (xxiii) and (xxiv) respectively, below;

(iv) Depositor does not repurchase any Mortgage Loans, and an Optional Redemption is exercised on Step-Up Date;

(v) the Notes will be issued on June 20, 2024;

(vi) payments on the Notes are made on the twenty-fifth (25th) day of each month, without regard to whether such day is a business day, commencing in July 2024, in accordance with the priorities described in this Offering Memorandum;

(vii) the Initial Note Amount of the Class A1 Notes is $294,736,000, the Class A2 Notes is $36,842,000, and the Class M Notes is $18,422,000;

(viii) the Note Rate of the Class A1 Notes is a rate equal to 6.839% per annum (subject to increase after the occurrence of a Step-Up Event), the Note Rate of the Class A2 Notes is a rate equal to 8.649% per annum (subject to increase after the occurrence of a Step-Up Event) and the Note Rate of the Class M Notes is a rate equal to 11.288% per annum (subject to increase after the occurrence of a Step-Up Event);

(ix) the Servicing Fee Rate is 0.50% *per annum*, payable monthly, the Indenture Trustee Fee is the greater of 0.0392% *per annum* or $3,000 per month, payable monthly, the Asset Management Fee is 0.50% *per annum*, payable monthly, the Owner Trustee Fee is $12,500 *per annum*, payable annually beginning in June 2025, and no other fees apply;

(x) the Servicing Fee, the Indenture Trustee Fee and the Asset Management Fee for the first Payment Date are calculated using a thirty (30)-day month;

(xi) there are no prepayment interest shortfalls;

(xii) on the Closing Date, the amount on deposit in the Redemption Account is assumed to be $0;

(xiii) on the Closing Date, the amount on deposit in the Pre-funding Interest Account is assumed to be $3,500,000 and for each of the first two Payment Dates, from amounts on deposit in the Pre-funding Interest Account, an amount equal to the excess, if any, of (i) the sum of all amounts due in payable on such Payment Date under clauses *first* through *sixth* of the Priority of Payments, over (ii) the aggregate interest collected on the Mortgage Loans during each respective Collection Period are included in Available Funds and on the third Payment Date, all remaining amounts are included in Available Funds;

(xiv) all amounts on deposit in the Accumulation Account, Redemption Account, Pre-funding Interest Account and Payment Account are cash deposits;

(xv) when available during the Reinvestment Period, cash in the Accumulation Account is used to purchase Additional Mortgage Loans in an amount equal to the excess, if any, of (i) the aggregate Note Amount of the Class A Notes and Class M Notes (after giving effect to any principal payments made to the Class A Notes on such Payment Date) divided by 95%, over (ii) the aggregate Unpaid Principal Balance of the Mortgage Loans as of the related Calculation Date;

(xvi) the Asset Manager does not direct any additional funds to be deposited into the Accumulation Account pursuant to clauses *eighth* and *fourteenth* of the Priority of Payments;

(xvii) Additional Mortgage Loans have the following terms and are purchased at 100% of the related Unpaid Principal Balance;

Original Term to Maturity (Months)	**Original IO Period (Months)**	**Mortgage Interest Rate (%)**	**Seasoning (Months)**	**Unfunded Commitments (% of Principal Limit)**
12	12	10.600%	0	20%

(xviii) no Event of Default or Step-Up Event occurs;

(xix) no Early Amortization Event is in effect;

(xx) there are no prepayment penalties collected in respect of the Mortgage Loans;

(xxi) one (1) extension, for a period of three (3) months, for each Mortgage Loan is assumed to be exercised;

(xxii) extension fees collected in respect of the Mortgage Loans at the time of each extension, in an amount equal to 0.35% of the Unpaid Principal Balance, are part of the Available Funds;

(xxiii) for the purposes of prepayments, the following SMM was used on any Mortgage Loan: 8% SMM, unless otherwise noted;

(xxiv) the following CDR ramp was used on any Mortgage Loan: 0% CDR to 3% CDR over 12 months and stay constant thereafter, and the lag time between default and recovery of the proceeds on a Mortgage Loan is zero months;

(xxv) the rate of approval of Rehabilitation Disbursement Requests with respect to Mortgage Loans with Unfunded Commitments (as a percentage of the aggregate Principal Limit for such Mortgage Loan) is assumed to be 4% per month for the Initial Mortgage Loans and Additional Mortgage Loans;

(xxvi) the Undisbursed Rehabilitation Holdback Amount is $0.00 for all Mortgage Loans;

(xxvii) there are no Servicing Advances; and

(xxviii) the following Severity was used on any Mortgage Loan: 25% Severity.

Discrepancies between the assumed and actual performance underscore the hypothetical nature of the tables below, which are provided only to give a general sense of the sensitivity of weighted average life and yields using varying prepayment assumptions. Changes in average life will affect the yield on the Notes. No representation is made regarding the appropriateness of the prepayment, default or loss severity assumptions used in preparing the tables below, the relationship between purchase price and prepayments or the resulting yield to maturity of the Notes.

Notwithstanding the percentages of the SMM assumptions reflected in the Structuring Assumptions, it is highly unlikely that prepayments will be incurred according to one particular pattern. Any discrepancy may have an effect, and such effect may be substantial, upon the Weighted Average Lives set forth in the table and the resulting yield on the Notes.

Investors are urged to make their investment decisions based on their determinations as to the amount of Available Funds deposited to the Accumulation Account during the Reinvestment Period, the likelihood of the occurrence of a Step-Up Event, and the anticipated rates of prepayments, default, loss severity and extension of maturity under a variety of scenarios.

Sensitivity Tables (to the Step-Up Date)

Class A1 Notes	4% SMM	6% SMM	8% SMM*	10% SMM	12% SMM
Yield at [●]% of Par	[●]%	[●]%	[●]%	[●]%	[●]%
WAL (years)	[●]	[●]	[●]	[●]	[●]
Principal Windows (months)	[●][●]	[●][●]	[●][●]	[●][●]	[●][●]

Class A2 Notes	4% SMM	6% SMM	8% SMM*	10% SMM	12% SMM
Yield at [●]% of Par	[●]%	[●]%	[●]%	[●]%	[●]%
WAL (years)	[●]	[●]	[●]	[●]	[●]
Principal Windows (months)	[●][●]	[●][●]	[●][●]	[●][●]	[●][●]

Class M Notes	4% SMM	6% SMM	8% SMM*	10% SMM	12% SMM
Yield at [●]% of Par	[●]%	[●]%	[●]%	[●]%	[●]%
WAL (years)	[●]	[●]	[●]	[●]	[●]
Principal Windows (months)	[●][●]	[●][●]	[●][●]	[●][●]	[●][●]

* Indicates the pricing scenario.

CERTAIN LEGAL ASPECTS OF THE MORTGAGE LOANS

The following discussion contains summaries, which are general in nature, of certain state law legal aspects of loans secured by fee and/or leasehold interests on single-family residential, planned unit development, condominium or two-to-four unit properties, manufactured housing properties or multi-family (5-20 unit) properties. Because such legal aspects are governed primarily by the applicable laws of the state in which the related Mortgaged Property or REO Property is located (which laws may differ substantially), the summaries do not purport to be complete nor to reflect the laws of any particular state, nor to encompass the laws of all states in which the Mortgaged Properties and REO Properties are situated. The summaries are qualified in their entirety by reference to the applicable federal and state laws governing the Mortgage Loans.

General

All of the Mortgage Loans are loans evidenced by a note or bond and secured by instruments granting a security interest in real property which may be mortgages, deeds of trust, security deeds or deeds to secure debt, depending upon the prevailing practice and law in the state in which the Mortgaged Property is located. Mortgages, deeds of trust and deeds to secure debt are in this Offering Memorandum collectively referred to as "mortgages." Any of the foregoing types of mortgages will create a lien upon, or grant a title interest in, the subject property, the priority of which will depend on the terms of the particular security instrument, as well as separate, recorded, contractual arrangements with others holding interests in the mortgaged property, the knowledge of the parties to such instrument as well as the order of recordation of the instrument in the appropriate public recording office. However, recording does not generally establish priority over governmental claims for real estate taxes and assessments and other charges imposed under governmental police powers.

Types of Mortgage Instruments

A mortgage either creates a lien against or constitutes a conveyance of real property between two parties—a mortgagor, who is usually the owner of the subject property (or, in the case of a mortgage loan secured by a property that has been conveyed to an inter vivos revocable trust, the settlor of such trust)—and a mortgagee. In a mortgage instrument state, the mortgagor delivers to the mortgagee a note or bond evidencing the mortgage loan and the mortgage. In contrast, a deed of trust is a three-party instrument, among a trustor (the equivalent of a mortgagor), a trustee to whom the mortgaged property is conveyed, and a beneficiary (the mortgagee) for whose benefit the conveyance is made. As used in this Offering Memorandum, unless the context otherwise requires, "mortgagor" includes the trustor under a deed of trust and a grantor under a security deed or a deed to secure debt. Under a deed of trust, the mortgagor grants the property, irrevocably until the debt is paid, in trust, generally with a power of sale as security for the indebtedness evidenced by the related note. A deed to secure debt typically has two parties. By executing a deed to secure debt, the grantor conveys title to, as opposed to merely creating a lien upon, the subject property to the grantee until such time as the underlying debt is repaid, generally with a power of sale as security for the indebtedness evidenced by the related mortgage note. In case the mortgagor under a mortgage is a land trust, there would be an additional party because legal title to the property is held by a land trustee under a land trust agreement for the benefit of the mortgagor. At origination of a mortgage loan involving a land trust, the mortgagor executes a separate undertaking to make payments on the mortgage note. The mortgagee's authority under a mortgage, the trustee's authority under a deed of trust and the grantee's authority under a deed to secure debt are governed by the express provisions of the mortgage, the law of the state in which the real property is located, certain federal laws (including, without limitation, the Relief Act) and, in some cases, in deed of trust transactions, the directions of the beneficiary.

Interest in Real Property

The real property covered by a mortgage, deed of trust, security deed or deed to secure debt is most often the fee estate in land and improvements. However, such an instrument may encumber other interests in real property such as a tenant's interest in a lease of land or improvements, or both, and the leasehold estate created by such lease. An instrument covering an interest in real property other than the fee estate requires special provisions in the instrument creating such interest or in the mortgage, deed of trust, security deed or deed to secure debt, to protect the mortgagee against termination of such interest before the mortgage, deed of trust, security deed or deed to secure debt is paid.

Condominiums

Certain of the Mortgage Loans are loans secured by condominium units. The condominium building may be a multi-unit building or buildings, or a group of buildings whether or not attached to each other, located on property subject to condominium ownership. Condominium ownership is a form of ownership of real property as to which each owner is entitled to the exclusive ownership and possession of his or her individual condominium unit. The owner also owns a proportionate undivided interest in all parts of the condominium building (other than the other individual condominium units) and all areas or facilities, if any, for the common use of the condominium units. The condominium unit owners appoint or elect the condominium association to govern the affairs of the condominium.

Foreclosure

Foreclosure is a legal procedure that allows the mortgagee to recover its mortgage debt by enforcing its rights and available legal remedies under the mortgage. If the mortgagor defaults in payment or performance of its obligations under the note or mortgage, the mortgagee has the right to institute foreclosure proceedings to sell the mortgaged property at public auction to satisfy the indebtedness.

Foreclosure procedures with respect to the enforcement of a mortgage vary from state to state. Two primary methods of foreclosing a mortgage are judicial foreclosure and non-judicial foreclosure pursuant to a power of sale granted in the mortgage instrument. There are several other foreclosure procedures available in some states that are either infrequently used or available only in certain limited circumstances, such as strict foreclosure.

The Mortgages or assignments of mortgage for some of the Mortgage Loans have been recorded in the name of MERS, solely as nominee for the Originator and its successors and assigns, including the Indenture Trustee. Subsequent assignments of those Mortgages are registered electronically through the MERS system. The recording of mortgages in the name of MERS has been challenged in a number of states. Although many decisions have accepted MERS as mortgagee, some courts have held that MERS is not a proper party to conduct a foreclosure and have required that the mortgage be reassigned to the entity that is the economic owner of the mortgage loan before a foreclosure can be conducted. In states where such a rule is in effect, there may be delays and additional costs in commencing, prosecuting and completing foreclosure proceedings and conducting foreclosure sales of mortgaged properties. In addition, borrowers are raising new challenges to the recording of mortgages in the name of MERS, including challenges questioning the ownership and enforceability of mortgage loans registered in MERS. An adverse decision in any jurisdiction may delay the foreclosure process.

With respect to any Mortgage Loans registered on the MERS system, the Servicer will comply with all of the requirements of MERS regarding instituting foreclosure proceedings. In addition, Mortgage Loans registered in the MERS system will be required to be removed from the MERS system by the Servicer upon ninety (90) days of delinquency.

Judicial Foreclosure

A judicial foreclosure proceeding is conducted in a court having jurisdiction over the mortgaged property. Generally, the action is initiated by the service of legal pleadings upon all parties having an interest of record in the real property. Delays in completion of the foreclosure may occasionally result from difficulties in locating defendants. When the mortgagee's right to foreclose is contested, the legal proceedings can be time-consuming. Upon successful completion of a judicial foreclosure proceeding, the court generally issues a judgment of foreclosure and appoints a referee or other officer to conduct a public sale of the mortgaged property, the proceeds of which are used to satisfy the judgment. Such sales are made in accordance with procedures that vary from state to state.

In response to an unusually large number of foreclosures in recent years, a growing number of states have enacted laws that subject the holder to certain notice and/or waiting periods prior to commencing a foreclosure. In Massachusetts, the Attorney General's office may review and possibly terminate the foreclosure of any one-to-four family residential mortgage that is the mortgagor's principal dwelling. In some instances, these laws require the servicer of the mortgage to consider modification of the mortgage or an alternative option prior to proceeding with foreclosure. The effect of these laws has been to delay foreclosures in particular jurisdictions.

Equitable Limitations on Enforceability of Certain Provisions

United States courts have traditionally imposed general equitable principles to limit the remedies available to a mortgagee in connection with foreclosure. These equitable principles are generally designed to relieve the mortgagor from the legal effect of mortgage defaults, to the extent that such effect is perceived as harsh or unfair. Relying on such principles, a court may alter the specific terms of a loan to the extent it considers necessary to prevent or remedy an injustice, undue oppression or overreaching, or may require the mortgagee to undertake affirmative and expensive actions to determine the cause of the mortgagor's default and the likelihood that the mortgagor will be able to reinstate the loan. In some cases, courts have substituted their judgment for the mortgagee's and have required that mortgagees reinstate loans or recast payment schedules in order to accommodate mortgagors who are suffering from a temporary financial disability. In other cases, courts have limited the right of the mortgagee to foreclose if the default under the mortgage is not monetary, e.g., the mortgagor failed to maintain the mortgaged property adequately or the mortgagor executed a junior mortgage on the mortgaged property. The exercise by the court of its equity powers will depend on the individual circumstances of each case presented to it. Finally, some courts have been faced with the issue of whether federal or state constitutional provisions reflecting due process concerns for adequate notice require that a mortgagor receive notice in addition to statutorily prescribed minimum notice. For the most part, these cases have upheld the reasonableness of the notice provisions or have found that a public sale under a mortgage providing for a power of sale does not involve sufficient state action to afford constitutional protections to the mortgagor.

Non-Judicial Foreclosure/Power of Sale

Foreclosure of a deed of trust is generally accomplished by a non-judicial trustee's sale pursuant to the power of sale granted in the deed of trust. A power of sale is typically granted in a deed of trust. It may also be contained in any other type of mortgage instrument. A power of sale allows a non-judicial public sale to be conducted generally following a request from the beneficiary/mortgagee to the trustee to sell the property upon any default by the mortgagor under the terms of the mortgage note or the mortgage instrument and after notice of sale is given in accordance with the terms of the mortgage instrument, as well as applicable state law. In some states, prior to such sale, the trustee under a deed of trust must record a notice of default and notice of sale and send a copy to the mortgagor and to any other party who has recorded a request for a copy of a notice of default and notice of sale. In addition, in some states the trustee must provide notice to any other party having an interest of record in the real property, including junior lienholders. A notice of sale must be posted in a public place and, in most states, published for a specified period of time in one or more newspapers. The mortgagor or junior lienholder may then have the right, during a reinstatement period required in some states, to cure the default by paying the entire actual amount in arrears (without acceleration) plus the expenses incurred in enforcing the obligation. In other states, the mortgagor or the junior lienholder is not provided a period to reinstate the loan, but has only the right to pay off the entire debt to prevent the foreclosure sale. Generally, the procedure for public sale, the parties entitled to notice, the method of giving notice and the applicable time periods are governed by state law and vary among the states. Foreclosure of a deed to secure debt is also generally accomplished by a non-judicial sale similar to that required by a deed of trust, except that the mortgagee or its agent, rather than a trustee, is typically empowered to perform the sale in accordance with the terms of the deed to secure debt and applicable law.

Public Sale

A third party may be unwilling to purchase a mortgaged property at a public sale because of the difficulty in determining the value of such property at the time of sale, due to, among other things, redemption rights which may exist and the possibility of physical deterioration of the property during the foreclosure proceedings. For these reasons, it is common for the mortgagee to purchase the mortgaged property for an amount equal to or less than the underlying debt and accrued and unpaid interest plus the expenses of foreclosure. Thereafter, subject to the mortgagor's right in some states to remain in possession during a redemption period, if applicable, the mortgagee will become the owner of the property and have both the benefits and burdens of ownership of the mortgaged property. For example, the mortgagee will become obligated to pay taxes, obtain casualty insurance and to make such repairs at its own expense as are necessary to render the property suitable for sale. The mortgagee will commonly obtain the services of a real estate broker and pay the broker's commission in connection with the sale of the property. Depending upon market conditions, the ultimate proceeds of the sale of the property may not equal the mortgagee's investment in the property. Moreover, a mortgagee commonly incurs substantial legal fees and court costs in acquiring a mortgaged property through contested foreclosure and/or bankruptcy proceedings. Generally, state law controls the amount of foreclosure expenses and costs, including attorneys' fees, that may be recovered by a mortgagee.

A junior mortgagee may not foreclose on the property securing the junior mortgage unless it forecloses subject to senior mortgages and any other prior liens, in which case it may be obliged to make payments on the senior mortgages to avoid their foreclosure. In addition, in the event that the foreclosure of a junior mortgage triggers the enforcement of a "due-on-sale" clause contained in a senior mortgage, the junior mortgagee may be required to pay the full amount of the senior mortgage to avoid its foreclosure.

The proceeds received by the referee or trustee from the sale are applied first to the costs, fees and expenses of sale and then in satisfaction of the indebtedness secured by the mortgage under which the sale was conducted. Any proceeds remaining after satisfaction of senior mortgage debt are generally payable to the holders of junior mortgages and other liens and claims in order of their priority, whether or not the mortgagor is in default. Any additional proceeds are generally payable to the mortgagor. The payment of the proceeds to the holders of junior mortgages may occur in the foreclosure action of the senior mortgage or a subsequent ancillary proceeding or may require the institution of separate legal proceedings by such holders.

Rights of Redemption

The purposes of a foreclosure action are to enable the mortgagee to realize upon its security and to bar the mortgagor, and all persons who have an interest in the property which is subordinate to the mortgage being foreclosed, from exercise of their "equity of redemption." The doctrine of equity of redemption provides that, until the property covered by a mortgage has been sold in accordance with a properly conducted foreclosure and foreclosure sale, those having an interest which is subordinate to that of the foreclosing mortgagee have an equity of redemption and may redeem the property by paying the entire debt with interest. In addition, in some states, when a foreclosure action has been commenced, the redeeming party must pay certain costs of such action. Those having an equity of redemption must generally be made parties and joined in the foreclosure proceeding in order for their equity of redemption to be cut off and terminated.

The equity of redemption is a common law (non-statutory) right which exists prior to completion of the foreclosure, is not waivable by the mortgagor, must be exercised prior to a foreclosure sale and should be distinguished from the post-sale statutory rights of redemption. In some states, after sale pursuant to a deed of trust or foreclosure of a mortgage, the mortgagor and foreclosed junior lienors are given a statutory period in which to redeem the property from the foreclosure sale. In some states, statutory redemption may occur only upon payment of the foreclosure sale price. In other states, redemption may be authorized if the former mortgagor pays only a portion of the sums due. The effect of a statutory right of redemption is to diminish the ability of the mortgagee to sell the foreclosed property. The exercise of a right of redemption would defeat the title of any purchaser from a foreclosure sale or sale under a deed of trust. Consequently, the practical effect of the redemption right is to force the mortgagee to maintain the property and pay the expenses of ownership until the redemption period has expired. In some states, a post-sale statutory right of redemption may exist following a judicial foreclosure, but not following a trustee's sale under a deed of trust.

Anti-Deficiency Legislation, the Bankruptcy Code and Other Limitations on Mortgagees

Statutes in some states limit the right of a beneficiary under a deed of trust or a mortgagee under a mortgage to obtain a deficiency judgment against the mortgagor following foreclosure or sale under a deed of trust. A deficiency judgment would be a personal judgment against the former mortgagor equal to the difference between the net amount realized upon the public sale of the real property and the amount due to the mortgagee. Some states require the mortgagee to exhaust the security afforded under a mortgage by foreclosure in an attempt to satisfy the full debt before bringing a personal action against the mortgagor. In certain other states, the mortgagee has the option of bringing a personal action against the mortgagor on the debt without first exhausting such security; however, in some of these states, the mortgagee, following judgment on such personal action, may be deemed to have elected a remedy and may be precluded from exercising remedies with respect to the security. In some cases, a mortgagee will be precluded from exercising any additional rights under the note or mortgage if it has taken any prior enforcement action. Consequently, the practical effect of the election requirement, in those states permitting such election, is that mortgagees will usually proceed against the security first rather than bringing a personal action against the mortgagor. Finally, other statutory provisions limit any deficiency judgment against the former mortgagor following a judicial sale to the excess of the outstanding debt over the fair market value of the property at the time of the public sale. The purpose of these statutes is generally to prevent a mortgagee from obtaining a large deficiency judgment against the former mortgagor as a result of low or no bids at the judicial sale.

In addition to laws limiting or prohibiting deficiency judgments, numerous other federal and state statutory provisions, including the federal bankruptcy laws and state laws affording relief to debtors, may interfere with or affect the ability of the secured mortgage mortgagee to realize upon collateral or enforce a deficiency judgment. For example, under the Bankruptcy Code, virtually all actions (including foreclosure actions and deficiency judgment proceedings) are automatically stayed upon the filing of a bankruptcy petition, and, usually, no interest or principal payments are made during the course of the bankruptcy case. Foreclosure of an interest in real property of a debtor in a case under the Bankruptcy Code can typically occur only if the bankruptcy court vacates the stay, an action the court may be reluctant to take, particularly if the debtor has the prospect of restructuring his or her debts and the mortgage collateral is not deteriorating in value. The delay and the consequences of such delay caused by such automatic stay can be significant. Also, under the Bankruptcy Code, the filing of a petition in bankruptcy by or on behalf of a junior lienor (a subordinate mortgagee secured by a mortgage on the property) may stay a senior mortgagee from taking action to foreclose.

A homeowner may typically file for relief under the Bankruptcy Code under any one (1) of three (3) different chapters of the Bankruptcy Code. Under Chapter 7, the assets of the debtor (that are not exempt from execution to satisfy a money judgment) are liquidated and a mortgagee secured by a lien may usually "bid in" (i.e., bid up to the amount of the debt) at the sale of the asset. See "—*Foreclosure*" above. A homeowner may also file for relief under Chapter 11 of the Bankruptcy Code and reorganize his or her debts through his or her reorganization plan. Alternatively, a homeowner may file for relief under Chapter 13 of the Bankruptcy Code and address his or her debts in a rehabilitation plan. (Chapter 13 is often referred to as the "wage earner chapter" or "consumer chapter" because most individuals seeking to restructure their debts file for relief under Chapter 13 rather than Chapter 11.)

The Bankruptcy Code permits a mortgage loan that is secured by property that does not consist solely of the debtor's principal residence to be modified without the consent of the mortgagee provided certain substantive and procedural safeguards are met. Under the Bankruptcy Code, the mortgagee's security interest may be reduced to the then-current value of the property as determined by the court if the value is less than the amount due on the loan, thereby leaving the mortgagee as a general unsecured creditor for the difference between the then-current value of the collateral and the outstanding balance of the mortgage loan. A mortgagor's unsecured indebtedness will typically be discharged in full with or without payment of a substantially reduced amount. Other modifications to a mortgage loan may include a reduction in the amount of each monthly payment, which reduction may result from one or more of the following: a reduction in the rate of interest, an alteration of the repayment schedule, an extension of the final maturity date, or a reduction in the outstanding balance of the secured portion of the loan. In certain circumstances, subject to the court's approval, liens senior to the lien of a mortgage may be granted.

A reorganization plan under Chapter 11 and a rehabilitation plan under Chapter 13 of the Bankruptcy Code may each allow a debtor to cure a default with respect to a mortgage loan on such debtor's residence by paying arrearages over a period of time and to decelerate and reinstate the original mortgage loan payment schedule, even though the mortgagee accelerated the loan and a final judgment of foreclosure had been entered in state court (provided no sale of the property had yet occurred) prior to the filing of the debtor's petition under the Bankruptcy Code. Under a Chapter 13 plan, curing of defaults and arrearages must be accomplished within the five (5)-year maximum term permitted for repayment plans, such term commencing when the repayment plan becomes effective, while defaults may be cured over a longer period of time under a Chapter 11 plan of reorganization. Plans in both Chapter 11 and Chapter 13 can provide for an extension of the maturity of the mortgage loan beyond the five (5)-year period described above.

Generally, a repayment plan in a case under Chapter 13 and a plan of reorganization under Chapter 11 may not modify the claim of a mortgagee if the mortgagor elects to retain the property, the property is the mortgagor's principal residence and the property is the mortgagee's only collateral. Certain courts have allowed modifications when the mortgage loan is secured both by the debtor's principal residence and by collateral that is not "inextricably bound" to the real property, such as appliances, machinery, or furniture.

The general protection for mortgages secured only by the debtor's principal residence is not applicable in a case under Chapter 13 if the last payment on the original payment schedule is due before the final date for payment under the debtor's Chapter 13 plan (which date could be up to five (5) years after the debtor emerges from bankruptcy). Under several recently decided cases, the terms of such a loan can be modified in the manner described above. While these decisions are contrary to the holding in a prior case by a senior appellate court, it is possible that the later decisions will become the accepted interpretation in view of the language of the applicable statutory provision.

If this interpretation is adopted by a court considering the treatment in a Chapter 13 repayment plan of a Mortgage Loan, it is possible that the Mortgage Loan could be modified.

State statutes and general principles of equity may also provide a mortgagor with means to halt a foreclosure proceeding or sale and to force a restructuring of a mortgage loan on terms a mortgagee would not otherwise accept.

In a bankruptcy or similar proceeding of a mortgagor, action may be taken seeking the recovery, as a preferential transfer or on other grounds, of any payments made by the mortgagor under the related mortgage loan prior to the bankruptcy or similar proceeding. Payments on long-term debt may be protected from recovery as preferences if they are payments in the ordinary course of business made on debts incurred in the ordinary course of business or if the value of the collateral exceeds the debt at the time of payment. Whether any particular payment would be protected depends upon the facts specific to a particular transaction.

A trustee in bankruptcy, in some cases, may be entitled to collect its costs and expenses in preserving or selling the mortgaged property ahead of a payment to the mortgagee. Moreover, the laws of certain states also give priority to certain tax and mechanics liens over the lien of a mortgage. Under the Bankruptcy Code, if the court finds that actions of the mortgagee have been unreasonable and inequitable, the lien of the related mortgage may be subordinated to the claims of unsecured creditors.

The Code provides priority to certain tax liens over the lien of the mortgage.

Forfeiture for Drug, RICO and Money Laundering Violations

Federal law provides that property purchased or improved with assets derived from criminal activity or otherwise tainted, or used in the commission of certain offenses, can be seized and ordered forfeited to the United States of America. The offenses which can trigger such a seizure and forfeiture include, among others, violations of the Racketeer Influenced and Corrupt Organizations Act, the Bank Secrecy Act, the anti-money laundering laws and regulations, including the USA PATRIOT Act of 2001 and the regulations issued thereunder, as well as the narcotic drug laws. In many instances, the United States may seize the property even before a conviction occurs.

In the event of a forfeiture proceeding, a mortgagee may be able to establish its interest in the property by proving that (i) its mortgage was executed and recorded before the commission of the illegal conduct from which the assets used to purchase or improve the property were derived or before the commission of any other crime upon which the forfeiture is based, or (ii) the mortgagee, at the time of the execution of the mortgage, "did not know or was reasonably without cause to believe that the property was subject to forfeiture." However, there can be no assurance that such a defense will be successful.

Relief Act and Similar State Laws

The Relief Act provides various protections in connection with mortgage loans and other obligations owed by servicemembers and, in certain cases, their dependents. Certain of these protections may apply to the Mortgage Loans in certain circumstances, including where a Mortgage Loan is guaranteed by an individual who is a servicemember or dependent of a servicemember. Generally, under the terms of the Relief Act, a mortgagor who enters military service after the origination of such mortgagor's mortgage loan (including a mortgagor who is a member of the National Guard or is in reserve status at the time of the origination of the mortgage loan and is later called to active duty) may not be charged interest, including fees and charges, above an annual rate of 6% during the period of such mortgagor's active duty status and one year thereafter. In addition to adjusting the interest, the mortgagee must forgive any such interest in excess of 6% *per annum*, unless a court or administrative agency orders otherwise upon application of the mortgagee. Further, the Relief Act imposes limitations which would impair the ability of a servicer to foreclose on an affected mortgage loan during the servicemember mortgagor's period of active duty status and, in some cases, during an additional year thereafter. In addition, the Relief Act provides broad discretion for a court to modify a Mortgage Loan upon application of the mortgagor. Moreover, the Relief Act also imposes limitations on the ability to enforce obligations against servicemembers and certain of their dependents, including restrictions on default judgments and requirements related to stays or vacation of judgments, attachments, and garnishments. It is possible that these protections could have an effect, for an indeterminate period of time, on the ability of the Servicer to collect some or all amounts due on certain of the Mortgage Loans, or to recover funds in connection with Mortgage Loans through foreclosure or judicial enforcement against guarantors. Any shortfall in collections resulting from the application of the Relief Act or any amendment to it, will make it more likely that, under certain scenarios, amounts received in respect of the Mortgage Loans and amounts in the Accumulation Account and the Redemption Account, may be insufficient to pay the Notes all principal and interest to which they are entitled. Additionally, with respect to Mortgage Loans in default, application of foreclosure or enforcement protections, in certain cases, may result in delays and losses occasioned by the inability to realize upon the mortgaged property in a timely fashion and/or the inability to recover from a guarantor in a timely fashion. Certain states have enacted comparable legislation which may lead to the modification of a Mortgage Loan or interfere with or affect the ability of the Servicer to timely collect payments of principal and interest on, or to foreclose on or otherwise enforce, Mortgage Loans of mortgagors in such states who are active or reserve members of the armed services or the National Guard (or guarantees in connection with such Mortgage Loans). For example, California has enacted legislation providing protection substantially similar to that provided by the Relief Act to California National Guard members called up for active service by the Governor or President and to reservists called to active duty.

Environmental Considerations

A mortgagee or the Issuer may be subject to unforeseen environmental risks when taking a security interest in real or personal property or by owning real property, as the case may be. Properties may be subject to federal, state, and local laws and regulations relating to environmental protection. Such laws may regulate, among other things: emissions of air pollutants; discharges of wastewater or storm water; generation, transport, storage or disposal of hazardous waste or hazardous substances; operation, closure and removal of underground storage tanks; removal and disposal of asbestos-containing materials; management of electrical or other equipment containing polychlorinated biphenyls. Failure to comply with such laws and regulations may result in significant penalties, including civil and criminal fines. Under the laws of certain states, environmental contamination on a property may give rise to a lien on the property to ensure the availability and/or reimbursement of cleanup costs. Generally all subsequent liens on such property are subordinated to such a lien and, in some states, even prior recorded liens are subordinated to such liens

("Superliens"). In the latter states, the security interest of the mortgagee in a property that is subject to such a Superlien could be adversely affected.

Under the federal Comprehensive Environmental Response, Compensation and Liability Act, as amended ("CERCLA"), and under states law in certain states, a party which takes a deed in lieu of foreclosure, purchases a mortgaged property at a foreclosure sale, operates a mortgaged property or undertakes certain types of activities that may constitute management of the mortgaged property may become liable in certain circumstances for the costs of remedial action ("Cleanup Costs") if hazardous wastes or hazardous substances have been released or disposed of on the property. Such Cleanup Costs may be substantial and could exceed the value of the property and the aggregate assets of the owner or operator. CERCLA imposes strict, as well as joint and several liability for environmental remediation and/or damage costs on several classes of "potentially responsible parties," including current "owners and/or operators" of property, irrespective of whether those owners or operators caused or contributed to contamination on the property. In addition, owners and operators of properties that generate hazardous substances that are disposed of at other "off-site" locations may be held strictly, jointly and severally liable for environmental remediation and/or damages at those off-site locations. Many states also have laws that are similar to CERCLA. Liability under CERCLA or under similar state law could exceed the value of the property itself as well as the aggregate assets of the property owner.

The law is unclear as to whether and under what precise circumstances cleanup costs, or the obligation to take remedial actions, could be imposed on a secured mortgagee. Under the laws of some states and under CERCLA, a mortgagee may be liable as an "owner or operator" for costs of addressing releases or threatened releases of hazardous substances on a mortgaged property if such mortgagee or its agents or employees have "participated in the management" of the operations of the mortgagor, even though the environmental damage or threat was caused by a prior owner or current owner or operator or other third party. Excluded from CERCLA's definition of "owner or operator," is a person "who without participating in the management of...[the] facility, holds indicia of ownership primarily to protect his security interest" (the "secured-creditor exemption"). This exemption for holders of a security interest such as a secured mortgagee applies only to the extent that a mortgagee seeks to protect its security interest in the contaminated facility or property. Thus, if a mortgagee's activities begin to encroach on the actual management of such facility or property, the mortgagee faces potential liability as an "owner or operator" under CERCLA. Similarly, when a mortgagee forecloses and takes title to a contaminated facility or property, the mortgagee may incur potential CERCLA liability in various circumstances including, among others, when it holds the facility or property as an investment (including leasing the facility or property to a third party), fails to market the property in a timely fashion or fails to properly address environmental conditions at the property or facility.

The Resource Conservation and Recovery Act, as amended ("RCRA"), contains a similar secured-creditor exemption for those mortgagees who hold a security interest in a petroleum underground storage tank ("UST") or in real estate containing a UST, or that acquire title to a petroleum UST or facility or property on which such a UST is located. As under CERCLA, a mortgagee may lose its secured-creditor exemption and be held liable under RCRA as a UST owner or operator if such mortgagee or its employees or agents participate in the management of the UST. In addition, if the mortgagee takes title to or possession of the UST or the real estate containing the UST, under certain circumstances the secured-creditor exemption may be deemed to be unavailable.

A decision in May 1990 of the United States Court of Appeals for the Eleventh Circuit in *United States v. Fleet Factors Corp.* very narrowly construed CERCLA's secured-creditor exemption. The court's opinion suggested that a mortgagee need not have involved itself in the day-to-day operations of the facility or participated in decisions relating to hazardous waste to be liable under CERCLA, rather, liability could attach to a mortgagee if its involvement with the management of the facility were broad enough to support the inference that the mortgagee had the capacity to influence the mortgagor's treatment of hazardous waste. The court added that a mortgagee's capacity to influence such decisions could be inferred from the extent of its involvement in the facility's financial management. A subsequent decision by the United States Court of Appeals for the Ninth Circuit in *In re Bergsoe Metal Corp.*, apparently disagreeing with, but not expressly contradicting, the *Fleet Factors* court, held that a secured mortgagee had no liability absent "some actual management of the facility" on the part of the mortgagee.

Court decisions have taken varying views of the scope of the secured-creditor exemption, leading to administrative and legislative efforts to provide guidance to mortgagees on the scope of activities that would trigger CERCLA and/or RCRA liability. On September 30, 1996, however, the Asset Conservation Lender Liability and Deposit Insurance Protection Act of 1996 (the "Asset Conservation Act") was intended to clarify the scope of the secured-creditor exemption under both CERCLA and RCRA. The Asset Conservation Act more explicitly defined the kinds of "participation in management" that would trigger liability under CERCLA and specified certain activities that would not constitute "participation in management" or otherwise result in a forfeiture of the secured-creditor exemption prior to foreclosure or during a workout period. The Asset Conservation Act also clarified the extent of protection against liability under CERCLA in the event of foreclosure and authorized certain regulatory clarifications of the scope of the secured-creditor exemption for purposes of RCRA, similar to the statutory protections under CERCLA. However, since the courts have not yet had the opportunity to interpret the new statutory provisions, the scope of the additional protections offered by the Asset Conservation Act is not fully defined. It also is important to note that the Asset Conservation Act does not offer complete protection to mortgagees and that the risk of liability remains.

If a secured mortgagee does become liable, it may be entitled to bring an action for contribution against the owner or operator who created the environmental contamination or against some other liable party, but that person or entity may be bankrupt or otherwise judgment-proof. It is therefore possible that cleanup or other environmental liability costs could become a liability of the Issuer and occasion a loss to the Issuer and to Noteholders in certain circumstances. The secured creditor amendments to CERCLA, also, would not necessarily affect the potential for liability in actions by either a state or a private party under other federal or state laws which may impose liability on "owners or operators" but do not incorporate the secured-creditor exemption.

Traditionally, residential mortgage mortgagees have not taken steps to evaluate whether hazardous wastes or hazardous substances are present with respect to any mortgaged property prior to the origination of the mortgage loan or prior to foreclosure or accepting a deed-in-lieu of foreclosure. None of the Owner Trustee, the Indenture Trustee, the Paying Agent, the Note Registrar, the Certificate Registrar, the Custodian, Asset Manager, Sponsor, Issuer, Seller, the Depositor or the Servicer is required to undertake any such evaluations prior to foreclosure or accepting a deed-in-lieu of foreclosure. None of the Indenture Trustee, the Paying Agent, the Note Registrar, the Certificate Registrar, the Custodian, Asset Manager, Sponsor, Issuer, Seller, the Depositor or the Servicer makes any representations or warranties or assumes any liability with respect to: the environmental condition of any Mortgaged Property; the absence, presence or effect of hazardous wastes or hazardous substances on any Mortgaged Property; any casualty resulting from the presence or effect of hazardous wastes or hazardous substances on, near or emanating from such Mortgaged Property; the impact on Noteholders of any environmental condition or presence of any substance on or near such Mortgaged Property; or the compliance of any Mortgaged Property with any environmental laws, nor is any agent, person or entity otherwise affiliated with the Indenture Trustee, the Paying Agent, the Note Registrar, the Certificate Registrar, the Custodian, Asset Manager, Sponsor, Issuer, Seller, the Depositor or the Servicer authorized or able to make any such representation, warranty or assumption of liability relative to any such Mortgaged Property. See "*Mortgage Loan Representations and Warranties*" and "*Asset Management Agreement—Loss Mitigation*" in this Offering Memorandum.

"Due-on-Sale" Clauses

The forms of note, mortgage and deed of trust relating to conventional mortgage loans may contain a "due-on-sale" clause permitting acceleration of the maturity of a loan if the mortgagor transfers its interest in the property. Some court decisions and legislative actions placed substantial restrictions on the right of mortgagees to enforce such clauses in many states. However, effective October 15, 1982, Congress enacted the Garn-St Germain Depository Institutions Act of 1982 (the "Garn Act") which purposes to preempt state laws which prohibit the enforcement of "due-on-sale" clauses by providing among other matters, that "due-on-sale" clauses in certain loans (which loans may include the Mortgage Loans) made after the effective date of the Garn Act are enforceable, within certain limitations as set forth in the Garn Act and the regulations promulgated thereunder. "Due-on-sale" clauses contained in mortgage loans originated by federal savings and loan associations, federal savings banks, national banks and federal credit unions are fully enforceable pursuant to regulations of the Office of the Comptroller of the Currency ("OCC") and the National Credit Union Administration, which preempt state law restrictions on the enforcement of such clauses.

The Garn Act created a limited exemption from its general rule of enforceability for "due-on-sale" clauses in certain mortgage loans ("Window Period Loans") which were originated by non-federal mortgagees and made or assumed in certain states ("Window Period States") during the period, prior to October 15, 1982, in which that state prohibited the enforcement of "due-on-sale" clauses by constitutional provision, statute or statewide court decision (the "Window Period"). Though neither the Garn Act nor the OCC regulations actually names the Window Period

States, Freddie Mac has taken the position, in prescribing mortgage loan Servicing Standards with respect to mortgage loans which it has purchased, that the Window Period States were: Arizona, Arkansas, California, Colorado, Georgia, Iowa, Michigan, Minnesota, New Mexico, Utah and Washington. Under the Garn Act, unless a Window Period State took action by October 15, 1985, the end of the Window Period, to further regulate enforcement of "due-on-sale" clauses in Window Period Loans, "due-on-sale" clauses would become enforceable even in Window Period Loans. Five of the Window Period States (Arizona, Minnesota, Michigan, New Mexico and Utah) have taken actions which restrict the enforceability of "due-on-sale" clauses in Window Period Loans beyond October 15, 1985. The actions taken vary among such states.

By virtue of the Garn Act, the Servicer may generally be permitted to accelerate any conventional Mortgage Loan which contains a "due-on-sale" clause upon transfer of an interest in the property subject to the mortgage or deed of trust. The extent of the effect of the Garn Act on the average lives and delinquency rates of the Mortgage Loans cannot be predicted. See "*Prepayment and Yield Considerations*" in this Offering Memorandum.

Subordinate Financing

Where a mortgagor encumbers mortgaged property with one or more junior liens, the senior mortgagee is subjected to additional risk. First, the mortgagor may have difficulty servicing and repaying multiple loans. In addition, if the junior loan permits recourse to the mortgagor (as junior loans often do) and the senior loan does not, a mortgagor may be more likely to repay sums due on the junior loan than those on the senior loan. Second, acts of the senior mortgagee that prejudice the junior mortgagee or impair the junior mortgagee's security may create a superior equity in favor of the junior mortgagee. For example, if the mortgagor and the senior mortgagee agree to an increase in the principal amount of or the interest rate payable on the senior loan, the senior mortgagee may lose its priority to the extent any existing junior mortgagee is harmed or the mortgagor is additionally burdened. Third, if the mortgagor defaults on the senior loan and/or any junior loan or loans, the existence of junior loans and actions taken by junior mortgagees can impair the security available to the senior mortgagee and can interfere with or delay the taking of action by the senior mortgagee. Moreover, the bankruptcy of a junior mortgagee may operate to stay foreclosure or similar proceedings by the senior mortgagee. In addition, the consent of the junior lender may be required in connection with loan modifications, short sales and deeds-in-lieu of foreclosure, which may delay or prevent the loss mitigation activities taken by the senior mortgagee.

Applicability of Usury Laws

Title V of the Depository Institutions Deregulation and Monetary Control Act of 1980, enacted in March 1980 ("Title V"), provides that state usury limitations do not apply to certain types of residential first mortgage loans originated by certain mortgagees after March 31, 1980. The OCC is authorized to issue rules and regulations and to publish interpretations governing implementation of Title V. The statute authorized any state to reimpose interest rate limits by adopting before April 1, 1983, a law or constitutional provision which expressly rejects application of the federal law. Fifteen states have adopted laws reimposing or reserving the right to reimpose interest rate limits. In addition, even where Title V is not so rejected, any state is authorized to adopt a provision limiting certain other loan charges. Title V preemption of usury rates may not apply to certain mortgage loans, depending on their exact terms.

Enforceability of Certain Provisions

Standard forms of note, mortgage and deed of trust generally contain provisions obligating the mortgagor to pay a late charge if payments are not timely made and in some circumstances may provide for prepayment fees or penalties if the obligation is paid prior to maturity. In certain states, there are or may be specific limitations upon late charges which a mortgagee may collect from a mortgagor for delinquent payments. Certain states also limit the amounts that a mortgagee may collect from a mortgagor as an additional charge if the loan is prepaid.

Courts have imposed general equitable principles upon foreclosure. These equitable principles are generally designed to relieve the mortgagor from the legal effect of defaults under the loan documents. Examples of judicial remedies that may be fashioned include judicial requirements that the mortgagee undertake affirmative and expensive actions to determine the causes for the mortgagor's default and the likelihood that the mortgagor will be able to reinstate the loan. In some cases, courts have substituted their judgment for the mortgagee's judgment and have required mortgagees to reinstate loans or recast payment schedules to accommodate mortgagors who are suffering from temporary financial disability. In some cases, courts have limited the right of mortgagees to foreclose if the default under the mortgage instrument is not monetary, such as the mortgagor failing to adequately maintain the property or the mortgagor executing a second mortgage or deed of trust affecting the property. In other cases, some courts have been faced with the issue of whether federal or state constitutional provisions reflecting due process concerns for adequate notice require that mortgagors under the deeds of trust receive notices in addition to the statutorily prescribed minimum requirements. For the most part, these cases have upheld the notice provisions as being reasonable or have found that the sale by a trustee under a deed of trust or under a mortgage having a power of sale does not involve sufficient state action to afford constitutional protections to the mortgagor.

Alternative Mortgage Instruments

Alternative mortgage instruments, including adjustable rate mortgage loans and early ownership mortgage loans, originated by non-federally chartered mortgagees have historically been subject to a variety of restrictions. Such restrictions differed from state to state, resulting in difficulties in determining whether a particular alternative mortgage instrument originated by a state-chartered mortgagee was in compliance with applicable law. These difficulties were alleviated substantially as a result of the enactment of Title VIII of the Garn-St. Germain Act ("Title VIII"). Title VIII provides that, notwithstanding any state law to the contrary, state-chartered banks may originate alternative mortgage instruments in accordance with regulations promulgated by the OCC with respect to origination of alternative mortgage instruments by national banks; state-chartered credit unions may originate alternative mortgage instruments in accordance with regulations promulgated by the National Credit Union Administration with respect to origination of alternative mortgage instruments by federal credit unions; and all other non-federally chartered housing creditors, including state-chartered savings and loan associations, state-chartered savings banks and mutual savings banks and mortgage banking companies, may originate alternative mortgage instruments in accordance with the regulations promulgated by the Federal Home Loan Bank Board, predecessor to the OCC, with respect to origination of alternative mortgage instruments by federal savings and loan associations. Title VIII provides that any state may reject applicability of the provisions of Title VIII by adopting, prior to October 15, 1985, a law or constitutional provision expressly rejecting the applicability of such provisions. Certain states have taken such action. The Dodd-Frank Act amended Title VIII in part to eliminate the preemption of state law restrictions on prepayment penalties and late charges for any adjustable rate mortgage loan made on or after July 22, 2011. The CFPB published Regulation D to implement the amendment, and Regulation D does not provide for the preemption of any state law restriction on prepayment penalties or late charges for an adjustable rate mortgage loan, if the creditor received an application for that mortgage loan on or after July 22, 2011.

Certain Legal Aspects of Mortgaged Properties Located in California

Mortgage loans in California are generally secured by deeds of trust on the related real estate. Foreclosure of a deed of trust in California may be accomplished by a non-judicial trustee's sale (so long as it is permitted under a specific provision in the deed of trust) or by judicial foreclosure, in each case subject to and accordance with the applicable procedures and requirements of California law. Public notice of either the trustee's sale or the judgment of foreclosure is given for a statutory period of time after which the mortgaged real estate may be sold by the trustee, if foreclosed pursuant to the trustee's power of sale, or by court appointed sheriff under a judicial foreclosure. Following a judicial foreclosure sale, the Borrower or its successor-in-interest may, for a period of up to one year, redeem the property; however, there is no redemption following a trustee's power of sale. California's "security first" and "one action" rules require the lender to complete foreclosure of all real estate provided as security under the deed of trust in a single action in an attempt to satisfy the full debt before bringing a personal action (if otherwise permitted) against the Borrower for recovery of the debt, except in certain cases involving environmentally impaired real property where foreclosure of the real property is not required before making a claim under the indemnity. This restriction may apply to property which is not located in California if a single promissory note is secured by property located in California and other jurisdictions. California case law has held that acts such as (but not limited to) an offset of an unpledged account constitute violations of such statutes. Violations of such statutes may result in the loss of some or all of the security under the mortgage loan and a loss of the ability to sue for the debt. A sale by the trustee under the deed of trust does not constitute an "action" for purposes of the "one action rule". Other statutory provisions in California limit any deficiency judgment (if otherwise permitted) against the Borrower following a judicial foreclosure to the amount by which the indebtedness exceeds the fair value at the time of the public sale and in no event greater than the difference between the foreclosure sale price and the amount of the indebtedness. Further, under California law, once a property has been sold pursuant to a power of sale clause contained in a deed of trust (and in the case of certain types of purchase money acquisition financings, under all circumstances), the lender is precluded from seeking a deficiency judgment from the Borrower or, under certain circumstances, guarantors.

On the other hand, under certain circumstances, California law permits separate and even contemporaneous actions against both the Borrower (as to the enforcement of the interests in the collateral securing the loan) and any guarantors. California statutory provisions regarding assignments of rents and leases require that a lender whose loan is secured by such an assignment must exercise a remedy with respect to rents as authorized by statute in order to establish its right to receive the rents after an event of default. Among the remedies authorized by statute is the lender's right to have a receiver appointed under certain circumstances.

Certain Legal Aspects of Mortgaged Properties Located in Florida

In Florida, loans involving real property may be mortgaged in order to secure a Borrower's obligations under the loan. The mortgage is the security instrument that is a lien on and encumbers the real property that is the collateral for the indebtedness evidenced by the promissory note. Accordingly, there is no power of sale in Florida, but rather judicial foreclosure. Under Florida law, ownership of the mortgage follows the promissory note and the plaintiff must be the holder of the promissory note and the mortgage in order to have standing to bring a foreclosure action. After an action for foreclosure is filed with the court and the lender obtains a final judgment of foreclosure, such foreclosure judgment will require that the property be sold at a public judicial sale at the courthouse (or on-line depending on the county) if the full amount of the judgment is not paid prior to the scheduled foreclosure sale. After the foreclosure judgment is entered and prior to the foreclosure sale, a notice of sale must be published once a week for two (2) consecutive weeks in the county in which the property is located. Section 45.031, Florida Statutes, requires that foreclosure sale be held no earlier than 20 (but not more than 35) days after the date of judgment is entered, unless plaintiff agrees otherwise. Notwithstanding, due to a back-log of foreclosure cases in many counties, it is not unusual for foreclosure sales to be held later than the 35-day period specified in the statute.

Any party can exercise right of redemption by paying full judgment amount at any time before the filing of the Certificate of Sale or the time specified in the foreclosure judgment, whichever is later. Once the Certificate of Sale has been entered, the mortgagor's right of redemption terminates. Upon completion of the foreclosure sale and the filing of the Certificate of Title, there is no right of redemption. A Certificate of Title transferring title to the foreclosed property is not issued less than 10 days after the foreclosure sale. Objections and challenges to the foreclosure sale are permitted within the referenced 10-day period. However, due to the glut of foreclosure cases over the recent prior years, in many circuits Certificate of Title are delayed, thereby extending the referenced 10 day time period for filing objections. Florida does not have a "one action rule" or "anti-deficiency legislation" and deficiency judgments are permitted to the extent not prohibited by the applicable loan documents. After a foreclosure sale, however, and provided the court has reserved jurisdiction for deficiency judgment, a lender is required to prove the fair market value of the property as of the date of foreclosure sale in order to recover a deficiency. Generally, a deficiency judgment is calculated based on the difference between the amount owed on the final judgment and the fair market value of the property on the date of the foreclosure sale. Further, deficiency judgments are within the discretion of the trial court. Also, the appointment of a receiver is not a matter of right, but rather is an extraordinary remedy available under certain limited circumstances if the lender elects to have a receiver appointed during the pendency of the foreclosure action.

CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES

General

The following discussion summarizes certain of the material U.S. federal income tax consequences of the purchase, beneficial ownership, and disposition of Notes.

For purposes of this summary, a "U.S. Noteholder" is a beneficial owner of a Note that is:

- an individual who is a citizen or a resident of the United States, for U.S. federal income tax purposes;
- a corporation (or other entity that is treated as a corporation for U.S. federal tax purposes) that is created or organized in or under the laws of the United States, any State thereof, or the District of Columbia;

- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust if a court within the United States is able to exercise primary supervision over its administration, and one or more United States persons (as determined for U.S. federal income tax purposes) have the authority to control all of its substantial decisions.

For purposes of this summary, a "Non-U.S. Noteholder" is a beneficial owner of a Note that is:

- a nonresident alien individual for U.S. federal income tax purposes;
- a foreign corporation for U.S. federal income tax purposes;
- an estate whose income is not subject to U.S. federal income tax on a net income basis; or
- a trust if no court within the United States is able to exercise primary jurisdiction over its administration or if no United States persons (as determined for U.S. federal income tax purposes) have the authority to control any of its substantial decisions.

This summary is based on interpretations of the Code, regulations issued thereunder, and rulings and decisions currently in effect (or in some cases proposed), all of which are subject to change. Any such change may be applied retroactively and may adversely affect the U.S. federal income tax consequences described herein. This summary addresses only holders that purchase Notes at initial issuance (and at their issue price) and beneficially own such Notes as capital assets within the meaning of Section 1221 of the Code and not as part of a "straddle," "hedge," "synthetic security" or a "conversion transaction" for federal income tax purposes, or as part of some other integrated investment. This summary does not discuss all of the tax consequences (such as any alternative minimum tax consequences) that may be relevant to particular investors or to investors subject to special treatment under the U.S. federal income tax laws (such as banks, thrifts, or other financial institutions; insurance companies; securities dealers or brokers, or traders in securities electing mark-to-market treatment; mutual funds or real estate investment trusts; small business investment companies; S corporations; partnerships or investors that hold their Notes through a partnership or other entity treated as a partnership for U.S. federal income tax purposes; investors whose functional currency is not the U.S. dollar; certain former citizens or residents of the United States; retirement plans or other tax-exempt entities, or persons holding the Notes in tax-deferred or tax-advantaged accounts; or "controlled foreign corporations" or "passive foreign investment companies" for U.S. federal income tax purposes). This summary also does not address the tax consequences to shareholders, or other equity holders in, or beneficiaries of, a holder of Notes, or any state, local, foreign, estate or gift tax consequences of the purchase, ownership or disposition of the Notes. This summary does not address the tax treatment of any Notes that are held by the holder of the Issuer Residual Interest Certificate. Finally, this discussion, and the opinions of counsel described below, do not address the effect of any supplemental indenture.

PROSPECTIVE PURCHASERS OF NOTES SHOULD CONSULT THEIR TAX ADVISORS AS TO THE FEDERAL, STATE AND LOCAL TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF NOTES, AS WELL AS ANY CONSEQUENCES ARISING UNDER THE LAWS OF ANY OTHER TAXING JURISDICTION TO WHICH THEY MAY BE SUBJECT.

U.S. Federal Tax Treatment of the Issuer

General. Upon the issuance of the Notes, Winston & Strawn LLP will deliver an opinion generally to the effect that, under current law, making certain assumptions and assuming compliance with the terms of the Transaction Documents and certain other representations of the Issuer, the Issuer will not be subject to taxation on its net income as an association taxable as a corporation, a publicly traded partnership taxable as a corporation or a taxable mortgage pool taxable as a corporation, each as defined for U.S. federal income tax purposes. However, if the Issuer were a "publicly traded partnership" taxable as a corporation or a "taxable mortgage pool" for U.S. federal income tax purposes, it would be taxable as a domestic corporation for U.S. federal income tax purposes and would be subject to U.S. corporate income tax, in which case amounts that would otherwise have been available for distribution on the Notes would be reduced.

The balance of this summary assumes that the Issuer is not taxable as a corporation for U.S. federal income tax purposes.

U.S. State and Local Taxes. The Issuer may be subject to state and/or local taxes, which could reduce amounts that would otherwise have been available for distribution on the Notes.

U.S. Federal Tax Treatment of the Notes

General. Upon the issuance of the Notes, the Issuer will receive an opinion of Winston & Strawn LLP to the effect that, as of the closing date, based on certain assumptions (when held as of the Closing Date by persons unrelated to the Issuer or its owners for U.S. federal income tax purposes), the Class A1 Notes, the Class A2 Notes and the Class M Notes will be treated as indebtedness for U.S. federal income tax purposes. The Issuer intends to treat the Notes as indebtedness for U.S. federal, state, and local income and franchise tax purposes. The Issuer's characterizations will be binding on all holders, and each holder, by acquiring Notes, will agree to treat such Notes as indebtedness for U.S. federal, state and local income tax purposes. Nevertheless, the IRS could assert, and a court could ultimately hold, that one or more Classes of Notes are equity in the Issuer. If any Notes were treated as equity in, rather than debt of, the Issuer for U.S. federal income tax purposes, then the tax consequences to holders of those Notes could be materially different than the tax consequences described herein. Except as otherwise indicated, the balance of this summary assumes that all of the Notes are treated as debt of the Issuer for U.S. federal, state and local income tax purposes. Prospective investors in the Notes should consult their tax advisors regarding the U.S. federal, state and local income tax consequences to them in the event such Notes are treated as equity in the Issuer.

Deemed Exchange for U.S. Federal Income Tax Purposes

The Issuer intends to be treated as a disregarded entity or a partnership for U.S. federal income tax purposes. A change in the Issuer's entity classification for U.S. federal income tax purposes could be treated as a "significant modification" of the Notes for U.S. federal income tax purposes, in which case a U.S. Noteholder could be required to recognize gain equal to the difference, if any, between (i) the fair market value of the Notes (if the applicable Class is treated as publicly traded) or their principal amount (if the applicable Class is not treated as publicly traded) immediately after the change, less any accrued and unpaid interest (which will be taxable as such), and (ii) the U.S. Noteholder's tax basis in the Notes. Any gain will be long-term capital gain if the Notes were held for more than one year at the time of the change in the Issuer's entity classification, or otherwise short-term capital gain. The tax on any such gain may exceed the after-tax distributions on the Notes during the taxable year in which the change in the Issuer's entity classification occurs, in which case the U.S. Noteholder would be required to fund its tax liability in respect of the gain from other sources. The U.S. Noteholder's new holding period in respect of the Notes would begin on the day following the change in the Issuer's entity classification. Finally, a change in the Issuer's entity classification could create or change the amount of any OID that U.S. Noteholders are required to include with respect to their Notes. U.S. Noteholders should consult their tax advisors regarding the tax consequences to them of a change in the Issuer's entity classification for U.S. federal income tax purposes.

U.S. Federal Tax Treatment of U.S. Noteholders

Stated Interest. U.S. Noteholders will include in gross income payments of stated interest accrued or received on their Notes, in accordance with their usual method of tax accounting, as ordinary interest income.

Original Issue Discount. In addition, if the discount at which a substantial amount of the Notes is first sold to investors is at least 0.25% of the principal amount of that Class, multiplied by the number of complete years to the weighted average maturity of the Class, then the Issuer will treat the Class as issued with original issue discount ("OID") for U.S. federal income tax purposes. The total amount of OID with respect to a Note within the Class will equal the excess of the principal amount of the Note over its issue price (the first price at which a substantial amount of Notes within the Class was sold to investors). U.S. Noteholders of Notes that are issued with OID will be required to include OID in advance of the receipt of cash attributable to such income. A U.S. Noteholder of Notes that are issued with OID generally will be required to include OID in income as it accrues (regardless of the U.S. Noteholder's method of accounting). Accruals of any such OID generally will be made using a constant yield method, and in the case of the Class A1 Notes, based on the weighted average life of the Class A1 Notes rather than their stated maturity, possibly with periodic adjustments to reflect the difference between (x) the prepayment assumption under which the weighted average life was calculated and (y) actual prepayments on the Mortgage Loans. It is possible, however, that the IRS could assert and a court could ultimately hold that some other method of accruing OID should apply.

Sale, Exchange, and Retirement. In general, a U.S. Noteholder will have a basis in its Note equal to the cost of such Note (i) increased by any amount includable in income by such U.S. Noteholder as OID, and (ii) reduced by payments of principal on such Note. Upon a sale, exchange, or retirement of a Note, a U.S. Noteholder will generally recognize gain or loss equal to the difference between the amount realized on the sale, exchange, or retirement (less any accrued and unpaid interest, which will be taxable as such) and the holder's tax basis in such Note. Such gain or loss will be long-term capital gain or loss if the U.S. Noteholder held the Note for more than one year at the time of disposition. In certain circumstances, U.S. Noteholders who are individuals may be entitled to preferential tax rates for net long-term capital gains; however, the ability of U.S. Noteholders to offset capital losses against ordinary income is limited.

Possible Alternate Characterization of the Issuer

If the Issuer were recharacterized as an association taxable as a corporation, a "publicly traded partnership" taxable as a corporation, or a taxable mortgage pool taxable as a corporation, the Issuer could be subject to U.S. federal income tax at the corporate rate on its taxable income (generally, the income from the Mortgage Loans, reduced by the interest deductions, if any, on any Notes that are treated as debt for U.S. federal income tax purposes). Any of these characterizations of the Issuer could cause the amount of cash flow available to Noteholders to be substantially reduced, and also result in the holders of the reclassified Notes recognizing income and other tax items with respect to their Notes that differ significantly, in amount, timing and character, from that recognized were such Notes treated as debt for U.S. federal income tax purposes. Moreover, if the Issuer was characterized as a taxable mortgage pool, in addition to being taxed as a corporation, it would not be able to file a consolidated U.S. federal income tax return with any other corporation.

3.8% Medicare Tax on "Net Investment Income"

U.S. Noteholders that are individuals, estates, and certain trusts are subject to an additional 3.8% tax on all or a portion of their "net investment income," or "undistributed net investment income" in the case of an estate or trust, which may include any income or gain with respect to the Notes, to the extent of their net investment income or undistributed net investment income (as the case may be) that, when added to their other modified adjusted gross income, exceeds $200,000 for an unmarried individual, $250,000 for a married taxpayer filing a joint return (or a surviving spouse), $125,000 for a married individual filing a separate return, or the dollar amount at which the highest tax bracket begins for an estate or trust. The 3.8% Medicare tax is determined in a different manner than the regular income tax. U.S. Noteholders should consult their advisors with respect to the 3.8% Medicare tax.

U.S. Federal Tax Treatment of Non-U.S. Noteholders

A Non-U.S. Noteholder that is not subject to U.S. federal income tax as a result of any direct or indirect connection to the United States other than its ownership of a Note will not be subject to U.S. federal income or withholding tax in respect of the Notes so long as (i) the Non-U.S. Noteholder provides an appropriate statement, signed under penalties of perjury, identifying the Non-U.S. Noteholder and stating, among other things, that the Non-U.S. Noteholder is not a United States person for U.S. federal income tax purposes, (ii) it is not a bank extending credit pursuant to a loan agreement entered into in the ordinary course of its trade or business (within the meaning of Section 881(c)(3)(A) of the Code), (iii) the Non-U.S. Noteholder is not a "10-percent shareholder" with respect to any beneficial owner of the Issuer Residual Interest Certificate within the meaning of section 871(h)(3)(B) of the Code or a "controlled foreign corporation" that is related to any beneficial owner of the Issuer Residual Interest Certificate within the meaning of section 881(c)(3)(C) of the Code, and (iv) the Non-U.S. Noteholder provides any other documentation necessary for the Issuer to confirm that the payments to the Non-U.S. Noteholder are not subject to withholding under FATCA.

If any of these conditions is not met, a 30% withholding tax may apply to payments and accrued interest (including OID) on the Notes held by such Non-U.S. Noteholder, unless an income tax treaty reduces or eliminates such tax or the income is effectively connected with the conduct of a trade or business within the United States by such Non-U.S. Noteholder. In the latter case, such Non-U.S. Noteholder should be subject to U.S. federal income tax with respect to all income from the Notes at regular rates as if it were a U.S. Noteholder, and, for a foreign corporation, possibly a 30% branch profits tax, unless an applicable treaty reduces or eliminates such tax.

In general, subject to the discussion below under "—*FATCA*," a Non-U.S. Noteholder should not be subject to U.S. federal income tax with respect to any gain realized on a sale, exchange or retirement of Notes, unless the gain is effectively connected with a trade or business conducted by the Non-U.S. Noteholder in the United States. If a Non-U.S. Noteholder's income or gain in respect of the Notes is effectively connected with a trade or business conducted by the Non-U.S. Noteholder in the United States, then the Non-U.S. Noteholder will generally be subject to U.S. federal income tax on any such income or gain at regular rates as if it were a U.S. Noteholder, and, if the Non-U.S. Noteholder is a foreign corporation, possibly a 30% branch profits tax, unless an applicable treaty reduces or eliminates such tax. Additionally, if the Non-U.S. Noteholder is an individual that is present in the United States for 183 days or more in the year that gain is recognized and certain other conditions are satisfied, the Non-U.S. Noteholder will generally be subject to tax at a rate of 30% on the amount by which the gains derived from the sale, exchange or retirement that are from U.S. sources exceed capital losses allocable to U.S. sources.

Backup Withholding and Information Reporting

Under certain circumstances, the Code requires "information reporting" annually to the IRS and to each holder, and "backup withholding" with respect to certain payments made on or with respect to the Notes. Backup withholding will apply to a U.S. Noteholder only if the U.S. Noteholder (i) fails to furnish its Taxpayer Identification Number ("TIN") which, for an individual, would be his or her Social Security Number, (ii) furnishes an incorrect TIN, (iii) is notified by the IRS that it has failed to report properly payments of interest and dividends, or (iv) under certain circumstances, fails to certify, under penalty of perjury, that it has furnished a correct TIN and has not been notified by the IRS that it is subject to backup withholding for failure to report interest and dividend payments. The exemption generally is available to U.S. Noteholders that provide a properly completed and signed IRS Form W-9 (or any successor form).

A Non-U.S. Noteholder that provides the applicable IRS Form W-8, together with all appropriate attachments, signed under penalties of perjury, identifying the Non-U.S. Noteholder and stating that the Non-U.S. Noteholder is not a United States person, will not be subject to certain IRS reporting requirements and U.S. backup withholding.

Information reporting and backup withholding may apply to the proceeds of a sale of Notes made within the United States or conducted through certain U.S. related financial intermediaries, unless the payor receives the statement described above or the Non-U.S. Noteholder otherwise establishes an exemption.

Backup withholding is not an additional tax and may be refunded (or credited against the holder's U.S. federal income tax liability, if any), provided*,* that certain required information is timely furnished. The information reporting requirements may apply regardless of whether withholding is required. Copies of the information returns also may be made available to the tax authorities in the country in which a Non-U.S. Noteholder is a resident under the provisions of an applicable income tax treaty or agreement.

FATCA

Under FATCA, Non-U.S. Noteholders may be subject to a 30% withholding tax on interest payments on the Notes unless they establish an exemption from the withholding tax. Holders are required to provide the Issuer and its agents with any documentation that may be required for the Issuer to make payments to the holders without deduction or withholding.

Future Legislation and Regulatory Changes Affecting Holders of Notes

Future legislation, regulations, rulings or other authority could affect the U.S. federal income tax treatment of the Issuer and holders of Notes. The Issuer cannot predict whether and to what extent any such legislative or administrative changes could change the tax consequences to the Issuer and to the holders of Notes. Prospective investors should consult their tax advisors regarding possible legislative and administrative changes and their effect on the U.S. federal tax treatment of the Issuer and their investment in the Notes.

STATE AND OTHER TAX CONSEQUENCES

In addition to the U.S. federal income tax consequences described in "*Certain U.S. Federal Income Tax Consequences*" in this Offering Memorandum, potential investors should consider the state and local tax consequences of the acquisition, ownership, and disposition of the Notes offered hereby. State tax law may differ substantially from the corresponding U.S. federal tax law, and this discussion does not purport to describe any aspect of the tax laws of any state or other jurisdiction. Therefore, prospective investors should consult their tax advisors with respect to the various tax consequences of investments in the Notes.

CERTAIN CONSIDERATIONS FOR ERISA AND OTHER EMPLOYEE BENEFIT PLANS

Subject to the considerations described below, the Class A1 Notes, the Class A2 Notes and the Class M Notes are eligible to be purchased by, on behalf of, or with assets of Benefit Plans, as well as plans subject to Similar Law. The law governing investments in notes like the Class A1 Notes, the Class A2 Notes and the Class M Notes by Benefit Plans or plans subject to Similar Law is subject to extensive administrative and judicial interpretations. Future legislative or administrative changes or court decisions may significantly change the statements made herein. This summary is general in nature and does not address every issue that may be applicable to the Class A1 Notes, the Class A2 Notes and the Class M Notes or a particular investor. Accordingly, the following discussion is not intended to be exhaustive, but rather representative of the legal issues that may be of concern to a Benefit Plan or a plan subject to Similar Law. Because of the many factual patterns that may develop in connection with the acquisition or holding of Class A1 Notes, the Class A2 Notes and the Class M Notes by Benefit Plans or plans subject to Similar Law, independent advice should be sought regarding each prospective Benefit Plan's or plan's subject to Similar Law situation.

Section 406 of ERISA and Section 4975 of the Code prohibit a Benefit Plan from engaging in certain transactions with persons that are "parties-in-interest" under ERISA or "disqualified persons" under the Code with respect to the Benefit Plan unless an exemption is available. A violation of these "prohibited transaction" rules may result in an excise tax or other penalties and liabilities under ERISA or the Code for such a person or a fiduciary of the Benefit Plan. ERISA imposes certain requirements on Benefit Plans and on those persons who are fiduciaries with respect to Benefit Plans. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of such a Benefit Plan or the management or disposition of the assets of such a Benefit Plan, or who renders investment advice for a fee or other compensation to such Benefit Plan, is generally considered to be a fiduciary of the Benefit Plan. Fiduciaries of a Benefit Plan subject to Title I of ERISA are subject to certain general fiduciary requirements and standards for investing plan assets, including that investments are prudent, diversified and made in accordance with the governing plan documents and applicable provisions of ERISA and the Code. Any fiduciary of a Benefit Plan subject to Title I of ERISA that proposes to cause such Benefit Plan to purchase the Class A1 Notes, the Class A2 Notes or the Class M Notes should determine whether, under the general fiduciary standards of ERISA, an investment in the Class A1 Notes, the Class A2 Notes or the Class M Notes is appropriate for such Benefit Plan. In determining whether a particular investment is appropriate for such a plan, United States Department of Labor regulations provide that the fiduciaries of such a plan must give appropriate consideration to, among other things, taking into account the plan's particular circumstances and all of the facts and circumstances of the investment, the role that the investment plays in the plan's portfolio, taking into consideration whether the investment is designed reasonably to further the plan's purposes, an examination of the risk and return factors including, but not limited to, the matters discussed above under "*Risk Factors*", the portfolio's composition with regard to diversification, the liquidity and current return of the total portfolio relative to the anticipated cash flow needs of the plan and the projected return of the total portfolio relative to the plan's funding objectives, and the fact that in the future there may be no market in which such fiduciary will be able to sell or otherwise dispose of the Class A1 Notes, the Class A2 Notes and the Class M Notes. In addition, a fiduciary should also take into account, the reasonableness of the compensation to and/or fees to be paid to the Issuer, the Owner Trustee, the Indenture Trustee, the Paying Agent, the Securities Intermediary, the Note Registrar, the Certificate Registrar, the Custodian (collectively, the "Transaction Parties") or any of their respective affiliates, the fact that the objectives of any particular investor will not be taken into account in the management and operation of the Notes and whether investing in the Class A1 Notes, the Class A2 Notes and the Class M Notes could result in negative tax effects to the Benefit Plan as described in the sections of this Offering Memorandum.

Any fiduciary or other person considering acquiring the Class A1 Notes, the Class A2 Notes and the Class M Notes on behalf of or with the assets of a Benefit Plan should consider the fact that none of the Transaction Parties is acting, or will act, as a fiduciary to such Benefit Plan with respect to the decision to acquire or hold the Class A1 Notes, the Class A2 Notes and the Class M Notes, and are not undertaking to provide impartial investment advice or advice based on any particular investment need, or to give advice in a fiduciary capacity, with respect to such decision. The decision to acquire or hold the Class A1 Notes, the Class A2 Notes and the Class M Notes must be made solely by each prospective Benefit Plan acquirer or holder or its fiduciary, on an arm's length basis.

Before investing the assets of such plan in any investment vehicle, a fiduciary should determine whether such an investment is consistent with the foregoing regulations and its fiduciary responsibilities, including any specific restrictions to which such fiduciary may be subject.

Employee benefit plans that are governmental, non-electing church plans (as defined under ERISA) or non-U.S. plans generally are not subject to the requirements of Title I of ERISA or Section 4975 of the Code; *provided, however*, such plans may be subject to Similar Law that affect their ability to acquire and hold the Class A1 Notes, the Class A2 Notes and the Class M Notes.

Certain transactions involving the Issuer might be deemed to constitute non-exempt prohibited transactions under ERISA and the Code with respect to a Benefit Plan that purchased (or whose assets were used to purchase) the Class A1 Notes, the Class A2 Notes or the Class M Notes if assets of the Issuer were deemed to be assets of the Benefit Plan. Under the Plan Asset Regulations, the assets of the Issuer would be treated as "plan assets" of a Benefit Plan for the purposes of ERISA and the Code if the Benefit Plan acquired an "equity interest" in the Issuer and none of the exceptions contained in the Plan Asset Regulations were applicable. The term "equity interest" is defined in the Plan Asset Regulations as any interest in an entity other than an instrument that is treated as indebtedness under "applicable local law" and which has no "substantial equity features." Although there is little guidance on the subject, it is expected that, at the time of their issuance, the Class A1 Notes, the Class A2 Notes and the Class M Notes should be treated as indebtedness of the Issuer without substantial equity features for purposes of the Plan Asset Regulations. This determination is based on the traditional debt features of the Class A1 Notes, the Class A2 Notes and the Class M Notes, including: (a) the reasonable expectation by purchasers of such Notes that they will be repaid when due, (b) the traditional default remedies and (c) the absence of conversion rights, warrants and other typical equity features. The debt treatment of the Class A1 Notes, the Class A2 Notes and the Class M Notes for purposes of the Plan Asset Regulations could change if the Issuer incurs losses. This risk of recharacterization is enhanced for Notes that are subordinated to other classes of securities. In the event of a characterization of the Class A1 Notes, Class A2 Notes or the Class M Notes as other than indebtedness under applicable local law, the subsequent acquisition of the Class A1 Notes, the Class A2 Notes or the Class M Notes or any interest therein by a Benefit Plan or plan that is subject to Similar Law may cause the assets of the Issuer to be deemed to be assets of such Benefit Plan or plan for purposes of Sections 404 and 406 of ERISA and Section 4975 of the Code. In such event, the fiduciary responsibility and prohibited transaction restrictions of ERISA and Section 4975 of the Code would apply to transactions involving the assets of the Issuer, and such transactions could give rise to prohibited transactions for which no exemption is available.

Without regard to whether the Class A1 Notes, the Class A2 Notes and the Class M Notes constitute "equity interests" for purposes of the Plan Asset Regulations, the acquisition or holding of the Class A1 Notes, the Class A2 Notes and the Class M Notes by, or on behalf of, a Benefit Plan could trigger a non-exempt prohibited transaction if the Transaction Parties or any of their respective affiliates is or becomes a party in interest or a disqualified person with respect to such Benefit Plan. Certain exemptions from these prohibited transaction rules may be available, including: Prohibited Transaction Class Exemption ("PTCE") 84-14 (relating to transactions effected by a "qualified professional asset manager"); PTCE 90-1 (relating to transactions involving insurance company pooled separate accounts); PTCE 91-38 (relating to transactions involving bank collective investment funds); PTCE 95-60 (relating to transactions involving insurance company general accounts); and PTCE 96-23 (relating to transactions effected by an "in-house asset manager") (each, an "Investor-Based Class Exemption"). In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provide a statutory exemption for prohibited transactions between a Benefit Plan and a person that is a party in interest or a disqualified person (other than a fiduciary or an affiliate of a fiduciary that has or exercises discretionary authority or control with respect to the investment of plan assets involved in the transaction or renders investment advice with respect to the plan assets involved in the transaction) solely by reason of providing services to the Benefit Plan or being related to a provider of services to such Benefit Plan in accordance with Section 408(b)(17) of ERISA or Section 4975(d)(20) of the Code; provided there is adequate consideration for the transaction. Even if the conditions specified in one or more of these exemptions are met, the scope of the relief provided may or may not cover all acts that could be construed as prohibited transactions. There can be no assurance that any of these exemptions, or any other exemption, will be available with respect to any particular transaction involving the Class A1 Notes, the Class A2 Notes and the Class M Notes and prospective purchasers that are or are acting on behalf of, or with assets of, Benefit Plans should consult with their advisors regarding the applicability of any such exemption.

By acquiring any Class A1 Notes, Class A2 Notes or Class M Notes or any interest therein, each purchaser or transferee (and, if applicable, its fiduciary) of any Class A1 Notes, Class A2 Notes or Class M Notes or any interest therein will be deemed to represent and warrant that, for so long as it holds the Class A1 Notes, the Class A2 Notes or the Class M Notes or any interest therein, either (i) it is not, and is not acquiring and will not hold such Note or any interest therein on behalf of, or with assets of, a Benefit Plan or a governmental, non-electing church or non-U.S. plan that is subject to Similar Law or (ii) its acquisition, transfer and holding of such Note or any interest therein will not constitute, cause, or otherwise result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation of Similar Law.

If the purchaser or transferee of any Class A1 Notes, Class A2 Notes or Class M Notes or interest therein is a Benefit Plan, it will be deemed to represent, warrant and agree that, unless a statutory or administrative prohibited transaction exemption applies (all of the applicable conditions of which are satisfied) or the transaction is not otherwise prohibited under Section 406 of ERISA or Section 4975 of the Code, (i) none of the Transaction Parties or any of their affiliates has provided any investment advice within the meaning of Section 3(21) of ERISA or Section 4975(e)(3) of the Code to the Benefit Plan, or to any fiduciary or other person investing the assets of the Benefit Plan ("Fiduciary"), in connection with its acquisition of the Class A1 Notes, the Class A2 Notes or the Class M Notes, and (ii) the Fiduciary is exercising its own independent judgment in evaluating the investment in the Class A1 Notes, the Class A2 Notes or the Class M Notes.

Any fiduciary or other investor of a governmental, non-electing church or non-U.S. plan subject to Similar Law that proposes to acquire or hold any Class A1 Notes, Class A2 Notes or Class M Notes or interest therein on behalf of or with plan assets of any such plan is encouraged to consult with its counsel with respect to the treatment of the Class A1 Notes, Class A2 Notes or Class M Notes under Similar Law before making the proposed investment.

Due to the complexity of the applicable rules described above, which descriptions are general in nature and are not intended to be all-inclusive, it is important that potential plan purchasers consult with their legal advisors regarding the impact of ERISA, the Code, Similar Law or other applicable law, the application of the Plan Asset Regulations, the applicability of any Investor-Based Class Exemption or any other statutory or administrative prohibited transaction exemption and the potential consequences in their specific circumstances, before their acquisition and ownership of the Notes.

The foregoing discussion of ERISA, the Code and Similar Law should not be construed as legal advice. The sale or transfer of any Note or interest therein to a plan or a person acting on behalf of, or using assets of, a plan is in no way a representation by the Depositor, the Issuer, a Seller, the Initial Purchasers, the Owner Trustee, the Indenture Trustee, the Paying Agent, the Certificate Registrar, the Custodian or the Note Registrar that the acquisition and holding of such Note or any interest therein meets all the legal requirements for investments and acquisitions by plans generally or any particular plan or that the investment or acquisition is appropriate for plans generally or any particular plan. A plan fiduciary considering the acquisition of Notes remains responsible for such plan's compliance with the legal requirements applicable to such entity and should consult its legal advisors regarding the matters discussed above and other applicable legal requirements.

LEGAL INVESTMENT

The Notes will not constitute "mortgage related securities" for purposes of the Secondary Mortgage Market Enhancement Act of 1984, as amended. You should consult your own legal advisors to determine whether the Notes are legal investments for you and whether you can use the Notes as collateral for borrowings. In addition, financial institutions should consult their legal advisors or regulators to determine the appropriate treatment of the Notes under risk-based capital and similar rules.

If you are subject to legal investment laws and regulations or to review by regulatory authorities, you may be subject to restrictions on investing in the Notes. Institutions regulated by the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Treasury Department or any other federal or state agency with similar authority should review applicable regulations, policy statements and guidelines before purchasing the Notes.

ACCOUNTING CONSIDERATIONS

Various factors may influence the accounting treatment applicable to an investor's acquisition and holding of mortgage-backed securities. Accounting standards, and the application and interpretation of such standards, are subject to change from time to time. Investors are encouraged to consult their own accountants for advice as to the appropriate accounting treatment for the Notes.

LEGAL MATTERS

The legality of the Notes and certain tax matters will be passed upon for the Sponsor, the Seller, the Depositor and the Issuer by Winston & Strawn LLP. Certain legal matters will be passed upon for the Initial Purchasers by Mayer Brown LLP.

PLAN OF DISTRIBUTION

The Notes may only be offered (i) in the United States to "qualified institutional buyers" in reliance on Rule 144A, or (ii) outside the United States to institutions that (a) are "qualified institutional buyers" (with the meaning of Rule 144A under the Securities Act) and (b) are not "U.S. Persons" acquiring the securities in "offshore transactions" under Regulation S. Such investors will be required to make or will be deemed to make certain representations with respect to their ability to invest in the Notes.

Subject to the terms and conditions set forth in a note purchase agreement, dated on or before the Closing Date (the "Note Purchase Agreement"), by and among the Initial Purchasers, the Depositor, the Seller and the Servicer, each of the Initial Purchasers has agreed, subject to certain conditions, to purchase the Notes from the Depositor on the Closing Date as principal for resale to investors only those Notes for which investors have entered into agreements to purchase from the Initial Purchasers. Each of the Initial Purchasers intends to offer the Notes to prospective investors from time to time.

The Notes are being purchased when, as and if delivered to and accepted by the Initial Purchasers, and subject to prior sale and to the right of the Initial Purchasers to reject any orders in whole or in part. The Initial Purchasers may withdraw, cancel or modify the offering of the Notes without notice. Sales of the Notes may be effected from time to time in one or more negotiated transactions or otherwise at varying prices to be determined at the time of sale. The Initial Purchasers may effect such transactions by selling the Notes to or through sub-agents, and such sub-agents may receive compensation in the form of discounts, concessions or commissions from the Initial Purchasers. The Initial Purchasers have agreed to use their best efforts to identify investors, and will be obligated to purchase from the Depositor only the Notes for which investors have entered into agreements to purchase such Notes from the Initial Purchasers on or prior to the Closing Date. Placement of the Notes may be effected privately from time to time in negotiated transactions at varying prices to be determined in each case at the time of sale. As a result, the purchase price paid by any investor in a portion of the Notes may be higher or lower than the price paid by different investors in the same class sold in this offering.

One or more of the Initial Purchasers (or an affiliate of one or more of the Initial Purchasers) provide warehouse financing to the Sponsor or an affiliate of the Sponsor. A portion of the proceeds of the sale of the Notes may be used to repay one or more such warehouse financing facilities, and a portion of the purchase price paid by the Issuer for any Additional Mortgage Loans may be used to repay one or more such warehouse financing facilities from time to time. One or more of the Initial Purchasers and/or certain of their affiliates may provide secured financing of any securities retained by the Sponsor, the Seller, the Depositor or their affiliates. Any such financing with respect to the securities retained by the Sponsor or a majority-owned affiliate of the Sponsor for purposes of compliance with the Risk Retention Rules will be full recourse to such entity and otherwise be in accordance with the Risk Retention

Rules. In the event that there is an event of default under any such secured financing, such Notes or interest may be subject to foreclosure, and in such instance, the Sponsor may be out of compliance with the Risk Retention Rules. See "*Risk Factors—Risks Related to Potential Conflicts of Interest—Potential Conflicts of Interest Relating to the Initial Purchasers*" in this Offering Memorandum.

This Offering Memorandum has been prepared by the Depositor. The Initial Purchasers make no representations or warranties as to the accuracy or completeness of the information contained herein, and nothing herein shall be deemed to constitute such a representation or warranty by the Initial Purchasers or any promise or representation as to the future performance of the Issuer, the Mortgage Loans or the Notes.

Each of the Initial Purchasers has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any EEA Retail Investor in the European Economic Area. For the purposes of this provision, (a) the expression "EEA Retail Investor" means a person who is one (or more) of the following: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"), (ii) a customer within the meaning of Directive 2016/97/EU (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "Prospectus Regulation") and (b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Each of the Initial Purchasers has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any UK Retail Investor in the UK. For the purposes of this provision, (a) the expression "UK Retail Investor" means a person who is one (or more) of the following: (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended, the "EUWA"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the "FSMA") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97 (as amended), where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 (as amended) as it forms part of UK domestic law by virtue of the EUWA; and (b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Each of the Initial Purchasers has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated in the UK an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the UK.

In connection with the sale of the Notes, the Initial Purchasers may be deemed to have received compensation in the form of discounts, concessions or commissions from the Issuer. Proceeds to the Depositor from the sale of the Notes will be equal to the aggregate purchase price paid by the Initial Purchasers. The Note Purchase Agreement provides that the Depositor will indemnify the Initial Purchasers, and that under certain limited circumstances the Initial Purchasers will indemnify the Depositor, against certain civil liabilities under the Securities Act, or contribute to payments required to be made in respect thereof. Further, a portion of the proceeds received from the sale of the Mortgage Loans will be applied to repay the Reference Facilities. The proceeds paid for the Additional Mortgage Loans purchased during the Reinvestment Period may be used to repay such Reference Facilities.

The Notes are being offered only in transactions exempt from the registration requirements of the Securities Act as set forth under "*Notice to Investors*." The Notes have not been registered under the Securities Act or registered or qualified under any applicable state securities laws, and none of the Depositor, the Issuer or any other person is required to so register or qualify the Notes or to provide registration rights to any investor therein.

There currently is no secondary market for the Notes, and there can be no assurance that such a market will develop or, if it does develop, that it will continue or will provide investors with a sufficient level of liquidity of investment. While each of the Initial Purchasers intends to make a market in the Notes, they may discontinue or limit such activities at any time. In addition, the liquidity of the Notes may be affected by present uncertainties and future unfavorable developments concerning legal investment. Finally, the ability of the Initial Purchasers to make a market in the Notes may be impacted by changes in regulatory requirements applicable to marketing and selling of, and issuing quotations with respect to, asset backed securities generally (including, without limitation, the application of Rule 15c2-11 under the Exchange Act, to the publication or submission of quotations, directly or indirectly, in any quotation medium by a broker or dealer for securities such as the Notes). Consequently, investors should be aware that they may be required to bear the financial risks of an investment in the Notes for an indefinite period of time.

The Notes will not be rated by any rating agency.

INDEX OF DEFINED TERMS

APPENDIX A - GLOSSARY OF DEFINED TERMS

"60+ Day Delinquency Rate" means, with respect to any Payment Date, the monthly percentage equivalent of (a) the aggregate Unpaid Principal Balance of the Mortgage Loans as of the last day of the related Collection Period that are sixty (60) days or more delinquent pursuant to the MBA Method (including any Defaulted Mortgage Loans), divided by (b) the aggregate Unpaid Principal Balance of the Mortgage Loans as of the last day of the related Collection Period.

"90+ Day Delinquency Rate" means, with respect to any Payment Date, the monthly percentage equivalent of (a) the aggregate Unpaid Principal Balance of the Mortgage Loans as of the last day of the related Collection Period that are ninety (90) days or more delinquent pursuant to the MBA Method (including any Defaulted Mortgage Loans), divided by (b) the aggregate Unpaid Principal Balance of the Mortgage Loans as of the last day of the related Collection Period.

"Accrual Period" with respect to each Payment Date (other than the first Payment Date), the period beginning with the previous Payment Date and ending on the day prior to such Payment Date (in each case assuming the Payment Date occurs on the 25th of the month) with interest calculated on the basis of a three hundred sixty (360)-day year consisting of twelve (12) thirty (30)-day months. The "Accrual Period" for the first Payment Date is the period beginning on the Closing Date and ending on the date prior to such Payment Date (assuming such Payment Date occurs on the 25th of the month) with interest calculated on the basis of a three hundred sixty (360)-day year consisting of twelve (12) thirty (30)-day months.

"Accumulation Account" means, that certain Accumulation Account established and maintained by the Paying Agent on behalf of the Indenture Trustee as further described in "*The Indenture—Accounts—Accumulation Account*" of this Offering Memorandum.

"Additional Cut-off Date" means, with respect to any Additional Mortgage Loan, the applicable cut-off date designated with respect to such Additional Mortgage Loan.

"Annual Cap" means, with respect to reimbursable expenses of the Indenture Trustee, the Paying Agent, the Note Registrar, the Securities Intermediary, the Certificate Registrar, the Owner Trustee, the Asset Manager and the Custodian, *pro rata,* or indemnification payments to the Owner Trustee, the Indenture Trustee, the Paying Agent, the Note Registrar, the Securities Intermediary, the Certificate Registrar, the Asset Manager and the Custodian from the assets of the Trust Estate, an aggregate amount equal to $400,000 for any calendar year; *provided, however,* that (a) $200,000 of the Annual Cap will be allocated to reimbursable expenses and indemnification payments of the Indenture Trustee, the Paying Agent, the Securities Intermediary, the Note Registrar, the Certificate Registrar and the Custodian, (b) $150,000 of the Annual Cap will be allocated to reimbursable expenses and indemnification payments of the Owner Trustee, (c) $50,000 of the Annual Cap will be allocated to reimbursable expenses and indemnification payments of the Asset Manager and (d) on the Payment Date occurring in December of such calendar year, each such party will have the right to reimbursable expenses or indemnification payments from any unused portion of the Annual Cap allocated to another party to the extent that the reimbursable expenses or indemnification payments to such party exceed the related capped amount at the end of such calendar year, and provided, further (i) any such expenses and payments in excess of the Annual Cap shall be paid *pro rata,* to the extent funds are available, in the subsequent year or years (subject to the Annual Cap for such subsequent year or years) until paid in full and (ii) the Annual Cap will not apply to any such expenses or payments incurred following an Event of Default or upon any redemption of, or other final payment on, the Notes.

"Appraised Value" means, with respect to each Mortgage Loan, the value of the related Mortgaged Property as determined by an appraisal obtained by the Originator from a third-party licensed appraiser at the time of origination.

"Asset Management Fee" means, with respect to each Payment Date, the monthly fee payable to the Asset Manager equal to one-twelfth ($1/12^{th}$) of 0.50% multiplied by the aggregate Unpaid Principal Balance of the Mortgage Loans as of the first day of the related Collection Period.

"ATR Rules" means the "Ability to Repay" rules promulgated pursuant to TILA.

"Available Funds" means, with respect to any Payment Date, the sum, without duplication, of: (i) all Collections received during the related Collection Period other than principal Collections (which includes the principal portion of any Net Liquidation Proceeds and Repurchase Price), (ii) amounts deposited from the Accumulation Account into the Payment Account for such Payment Date as described in "*The Indenture—Accounts—Accumulation Account*" in this Offering Memorandum, (iii) certain amounts on deposit in the Pre-funding Interest Account as described in "*The Indenture—Accounts—Pre-funding Interest Account*" in this Offering Memorandum, (iv) the Available Funds Shortfall Amount withdrawn from the Redemption Account; (v) on the Class A2 Note Expected Redemption Date, all amounts on deposit in the Redemption Account solely to pay the Interest Payment Amount due and owing with respect to the Class A2 Notes and the Note Amount of the Class A2 Notes, until the principal balance of the Class A2 Notes has been reduced to zero; and (vi) on the Class M Note Expected Redemption Date, all amounts on deposit in the Redemption Account solely to pay the Interest Payment Amount due and owing with respect to the Class M Notes and the Note Amount of the Class M Notes, until the principal balance of the Class M Notes has been reduced to zero.

"Available Funds Shortfall Amount" means, with respect to each Payment Date, the excess, if any, of (i) the sum of all amounts due and payable on such Payment Date under clauses *first* through *sixth* of the Priority of Payments, over (ii) the amount of Available Funds on deposit in the Payment Account on such Payment Date prior to any payments being made from the Payment Account or the Redemption Account on such Payment Date.

"Balloon Payment" means, with respect to a Mortgage Loan, the entire original principal amount that is due and payable on the respective scheduled maturity date and thus will require substantial principal payments at its stated maturity.

"Borrower" the obligor on a Mortgage Note.

"Business Day" any day other than (i) a Saturday or a Sunday, or (ii) a day on which the New York Stock Exchange or Federal Reserve is closed, a day on which banking institutions in the State of New York, the State of Delaware, the State of Minnesota or any state in which the Corporate Trust Office of the Indenture Trustee, the Custodian, the Note Registrar, the Certificate Registrar, the Securities Intermediary or the Paying Agent is located are authorized or obligated by law or executive order to be closed.

"Calculation Date" means, with respect to any Payment Date, the final day of the related Collection Period.

"CARES Act" means the Coronavirus Aid, Relief, and Economic Security Act.

"CFPB" means the Consumer Financial Protection Bureau, an independent federal agency operating as a part of the United States Federal Reserve System.

"Closing Date" means on or about June 20, 2024.

"Collection Period" means, with respect to any Payment Date and the Mortgage Loans, the immediately preceding calendar month; *provided*, *however*, that for the first Payment Date with respect to the Initial Mortgage Loans or any Additional Mortgage Loans, it will mean the period following the related Cut-off Date through the day of immediately preceding calendar month.

"Collections" means, with respect to any Payment Date, all payments received during the related Collection Period from or on behalf of any Borrower, including:

(a) all payments on account of principal, including Principal Prepayments and Prepayment Penalties;

(b) all payments on account of interest (including Default Interest and Extension Fees);

(c) all Net Liquidation Proceeds;

(d) all Insurance Proceeds;

(e) all Condemnation Proceeds and all amounts in respect of condemnation proceedings or eminent domain affecting any Mortgaged Property that are not released to any Borrower in accordance with the Servicing Agreement; and

(f) any payments by a Borrower with respect to Servicing Advances required to be paid under the terms of the related Mortgage Note, or have been paid to the Issuer to reimburse any outstanding Servicing Advances.

"Condemnation Proceeds": means all awards, compensation and settlements in respect of a taking of all or part of a Mortgaged Property or REO Property by exercise of the power of condemnation or the right of eminent domain.

"Corporate Trust Office": means, with respect to the Indenture Trustee, the Securities Intermediary, the Paying Agent, the Certificate Registrar and the Note Registrar (i) solely for purpose of the transfer, surrender, exchange or presentation for final payment of any Note or Certificate, 111 Fillmore Avenue East, EP-MN-WS2N, St. Paul, Minnesota, 55107, Attn: Transfer Dept., Ref: LHOME Mortgage Trust 2024-RTL3, and (ii) for all other purposes, 60 Livingston Avenue, EP-MN-WS3D, St. Paul, Minnesota, 55107, Attention: LHOME Mortgage Trust 2024-RTL3, or at such other address as the Indenture Trustee, the Paying Agent, the Securities Intermediary, the Certificate Registrar or the Note Registrar, as applicable, may designate from time to time by notice to the Noteholders and the Issuer.

"Cost Basis" means, with respect to any Mortgage Loan (other than a Seasoned Refinance Mortgage Loan), the determination of the sum of (i) the purchase price for the related Mortgaged Property, plus (ii) documented cost of existing improvements (only in the case of a refinance that is not a Seasoned Refinance Mortgage Loan), plus (iii) assignment fees, less (iv) seller concessions; provided, that, for Seasoned Refinance Mortgage Loans, the "Cost Basis" will be the AIV of the related Mortgaged Property. The Originator may include related Mortgage Loan closing as part of Cost Basis.

"Custodial Agreement" means the custodial agreement, dated as of the Closing Date, by and among the Custodian, the Indenture Trustee, the Servicer and the Issuer.

"Custodian Fee" means, with respect to each Payment Date, the fees of the Custodian pursuant to the Custodial Agreement, as set forth in Annex C to this Offering Memorandum.

"Cut-off Date" means the Initial Cut-off Date with respect to the Initial Mortgage Loans, and the related Additional Cut-off Date with respect to the Additional Mortgage Loans.

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

"Default Interest" means, with respect to each defaulted Mortgage Loan, the portion of each monthly payment with respect to such Mortgage Loan constituting additional default interest above interest at the stated interest rate.

"Default Rate" means, with respect to any Payment Date, the monthly percentage equivalent of (a) the aggregate Unpaid Principal Balance of the Defaulted Mortgage Loans as of the last day of the related Collection Period; divided by (b) the aggregate Unpaid Principal Balance of the Mortgage Loans as of the last day of the related Collection Period.

"Defaulted Mortgage Loan" means any Mortgage Loan (i) that is one hundred twenty (120) or more days delinquent on scheduled interest pursuant to the MBA Method; or (ii) that is in foreclosure or is an REO Property.

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

"Delayed Purchase" means, refinance transactions where the Borrower acquired the property 180 days or less prior to the date of submission of the loan application (including the date of submission of the loan application).

"Determination Date" means, with respect to any Payment Date, the last day of the preceding Collection Period and with respect to the Issuer's purchase of Additional Mortgage Loans, the Additional Cut-off Date.

"Document Defect" means any document or documents constituting a part of a Mortgage Loan file that has not been properly executed, has not been delivered within the time periods provided for in the Transaction Documents, is missing, does not conform in material respects to expected standard form(s) or contains information that does not conform in any material respect with the corresponding information set forth in the Mortgage Loan Schedule attached as an exhibit to the First Step Mortgage Loan Purchase Agreement or a subsequent transfer instrument attached as an exhibit to the Indenture.

"Dodd-Frank Act" means The Dodd-Frank Wall Street Reform and Consumer Protection Act.

"Due Date" means the date on which the scheduled monthly payments of interest and principal are due on a Mortgage Loan.

"Early Amortization Event" means, (i) an Event of Default occurs, (ii) for a period of at least three (3) consecutive months, the 60+ Day Delinquency Rate exceeds 10.0%, or (iii) for a period of at least three (3) consecutive months, the Default Rate exceeds 5.0%.

"Electronic Agent" means MERSCORP Holdings, Inc., or its successor in interest or assigns.

"Electronic Record" means with respect to an eMortgage Loan, the related eMortgage Note and all other documents comprising the mortgage file electronically created and that are stored in an electronic format, if any.

"Eligible Diligence Vendor" means any of (i) the Securitization Diligence Provider, SitusAMC Group, LLC, Clayton Services LLC, Opus Capital Markets Consultants, LLC, American Mortgage Consultants, Inc. or one of their affiliates or (ii) if none of the diligence providers named in clause (i) can be retained by the Asset Manager on commercially reasonable terms, another diligence provider selected by the Asset Manager in its reasonable discretion.

"Eligible State" means a state in which the Initial Mortgage Loans were originated or any state for which the Originator has advised the Issuer and the Indenture Trustee that it will have been in compliance with all licensing requirements, if applicable, of such state when any Mortgage Loans are originated in such state.

"eLoan Agreement" means the loan agreement that evidences a Mortgage Loan that has been executed electronically by a Borrower and the Originator and that is maintained as an electronic record in a e-Vault provided by the provider of the e-Vault under an electronic collateral control agreement (except as otherwise may be permitted under the Transaction Documents).

"eMortgage Loan" means a Mortgage Loan with respect to which there is an eMortgage Note and as to which some or all of the other documents comprising the related mortgage file may be created electronically and not by traditional paper documentation with a pen and ink signature.

"eMortgage Note" means, with respect to any eMortgage Loan, the electronically created and stored Mortgage Note that is a Transferable Record.

"E-SIGN" means the Electronic Signatures in Global and National Commerce Act, 15 U.S.C. § 7001 *et seq*., as amended.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"Extension Fees" means, with respect to any Mortgage Loan, any fees associated with maturity date extensions of such Mortgage Loan.

"Extensive Rehabilitation Loan" means, a Mortgage Loan where the expected rehabilitation costs of the project (i) constitute a material portion of the underlying Cost Basis (or AIV as applicable), (ii) involve the addition of square footage, (iii) involve significant foundation work, typically resulting in the Rehabilitation Holdback Amount exceeding 50% of the Cost Basis (or AIV as applicable) or (iv) is for infill/new construction.

"Fannie Mae" means the Federal National Mortgage Association.

"Freddie Mac" means the Federal Home Loan Mortgage Corporation.

"Indenture Trustee Fee" means, with respect to each Payment Date, the monthly fee payable to the Indenture Trustee equal to the greater of (i) one-twelfth ($1/12^{th}$) of 0.0392% multiplied by the aggregate Unpaid Principal Balance of the Mortgage Loans as of the first day of the related Collection Period or (ii) $3,000.

"Initial Cut-off Date" means the close of business on May 31, 2024.

"Initial Loan-to-Cost Ratio" means, with respect to each Mortgage Loan as of the Cut-off Date, an amount equal to the quotient of (A) the initial loan proceeds disbursed to the Borrower at loan origination for the related Mortgage Loan, divided by (B) the Cost Basis of the related Mortgaged Loan.

"Initial Note Amount": With respect to (i) the Class A1 Notes is $294,736,000, (ii) the Class A2 Notes is $36,842,000 and (iii) the Class M Notes is $18,422,000.

"Insurance Policy" means, with respect to any Mortgage Loan, any insurance policy, including all names and endorsements thereto in effect, including any replacement policy or policies for any Insurance Policies.

"Insurance Proceeds" means proceeds paid with respect to any Insurance Policy (excluding proceeds required to be applied to the restoration and repair of the related Mortgaged Property or released to the Borrower), in each case other than any amount included in such Insurance Proceeds in respect of Insured Expenses.

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

"Issuer" means LHOME Mortgage Trust 2024-RTL3, a Delaware statutory trust.

"Liquidated Loan" means any delinquent or defaulted Mortgage Loan (or REO Property) that was liquidated, sold or as to which the Servicer has determined that all amounts it expects it will recover from or on account of such Mortgage Loan have been recovered.

"Liquidation Proceeds" are all amounts received by the Servicer in connection with a Liquidated Loan, including all proceeds of any insurance policies with respect to a Mortgage Loan, to the extent such proceeds are not applied to the restoration of the related Mortgaged Property, required to be deposited in an escrow account or released to the Borrower in accordance with the normal servicing procedures of the Servicer, Condemnation Proceeds, proceeds from the sale of any REO Property and all other cash amounts received and retained in connection with the liquidation of such Liquidated Loan, by foreclosure, sale or otherwise.

"Loan-to-AIV Ratio" means, with respect to each Mortgage Loan without a rehabilitation component as of the Cut-off Date, an amount equal to the quotient of (A) the initial loan proceeds disbursed to the Borrower at loan origination for the related Mortgage Loan, divided by (B) the AIV of the related Mortgaged Property.

"Loan-to-ARV Ratio" means, with respect to each Mortgage Loan with a rehabilitation component as of the Cut-off Date, an amount equal to the quotient of (a) the Principal Limit of such Mortgage Loan as of such date, divided by (b) the ARV of the related Mortgaged Property.

"Loan-to-Value Ratio" means, collectively, the Loan-to-AIV Ratio and Loan-to-ARV Ratio.

"Make-Whole Amount" means, with respect to any Liquidated Loan for which there exists a Material Breach, the excess of (a) the Repurchase Price for such Mortgage Loan calculated immediately prior to its liquidation over (b) the sum of the Liquidation Proceeds received in respect of such Mortgage Loan.

"Material Breach" means any breach of a representation or warranty with respect to a Mortgage Loan that has caused or is reasonably expected to cause a material increased loss in connection with the liquidation of the Mortgage Loan or will materially impair the ability of the Servicer (on behalf of the Indenture Trustee) to enforce the payment obligations under the related Mortgage Note or to enforce the security interest set forth in the related Mortgage Loan, as further described in "*Mortgage Loan Representations and Warranties*."

"Material Document Defect" means, a Document Defect that is preventing or materially delaying the (a) realization against the related Mortgaged Property through foreclosure or similar loss mitigation activity or (b) processing of any title claim under the related title insurance policy.

"MERS Mortgage Loan" means any Mortgage Loan registered with MERS on the MERS® System.

"MERS® System" means the electronic system of recording transfers of mortgages maintained by MERS.

"MIN" means the mortgage identification number for any MERS Mortgage Loan.

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

"Mortgage" means each mortgage, or deed of trust, security agreement and fixture filing, deed to secure debt, or similar instrument creating and evidencing a first lien on real property and other property and rights incidental thereto.

"Mortgage Interest Rate" means the per annum rate at which interest accrues on a Mortgage Loan, as specified in the related Mortgage Note.

"Mortgage Loan Documents" has the meaning set forth in "*The Indenture—Custody of Mortgage Loan Files*" in this Offering Memorandum.

"Mortgage Loan Schedule" means the schedule delivered pursuant to the Mortgage Loan Purchase Agreements and attached to the Indenture, which will identify each Mortgage Loan included in the Trust Estate, as such schedule may be amended by the Issuer or the Servicer from time to time to reflect the addition or repurchase of Mortgage Loans from the Trust Estate.

"Mortgage Loans" means the fixed-rate mortgage loans secured by a first lien on single-family residential, planned unit development, condominium, two-to-four unit properties, manufactured housing properties or multi-family (5-20 unit) properties assigned to the Indenture Trustee for the benefit of Noteholders (including any such eMortgage Loans).

"Mortgage Note" means the promissory note evidencing each Mortgage Loan, including an eMortgage Note.

"Mortgage Pool" means the pool of mortgage loans expected to be transferred to the Issuer by the Depositor on the Closing Date or during the Reinvestment Period.

"Mortgaged Property" means each single-family residential property, planned unit development property, condominium, two-to-four unit property, manufactured housing properties or multi-family (5-20 unit) properties securing a Mortgage Loan.

"Net Liquidation Proceeds" means, with respect to any Liquidated Loan or any other disposition of related Mortgaged Property, the related Liquidation Proceeds net of unreimbursed Servicing Advances and any other accrued and unpaid fees and Servicing Expenses incurred in connection with the liquidation of such Mortgage Loan or Mortgaged Property.

"Note Amount" means with respect to any Class of Notes as of any Payment Date, the Initial Note Amount as reduced but not below zero (0), by all amounts paid on previous Payment Dates on account of principal.

"Note Rate" means, with respect to each Accrual Period and the Notes, a per annum rate equal to the applicable rate set forth in the Securities Table.

"OCC" means the Office of the Comptroller of the Currency.

"Owner Trustee Fee" means the annual fee payable to the Owner Trustee on the Payment Date in June of each year (beginning in June 2025) equal to $12,500.

"Payment Date" means the twenty-fifth (25th) day of each month, or the immediately following business day if the twenty-fifth (25th) day is not a Business Day, commencing in July 2024.

"Payment History" means, with respect to each Mortgage Loan, the fully itemized accounting maintained by the Servicer of any payments posted and adjustments or disbursements made in connection with such Mortgage Loan.

"Percentage Interest" means, with respect to the Notes, the percentage obtained by dividing (i) the amount, if any, specified on the face of such Note representing the principal portion of the Initial Note Amount evidenced by such Note by (ii) the Initial Note Amount.

"Permitted Exceptions" means, with respect to each Wet-Ink Mortgage Loan, failure to deliver (i)(A) the original Mortgage or a copy of the Mortgage with evidence of recording thereon and (B) the original or copy of the recorded power of attorney (if applicable) and (ii) the final policy of title insurance or attorney's opinion of title and abstract of title issued with respect to each Mortgage Loan. For the avoidance of doubt, the Custodian will not be required to make any determinations regarding whether an exception is a Permitted Exception, and the exception reports prepared by the Custodian will not differentiate between exceptions that are or are not Permitted Exceptions.

"Permitted Investments" means any one or more of the following:

(i) direct obligations of, and obligations fully guaranteed as to timely payment of principal and interest by, the United States of America or any agency or instrumentality of the United States of America the obligations of which are backed by the full faith and credit of the United States of America ("Direct Obligations");

(ii) federal funds, demand and time deposits in, certificates of deposits of, or bankers' acceptances issued by, any depository institution or trust company (including U.S. subsidiaries of foreign depositories, the Indenture Trustee or any agent of the Indenture Trustee, acting in its commercial capacity) incorporated or organized under the laws of the United States of America or any state thereof and subject to supervision and examination by federal or state banking authorities, so long as at the time of such investment or the contractual commitment providing for such investment the commercial paper or other short-term ratings of such depository institution or trust company (or, in the case of a depository institution or trust company which is the principal subsidiary of a holding company, the commercial paper or other short-term ratings of such holding company or deposit institution, as the case may be) are in the highest short-term rating category or one of the two highest long-term rating categories of any Rating Agency;

(iii) repurchase agreements collateralized by Direct Obligations or securities guaranteed by Fannie Mae or Freddie Mac with any registered broker/dealer subject to Securities Investors' Protection Corporation jurisdiction or any commercial bank insured by the FDIC, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed obligation rated by any Rating Agency in its highest short-term rating category;

(iv) securities bearing interest or sold at a discount issued by any corporation incorporated under the laws of the United States of America or any state thereof which have a credit rating from any Rating Agency, at the time of investment or the contractual commitment providing for such investment, at least equal to one of the two highest long-term credit rating categories of any Rating Agency;

(v) commercial paper (including both non-interest-bearing discount obligations and interest-bearing obligations payable on demand or on a specified date not more than one hundred eighty (180) days after the date of issuance thereof, including U.S. subsidiaries of foreign depositories, the Indenture Trustee or any agent of the Indenture Trustee, acting in its commercial capacity), other than extendable commercial paper, rated by any Rating Agency in its highest short-term rating category;

(vi) certificates or receipts representing direct ownership interests in future interest or principal payments on obligations of the United States of America or its agencies or instrumentalities (which obligations are backed by the full faith and credit of the United States of America) held by a custodian in safekeeping on behalf of the holders of such receipts; and

(vii) any other demand, money market, common trust fund or time deposit or obligation, or interest-bearing or other security or investment rated in the highest rating category by any Rating Agency. Such investments in this clause (vii) may include money market mutual funds or common trust funds, including any fund for which U.S. Bank Trust Co. or an affiliate thereof serves as an investment advisor, administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (1) U.S. Bank Trust Co. or an affiliate thereof charges and collects fees and expenses from such funds for services rendered, (2) U.S. Bank Trust Co. or an affiliate thereof charges and collects fees and expenses for services rendered pursuant to the Indenture, and (3) services performed for such funds and pursuant to the Indenture may converge at any time;

provided, *however*, that no such instrument will be an Permitted Investment if such instrument (x) evidences either (i) a right to receive only interest payments with respect to the obligations underlying such instrument or (ii) both principal and interest payments derived from obligations underlying such instrument and the principal and interest payments with respect to such instrument provide a yield to maturity of greater than 120% of the yield to maturity at par of such underlying obligations; and, provided, further, that such investment will not be subject to withholding or deduction unless the issuer of such investment is required to gross-up such amounts or (y) is not an "eligible asset" as defined in Rule 3a-7 of the Investment Company Act.

"Prepayment Charge" means, with respect to any Mortgage Loan, the premiums, fees, or charges, if any, due in connection with a full or partial Principal Prepayment of such Mortgage Loan pursuant to the terms of the related Mortgage Note.

"Prepayment Interest Shortfall" means a shortfall resulting when a Borrower prepays a Mortgage Loan in part or in full, and as a result, thirty (30) days of interest for the month of such prepayment is not paid and not included in the payment to Noteholders in the month in which such shortfall is applied.

"Principal Prepayment" means any full or partial payment or other recovery of principal on a Mortgage Loan which is received in advance of its scheduled Due Date, which is not accompanied by an amount of interest representing scheduled interest due on any date or dates in any month or months subsequent to the month of prepayment.

"Professional Borrower" means, under the current Underwriting Guidelines, a Borrower with five (5) or more Qualifying Completed Property Transactions.

"Purchase" means, transactions where the Borrower is acquiring the property in conjunction with the closing of the loan.

"Qualifying Completed Property Transactions" means, under the current Underwriting Guidelines, a property transaction the Originator considers to be completed, if in the twenty-four (24) months preceding the Borrower qualification date, the property was (x) sold (including under contract pending sales), or (y) converted to an investment property and refinanced with longer-term financing, in either clause (x) or (y), the property must have originally been acquired by the Borrower no more than thirty-six (36) months prior to the sale or refinance of the respective property, as determined in accordance with the Underwriting Guidelines.

"Rating Agency" means, any "nationally recognized statistical rating organization," as defined in Section 3(a)(62) of the Exchange Act.

"Realized Loss" means, as applicable (i) with respect to each Liquidated Loan, an amount equal to the excess of (A) the Unpaid Principal Balance of the Liquidated Loan as of the date of such liquidation over (B) the Net Liquidation Proceeds received during the month in which such liquidation occurred, to the extent not previously applied as recoveries of interest and principal of the Liquidated Loan; (ii) as to any Mortgage Loan, the amount of any Deficient Valuation or Debt Service Reduction; or (iii) with respect to a Mortgage Loan that has been the subject of a servicing modification after the Cut-off Date, any principal due on the mortgage loan that has been written off by the Servicer or the amount of principal of the Mortgage Loan that has been deferred and that does not accrue interest.

"Record Date" means (A) for any Notes that are Book-Entry Notes, the close of business on the Business Day immediately preceding such Payment Date and (B) for any Notes that are Definitive Notes, the close of business of the last Business Day in the calendar month immediately preceding the calendar month in which such Payment Date occurs.

"Rehab Escrow Account" means, that certain Rehab Escrow Account established and maintained by the Servicer, in the name of the Indenture Trustee for the benefit of the Noteholders, as further described in "*The Servicing Agreement—Rehab Escrow Account*" of this Offering Memorandum.

"Rehabilitation Holdback Amounts" means with respect to each Mortgage Loan, if applicable, amounts withheld by the Seller at origination from the proceeds of such Mortgage Loan, which are to be used in the construction, repair or rehabilitation of the related Mortgaged Property in accordance with the terms of the related Mortgage Note.

"Reinvestment Period" means the period beginning on the Closing Date and ending on the earlier to occur of (i) the day following the Payment Date occurring in June 2026; and (ii) the occurrence of an Early Amortization Event. There will only be one Reinvestment Period, and such period cannot be recommenced or continued after it has been terminated.

"Relief Act Shortfalls" means, with respect to any Payment Date and any Mortgage Loan as to which there has been a reduction in the amount of interest collectible thereon for the most recently ended calendar month as a result of the application of the Relief Act, the amount, if any, by which (i) interest collectible on such Mortgage Loan for the most recently ended calendar month is less than (ii) interest accrued thereon for such month pursuant to the Mortgage Note.

"REO Property" means any Mortgaged Property acquired by the Issuer after the Initial Cut-off Date through foreclosure or grant of a deed in lieu of foreclosure.

"Repurchase Price" means, for a Mortgage Loan to be repurchased by the Depositor, an amount equal to the sum of (i) the Unpaid Principal Balance of such Mortgage Loan as of the date of such repurchase, plus interest accrued on such Unpaid Principal Balance at the Mortgage Interest Rate (without giving effect to any rate set upon the occurrence of a default) from the date the last monthly payment was made by the related Borrower up to but not including the date that such repurchase occurs, (ii) any amounts representing unreimbursed Servicing Advances and unreimbursed Rehabilitation Advances made after the Cut-off Date (to the extent not capitalized on the Unpaid Principal Balance of the related Mortgage Loan), expenses, costs and liabilities reimbursable pursuant to the Servicing Agreement with respect to such Mortgage Loan and (iii) expenses reasonably incurred or to be incurred by the Servicer, the Custodian, the Asset Manager or the Indenture Trustee in respect of the breach or defect giving rise to the repurchase obligation.

"Required Accumulation Account Deposit Amount" means, with respect to any Payment Date, an amount equal to the excess, if any, of (i) the aggregate Note Amount of the Class A Notes and Class M Notes (after giving effect to any principal payments made to the Class A Notes on such Payment Date) divided by 95.0%, over (ii) the aggregate Unpaid Principal Balance of the Mortgage Loans as of the related Calculation Date plus any amounts held in the Accumulation Account (after giving effect to any payments made on such Payment Date).

"Residential Transition Loan Program" means the Originator's program for the origination and acquisition of short-term, senior lien, fixed-rate, interest-only mortgage loans, secured by non-owner occupied residential real estate, to real estate investors in accordance with its applicable Underwriting Guidelines.

"RESPA" means the Real Estate Settlement Procedures Act.

"Sale Proceeds" means all proceeds (including accrued interest) received with respect to Mortgage Loans as a result of sales of such Mortgage Loans, and sales in connection with a repurchase for a Material Breach or a Material Document Defect, in each case net of any reasonable out-of-pocket expenses of the Indenture Trustee, the Asset Manager under the Asset Management Agreement or the Servicer under the Servicing Agreement in connection with any such sale.

"Scheduled Payment" means, with respect to any Mortgage Loan, the scheduled payment on such Mortgage Loan due on any Due Date allocable to principal and/or interest on such Mortgage Loan which will give effect to any related Debt Service Reduction, any Deficient Valuation and any servicing modification that affects the amount of the Scheduled Payment due on such Mortgage Loan.

"Seasoned Refinance" means refinance transactions where the Borrower acquired the property greater than 180 days prior to the date of submission of the loan application (including the date of submission of the loan application).

"Seasoned Refinance Mortgage Loan" means a Mortgage Loan made in connection with a refinance transaction whereby the related Mortgaged Property was acquired more than 180 days prior to the date of application submission (including the date of application submission).

"SEC" means the Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended.

"Securities Table" means the table set forth on page 13 of this Offering Memorandum.

"Servicing Advances" means all "out-of-pocket" costs (including third party costs and expenses) relating to servicing, administration, management, maintenance, property protection, disposition, operation, liquidation, sale, enforcement proceedings or foreclosure of the related Mortgage Loan or REO Property, including, but not limited to, the cost of (a) if so directed by the Asset Manager, preservation, restoration and repair of a Mortgaged Property or REO Property, including, without limitation, advances in respect of prior liens, real estate taxes and assessments, (b) any collection, enforcement or judicial proceedings with respect to a Mortgage Loan, including, without limitation foreclosures, collections and liquidations, (c) if so directed by the Asset Manager, the conservation, management and sale of any REO Property, (d) taxes, assessments, water rates, sewer rents and other charges which are or may become a lien upon the Mortgaged Property, and fire and hazard insurance coverage, as required pursuant to the Servicing Agreement, (e) legal counsel (including court filing fees), arbitrators, appraisers (including broker price opinions), real estate brokers, environmental consultants, environmental assessments or inspections, environmental remediation, insurance, property managers, tax services, receivers, state and federal regulatory agencies incident to their audits or inquiries, tax searches, title, structural reviews, surveys, property inspections, arbitration filing fees, and mortgage filings, releases and recordings, (f) if so directed by the Asset Manager, expenses incurred in connection with any loss mitigation programs and (g) fees and expenses incurred in connection with sales, refinancings or short refinancings of Mortgage Loans.

"Servicing Expenses" means all customary, reasonable and necessary out-of-pocket costs and expenses paid or incurred in connection with the Servicer's obligations under the Servicing Agreement or in connection with any Special Services to be performed by the Servicer pursuant to the Servicing Agreement, in each case to the extent incurred in accordance with the Servicing Standard and the restrictions contained in the Servicing Agreement, including without limitation, the costs and expenses set forth below pertaining to the Mortgage Loans, but excluding employee salaries and benefits, general overhead costs of the Servicer, and other costs not directly pertaining to the Mortgage Loans:

(i) any expense necessary in order to prevent or cure any violation of applicable laws, or restrictive covenants;

(ii) any cost or expense necessary in order to maintain or release the lien on each Mortgaged Property and related collateral, including any mortgage registration taxes, release fees, or recording or filing fees;

(iii) customary expenses for the collection, enforcement or foreclosure of the Mortgage Loans and the collection of deficiency judgments against Borrowers and guarantors (including but not limited to the fees and expenses of any trustee under a deed of trust, foreclosure title searches and other lien searches);

(iv) costs and expenses of any appraisals, valuations, collateral inspections, Borrower disbursement inspections, environmental assessments (including but not limited to the fees and expenses of environmental consultants), audits or consultations, engineers, architects, accountants, on-site property managers, market studies, title and survey work and financial investigating services;

(v) customary expenses for liquidation, restructuring, modification or loan workouts, such as sales brokerage expenses and other costs of conveyance;

(vi) costs and expenses related to travel and lodging, subject to the Servicing Agreement with respect to collateral inspections and Borrower disbursement inspections; and

(vii) any other reasonable costs and expenses, including without limitation, legal fees and expenses, incurred by the Servicer under the Servicing Agreement in connection with the enforcement, collection, foreclosure, disposition, condemnation or destruction of the Mortgage Loans or related Mortgaged Properties and the performance of loan servicing by the Servicer under the Servicing Agreement.

"Servicing Fee" means the monthly fee payable to the Servicer equal to one-twelfth ($1/12^{th}$) of the Servicing Fee Rate multiplied by the Unpaid Principal Balance of each Mortgage Loan (or any related REO Property) as of the opening of business on the first day of the related Collection Period.

"Servicing Fee Rate" means a rate equal to 0.50% per annum.

"Servicing Standard" means with respect to any Mortgage Loan or REO Property, procedures (including collection procedures) that (a) (i) comply with Applicable Law, (ii) are in accordance with the terms of the related Mortgage Documents, and (iii) are consistent with industry practices for mortgage loans of the same type as the Mortgage Loan in the jurisdiction where the related Mortgaged Property is located, with a view to maximizing the net present value of such Mortgage Loan and any recovery thereon, exercising its reasonable business judgment at the time taking into account the existing facts and circumstances known to such person at such time.

"Standard Borrower" means a Borrower that does not qualify as a Professional Borrower.

"Stated Final Maturity" means, the Payment Date in May 2029.

"Subsequent Review Findings" means the findings of any Eligible Diligence Vendor based upon a review of any Mortgage Loan (including both Initial Mortgage Loans and Additional Mortgage Loans) that (i) was not previously reviewed by an Eligible Diligence Vendor but (w) becomes ninety (90) or more days delinquent, (x) is subject to a foreclosure proceeding, (y) converts to an REO Property, or (z) where the related Borrower is in bankruptcy.

"TILA" means the federal Truth in Lending Act.

"Trading Restrictions" means, with respect to any Mortgage Loan being acquired or disposed of, such Mortgage Loan is not being acquired or disposed of for the primary purpose of recognizing gains or decreasing losses resulting from market value changes.

"Transaction Documents" means, collectively, the Indenture, the Asset Management Agreement, the Servicing Agreement, the Custodial Agreement, the Note Purchase Agreement, the First Step Mortgage Loan Purchase Agreement, the Second Step Mortgage Loan Purchase Agreement and the Trust Agreement, each as amended, supplemented or otherwise modified from time to time.

"Transferable Record" means an Electronic Record under E-SIGN and UETA that (i) would be a note under the UCC 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.

"TRID Rules" means the CFPB's Know Before You Owe TILA – RESPA Integrated Disclosure rules.

"UCC" means the Uniform Commercial Code as in effect in the State of New York.

"UETA" means the Official Text of the Uniform Electronic Transactions Act as approved by the National Conference of Commissioners on Uniform State Laws at its Annual Conference on July 29, 1999.

"Underwriting Guidelines" means the guidelines KFI has developed to establish certain requirements and procedures with respect to underwriting of the mortgage loans that it originates under the Residential Transition Loan Program, as may be updated by KFI from time to time.

"Undisbursed Rehabilitation Holdback Amounts" means with respect to any Mortgage Loan, the Rehabilitation Holdback Amounts that have not been disbursed to the Borrower as of the related Cut-off Date.

"Unpaid Principal Balance" means, with respect to each (A) Mortgage Loan and any date of determination, means the principal balance of such Mortgage Loan, including, in the case of a Mortgage Loan with Funded Commitments, all disbursed or undisbursed rehabilitation holdback amounts through such date of determination (if any), and in the case of a Mortgage Loan with Unfunded Commitments, all Unfunded Commitment Advances funded through such date of determination (if any), less (x) the sum of (i) all collections and other amounts, which may include Undisbursed Rehabilitation Holdback Amounts cancelled by the Servicer and credited against the principal balance of such Mortgage Loan prior to such date of determination and (ii) any principal reduction resulting from a Debt Service Reduction or Deficient Valuation prior to such date of determination plus (y) any outstanding amounts, such as accrued and unpaid interest and certain Servicing Advances, added to the Unpaid Principal Balance as part of a modification; (B) REO property and any date of determination, means the principal balance of the related Mortgage Loan immediately prior to the date such REO property was acquired less the sum of all collections and other amounts credited against such principal balance prior to such date of determination; and (C) Liquidated Loan, zero.

"U.S." means, United States of America.

ANNEX A

CERTAIN CHARACTERISTICS OF THE INITIAL MORTGAGE LOANS

Stratification Tables
(Weighted Average By Unpaid Principal Balance)

(Attached)

APPENDIX D

Stratification Tables

(Weighted Averages weighted by Unpaid Principal Balance)

Delinquency Status of the Initial Mortgage Loans

Delinquency Status	Number of Mortgage Loans	Aggregate Unpaid Principal Balance ($)	Aggregate Unpaid Principal Balance (%)	Average Unpaid Principal Balance ($)	Weighted Average Mortgage Interest Rate (%)	Weighted Average Initial Loan-to-Cost Ratio (%)	Non-Zero Weighted Average Loan-to-ARV Ratio (%)	Weighted Average Credit Score	Weighted Average Loan Age (Months)
Current	597	147,749,158.00	100.00	247,486.03	11.015	88.75	70.64	747	0
Total:	**597**	**147,749,158.00**	**100.00**	**247,486.03**	**11.015**	**88.75**	**70.64**	**747**	**0**

Original Unpaid Principal Balance of the Initial Mortgage Loans

Range of Original Unpaid Principal Balance ($)	Number of Mortgage Loans	Aggregate Unpaid Principal Balance ($)	Aggregate Unpaid Principal Balance (%)	Average Unpaid Principal Balance ($)	Weighted Average Mortgage Interest Rate (%)	Weighted Average Initial Loan-to-Cost Ratio (%)	Non-Zero Weighted Average Loan-to-ARV Ratio (%)	Weighted Average Credit Score	Weighted Average Loan Age (Months)
50,001 to 100,000	5	320,850.00	0.22	64,170.00	10.632	86.49	68.12	775	0
100,001 to 150,000	132	12,062,767.00	8.16	91,384.60	11.258	88.98	66.77	745	0
150,001 to 200,000	110	14,565,774.00	9.86	132,416.13	11.271	90.07	69.06	742	0
200,001 to 250,000	92	16,370,070.00	11.08	177,935.54	11.357	89.27	70.09	740	0
250,001 to 300,000	79	17,370,799.00	11.76	219,883.53	11.244	88.63	71.18	749	0
300,001 to 350,000	31	8,278,201.00	5.60	267,038.74	11.147	88.17	71.04	746	0
350,001 to 400,000	29	9,060,550.00	6.13	312,432.76	11.300	90.00	72.15	740	0
400,001 to 450,000	14	4,852,750.00	3.28	346,625.00	10.817	88.35	71.09	755	0
450,001 to 500,000	23	9,434,850.00	6.39	410,210.87	10.880	87.88	68.71	746	0
500,001 to 550,000	14	6,328,475.00	4.28	452,033.93	11.128	83.41	70.01	748	0
550,001 to 600,000	9	3,894,667.00	2.64	432,740.78	11.254	82.17	68.66	760	0
600,001 to 650,000	15	8,426,000.00	5.70	561,733.33	11.195	92.41	72.34	754	0
650,001 to 700,000	6	3,391,800.00	2.30	565,300.00	10.719	89.07	73.22	744	0
700,001 to 750,000	3	1,819,000.00	1.23	606,333.33	10.770	93.77	72.89	736	0
750,001 to 800,000	1	594,500.00	0.40	594,500.00	11.700	84.99	66.71	672	0
800,001 to 850,000	4	2,951,000.00	2.00	737,750.00	11.252	85.16	74.16	741	0
850,001 to 900,000	8	6,195,600.00	4.19	774,450.00	11.173	88.53	70.78	751	0
950,001 to 1,000,000	7	6,129,000.00	4.15	875,571.43	10.467	91.46	73.78	758	0
1,000,001 to 1,250,000	7	5,244,519.00	3.55	749,217.00	10.696	88.74	71.72	726	0
1,250,001 to 1,500,000	3	3,803,000.00	2.57	1,267,666.67	9.662	96.97	76.68	763	0
1,500,001 to 1,750,000	2	2,903,100.00	1.96	1,451,550.00	8.974	89.54	73.07	760	0
1,750,001 to 2,000,000	2	2,302,384.00	1.56	1,151,192.00	9.439	79.73	67.09	766	0
2,250,001 to 2,500,000	1	1,449,502.00	0.98	1,449,502.00	9.950	74.03	68.81	739	0
Total:	**597**	**147,749,158.00**	**100.00**	**247,486.03**	**11.015**	**88.75**	**70.64**	**747**	**0**

Unpaid Principal Balance of the Initial Mortgage Loans

Range of Unpaid Principal Balance ($)	Number of Mortgage Loans	Aggregate Unpaid Principal Balance ($)	Aggregate Unpaid Principal Balance (%)	Average Unpaid Principal Balance ($)	Weighted Average Mortgage Interest Rate (%)	Weighted Average Initial Loan-to-Cost Ratio (%)	Non-Zero Weighted Average Loan-to-ARV Ratio (%)	Weighted Average Credit Score	Weighted Average Loan Age (Months)
1 to 50,000	6	199,286.00	0.13	33,214.33	11.319	86.50	59.64	707	0
50,001 to 100,000	108	8,648,769.00	5.85	80,081.19	11.194	88.37	67.41	748	0
100,001 to 150,000	123	15,280,381.00	10.34	124,230.74	11.347	89.03	68.97	741	0
150,001 to 200,000	106	18,453,993.00	12.49	174,094.27	11.317	89.82	70.09	747	0
200,001 to 250,000	70	15,772,899.00	10.68	225,327.13	11.438	88.83	70.89	742	0
250,001 to 300,000	45	12,328,719.00	8.34	273,971.53	11.167	87.89	70.90	745	0
300,001 to 350,000	29	9,530,400.00	6.45	328,634.48	11.055	85.42	69.34	759	0
350,001 to 400,000	18	6,730,475.00	4.56	373,915.28	10.976	91.20	71.95	737	0
400,001 to 450,000	16	6,794,300.00	4.60	424,643.75	10.669	86.39	71.20	758	0
450,001 to 500,000	15	7,062,400.00	4.78	470,826.67	11.034	88.93	68.33	758	0
500,001 to 550,000	14	7,355,684.00	4.98	525,406.00	11.336	84.82	69.90	734	0
550,001 to 600,000	9	5,200,200.00	3.52	577,800.00	10.553	87.38	70.87	725	0
600,001 to 650,000	7	4,373,600.00	2.96	624,800.00	11.307	93.57	72.25	751	0
650,001 to 700,000	2	1,364,500.00	0.92	682,250.00	10.975	95.02	71.46	742	0
700,001 to 750,000	1	734,700.00	0.50	734,700.00	11.950	89.60	71.58	795	0
750,001 to 800,000	5	3,836,500.00	2.60	767,300.00	11.171	91.67	75.53	763	0
800,001 to 850,000	4	3,257,200.00	2.20	814,300.00	10.468	88.85	73.31	728	0
850,001 to 900,000	6	5,208,100.00	3.52	868,016.67	10.779	85.06	70.38	762	0
900,001 to 950,000	4	3,722,050.00	2.52	930,512.50	10.547	90.00	74.67	720	0
950,001 to 1,000,000	2	1,955,000.00	1.32	977,500.00	10.950	100.00	71.08	740	0
1,000,001 to 1,250,000	1	1,153,000.00	0.78	1,153,000.00	9.000	89.99	73.77	754	0
1,250,001 to 1,500,000	4	5,502,002.00	3.72	1,375,500.50	9.708	89.33	72.40	763	0
1,500,001 to 1,750,000	1	1,500,600.00	1.02	1,500,600.00	8.950	93.79	80.00	743	0
1,750,001 to 2,000,000	1	1,784,400.00	1.21	1,784,400.00	9.000	84.97	71.43	779	0
Total:	**597**	**147,749,158.00**	**100.00**	**247,486.03**	**11.015**	**88.75**	**70.64**	**747**	**0**

Total Principal Limit of the Initial Mortgage Loans

Range of Total Principal Limit ($)	Number of Mortgage Loans	Aggregate Unpaid Principal Balance ($)	Aggregate Unpaid Principal Balance (%)	Average Unpaid Principal Balance ($)	Weighted Average Mortgage Interest Rate (%)	Weighted Average Initial Loan-to-Cost Ratio (%)	Non-Zero Weighted Average Loan-to-ARV Ratio (%)	Weighted Average Credit Score	Weighted Average Loan Age (Months)
50,001 to 100,000	5	320,850.00	0.22	64,170.00	10.632	86.49	68.12	775	0
100,001 to 150,000	132	12,062,767.00	8.16	91,384.60	11.258	88.98	66.77	745	0
150,001 to 200,000	110	14,565,774.00	9.86	132,416.13	11.271	90.07	69.06	742	0
200,001 to 250,000	92	16,370,070.00	11.08	177,935.54	11.357	89.27	70.09	740	0
250,001 to 300,000	79	17,370,799.00	11.76	219,883.53	11.244	88.63	71.18	749	0
300,001 to 350,000	31	8,278,201.00	5.60	267,038.74	11.147	88.17	71.04	746	0
350,001 to 400,000	29	9,060,550.00	6.13	312,432.76	11.300	90.00	72.15	740	0
400,001 to 450,000	14	4,852,750.00	3.28	346,625.00	10.817	88.35	71.09	755	0
450,001 to 500,000	23	9,434,850.00	6.39	410,210.87	10.880	87.88	68.71	746	0
500,001 to 550,000	14	6,328,475.00	4.28	452,033.93	11.128	83.41	70.01	748	0
550,001 to 600,000	9	3,894,667.00	2.64	432,740.78	11.254	82.17	68.66	760	0
600,001 to 650,000	15	8,426,000.00	5.70	561,733.33	11.195	92.41	72.34	754	0
650,001 to 700,000	6	3,391,800.00	2.30	565,300.00	10.719	89.07	73.22	744	0
700,001 to 750,000	3	1,819,000.00	1.23	606,333.33	10.770	93.77	72.89	736	0
750,001 to 800,000	1	594,500.00	0.40	594,500.00	11.700	84.99	66.71	672	0
800,001 to 850,000	4	2,951,000.00	2.00	737,750.00	11.252	85.16	74.16	741	0
850,001 to 900,000	8	6,195,600.00	4.19	774,450.00	11.173	88.53	70.78	751	0
950,001 to 1,000,000	7	6,129,000.00	4.15	875,571.43	10.467	91.46	73.78	758	0
1,000,001 to 1,250,000	7	5,244,519.00	3.55	749,217.00	10.696	88.74	71.72	726	0
1,250,001 to 1,500,000	3	3,803,000.00	2.57	1,267,666.67	9.662	96.97	76.68	763	0
1,500,001 to 1,750,000	2	2,903,100.00	1.96	1,451,550.00	8.974	89.54	73.07	760	0
1,750,001 to 2,000,000	2	2,302,384.00	1.56	1,151,192.00	9.439	79.73	67.09	766	0
2,250,001 to 2,500,000	1	1,449,502.00	0.98	1,449,502.00	9.950	74.03	68.81	739	0
Total:	**597**	**147,749,158.00**	**100.00**	**247,486.03**	**11.015**	**88.75**	**70.64**	**747**	**0**

Mortgage Interest Rates of the Initial Mortgage Loans

Range of Mortgage Interest Rates (%)	Number of Mortgage Loans	Aggregate Unpaid Principal Balance ($)	Aggregate Unpaid Principal Balance (%)	Average Unpaid Principal Balance ($)	Weighted Average Mortgage Interest Rate (%)	Weighted Average Initial Loan-to-Cost Ratio (%)	Non-Zero Weighted Average Loan-to-ARV Ratio (%)	Weighted Average Credit Score	Weighted Average Loan Age (Months)
8.001 to 9.000	15	10,573,050.00	7.16	704,870.00	8.979	89.78	73.61	759	0
9.001 to 10.000	45	16,708,411.00	11.31	371,298.02	9.838	86.69	70.55	759	0
10.001 to 11.000	227	52,668,641.00	35.65	232,020.44	10.730	88.07	70.10	757	0
11.001 to 12.000	257	57,115,550.00	38.66	222,239.49	11.680	90.05	70.42	737	0
12.001 to 13.000	44	8,802,706.00	5.96	200,061.50	12.524	87.20	71.68	709	0
13.001 to 14.000	9	1,880,800.00	1.27	208,977.78	13.675	88.10	71.83	757	0
Total:	**597**	**147,749,158.00**	**100.00**	**247,486.03**	**11.015**	**88.75**	**70.64**	**747**	**0**

Month and Year of Origination of the Initial Mortgage Loans

Month and Year of Origination	Number of Mortgage Loans	Aggregate Unpaid Principal Balance ($)	Aggregate Unpaid Principal Balance (%)	Average Unpaid Principal Balance ($)	Weighted Average Mortgage Interest Rate (%)	Weighted Average Initial Loan-to-Cost Ratio (%)	Non-Zero Weighted Average Loan-to-ARV Ratio (%)	Weighted Average Credit Score	Weighted Average Loan Age (Months)
May 2024	597	147,749,158.00	100.00	247,486.03	11.015	88.75	70.64	747	0
Total:	**597**	**147,749,158.00**	**100.00**	**247,486.03**	**11.015**	**88.75**	**70.64**	**747**	**0**

Original Loan Term of the Initial Mortgage Loans[1]

Original Loan Term (Months)	Number of Mortgage Loans	Aggregate Unpaid Principal Balance ($)	Aggregate Unpaid Principal Balance (%)	Average Unpaid Principal Balance ($)	Weighted Average Mortgage Interest Rate (%)	Weighted Average Initial Loan-to-Cost Ratio (%)	Non-Zero Weighted Average Loan-to-ARV Ratio (%)	Weighted Average Credit Score	Weighted Average Loan Age (Months)
12	550	136,036,989.00	92.07	247,339.98	11.018	88.96	70.80	746	0
18	25	5,366,200.00	3.63	214,648.00	11.040	91.22	69.92	752	0
24	22	6,345,969.00	4.30	288,453.14	10.946	82.18	68.04	757	0
Total:	**597**	**147,749,158.00**	**100.00**	**247,486.03**	**11.015**	**88.75**	**70.64**	**747**	**0**

(1) The weighted average original term of the Initial Mortgage Loans as of the Cut-Off Date was approximately 13 months.

Remaining Term of the Initial Mortgage Loans[1]

Remaining Term (Months)	Number of Mortgage Loans	Aggregate Unpaid Principal Balance ($)	Aggregate Unpaid Principal Balance (%)	Average Unpaid Principal Balance ($)	Weighted Average Mortgage Interest Rate (%)	Weighted Average Initial Loan-to-Cost Ratio (%)	Non-Zero Weighted Average Loan-to-ARV Ratio (%)	Weighted Average Credit Score	Weighted Average Loan Age (Months)
12	550	136,036,989.00	92.07	247,339.98	11.018	88.96	70.80	746	0
18	25	5,366,200.00	3.63	214,648.00	11.040	91.22	69.92	752	0
24	22	6,345,969.00	4.30	288,453.14	10.946	82.18	68.04	757	0
Total:	**597**	**147,749,158.00**	**100.00**	**247,486.03**	**11.015**	**88.75**	**70.64**	**747**	**0**

(1) The weighted average remaining term of the Initial Mortgage Loans as of the Cut-off Date was approximately 13 months.

Loan Age Since Origination of the Initial Mortgage Loans[1][2]

Loan Age Since Origination (Months)	Number of Mortgage Loans	Aggregate Unpaid Principal Balance ($)	Aggregate Unpaid Principal Balance (%)	Average Unpaid Principal Balance ($)	Weighted Average Mortgage Interest Rate (%)	Weighted Average Initial Loan-to-Cost Ratio (%)	Non-Zero Weighted Average Loan-to-ARV Ratio (%)	Weighted Average Credit Score	Weighted Average Loan Age (Months)
0	597	147,749,158.00	100.00	247,486.03	11.015	88.75	70.64	747	0
Total:	**597**	**147,749,158.00**	**100.00**	**247,486.03**	**11.015**	**88.75**	**70.64**	**747**	**0**

(1) The weighted average loan age of the Initial Mortgage Loans as of the Cut-off Date was approximately 0 months.

(2) All of the Initial Mortgage Loans were originated in May 2024. The first scheduled monthly payment date has not occurred with respect to any of the Initial Mortgage Loans.

Initial Loan-to-Cost Ratio of the Initial Mortgage Loans[1]

Range of Initial Loan-to-Cost Ratios (%)	Number of Mortgage Loans	Aggregate Unpaid Principal Balance ($)	Aggregate Unpaid Principal Balance (%)	Average Unpaid Principal Balance ($)	Weighted Average Mortgage Interest Rate (%)	Weighted Average Initial Loan-to-Cost Ratio (%)	Non-Zero Weighted Average Loan-to-ARV Ratio (%)	Weighted Average Credit Score	Weighted Average Loan Age (Months)
0.01 to 5.00	1	1.00	0.00	1.00	9.950	0.00	66.68	803	0
20.01 to 25.00	1	10,385.00	0.01	10,385.00	10.950	23.08	61.88	779	0
45.01 to 50.00	1	74,000.00	0.05	74,000.00	10.490	47.44	69.97	700	0
55.01 to 60.00	3	580,969.00	0.39	193,656.33	10.318	58.11	53.59	759	0
60.01 to 65.00	5	1,632,459.00	1.10	326,491.80	10.327	63.69	55.81	731	0
65.01 to 70.00	22	6,586,100.00	4.46	299,368.18	10.893	69.82	60.57	751	0
70.01 to 75.00	11	3,261,202.00	2.21	296,472.91	10.042	74.13	65.67	753	0
75.01 to 80.00	28	6,297,100.00	4.26	224,896.43	10.757	78.51	67.27	745	0
80.01 to 85.00	65	15,738,494.00	10.65	242,130.68	10.846	84.47	67.70	747	0
85.01 to 90.00	356	82,243,555.00	55.66	231,021.22	11.174	89.65	71.05	747	0
90.01 to 95.00	17	7,509,875.00	5.08	441,757.35	10.812	93.25	77.07	754	0
95.01 to 100.00	87	23,815,018.00	16.12	273,735.84	10.944	99.58	73.12	742	0
Total:	**597**	**147,749,158.00**	**100.00**	**247,486.03**	**11.015**	**88.75**	**70.64**	**747**	**0**

(1) The weighted average Initial Loan-to-Cost Ratio of the Initial Mortgage Loans as of the Cut-off Date was approximately 88.75%.

Loan-to-ARV Ratios of the Initial Mortgage Loans[1][2][3]

Range of Loan-to-ARV Ratios (%)	Number of Mortgage Loans	Aggregate Unpaid Principal Balance ($)	Aggregate Unpaid Principal Balance (%)	Average Unpaid Principal Balance ($)	Weighted Average Mortgage Interest Rate (%)	Weighted Average Initial Loan-to-Cost Ratio (%)	Non-Zero Weighted Average Loan-to-ARV Ratio (%)	Weighted Average Credit Score	Weighted Average Loan Age (Months)
Not Applicable	13	4,127,100.00	2.79	317,469.23	10.731	69.37	N/A	717	0
40.01 to 45.00	1	250,000.00	0.17	250,000.00	9.750	58.14	41.67	783	0
45.01 to 50.00	3	330,700.00	0.22	110,233.33	10.629	80.85	48.81	751	0
50.01 to 55.00	9	1,964,184.00	1.33	218,242.67	10.713	73.47	52.79	745	0
55.01 to 60.00	24	4,591,500.00	3.11	191,312.50	11.348	84.45	57.73	755	0
60.01 to 65.00	111	22,068,815.00	14.94	198,818.15	10.997	85.69	63.50	746	0
65.01 to 70.00	114	24,146,141.00	16.34	211,808.25	10.976	88.13	67.88	746	0
70.01 to 75.00	303	79,159,498.00	53.58	261,252.47	11.146	90.47	73.72	745	0
75.01 to 80.00	19	11,111,220.00	7.52	584,801.05	10.270	96.50	78.75	770	0
Total:	**597**	**147,749,158.00**	**100.00**	**247,486.03**	**11.015**	**88.75**	**70.64**	**747**	**0**

(1) The non-zero weighted average Loan-to-ARV of the Initial Mortgage Loans as of the Cut-off Date was approximately 70.64%.
(2) The "Loan-to-ARV Ratio" is an amount equal to the quotient of (A) the original Unpaid Principal Balance of such Mortgage Loan as of such date, divided by (B) the ARV of the related Mortgage Property.
(3) 584 of these Mortgage Loans have a rehabilitation budget.

Loan-to-AIV Ratios of the Initial Mortgage Loans[(1)(2)(3)]

Range of Loan-to-AIV Ratios (%)	Number of Mortgage Loans	Aggregate Unpaid Principal Balance ($)	Aggregate Unpaid Principal Balance (%)	Average Unpaid Principal Balance ($)	Weighted Average Mortgage Interest Rate (%)	Weighted Average Initial Loan-to-Cost Ratio (%)	Non-Zero Weighted Average Loan-to-ARV Ratio (%)	Weighted Average Credit Score	Weighted Average Loan Age (Months)
Not Applicable	574	141,092,250.00	95.49	245,805.31	11.023	89.68	70.87	747	0
45.01 to 50.00	1	74,000.00	0.05	74,000.00	10.490	47.44	69.97	700	0
60.01 to 65.00	3	942,308.00	0.64	314,102.67	9.871	65.00	56.66	724	0
65.01 to 70.00	19	5,640,600.00	3.82	296,873.68	11.022	70.00	57.89	744	0
Total:	**597**	**147,749,158.00**	**100.00**	**247,486.03**	**11.015**	**88.75**	**70.64**	**747**	**0**

(1) The non-zero weighted average Loan-to-AIV of the Initial Mortgage Loans as of the Cut-off Date was approximately 69.04%.
(2) The "Loan-to-AIV Ratio" is an amount equal to the quotient of (A) the initial loan proceeds disbursed to the borrower at loan origination for the related Mortgage Loan, divided by (B) the AIV of the related Mortgaged Property.
(3) 584 of these Mortgage Loans have a rehabilitation budget.

Initial Rehabilitation Holdback Indicator of the Initial Mortgage Loans [(1)]

Initial Rehabilitation Holdback Indicator	Number of Mortgage Loans	Aggregate Unpaid Principal Balance ($)	Aggregate Unpaid Principal Balance (%)	Average Unpaid Principal Balance ($)	Weighted Average Mortgage Interest Rate (%)	Weighted Average Initial Loan-to-Cost Ratio (%)	Non-Zero Weighted Average Loan-to-ARV Ratio (%)	Weighted Average Credit Score	Weighted Average Loan Age (Months)
Yes	505	114,271,858.00	77.34	226,280.91	11.088	88.61	71.37	746	0
No	92	33,477,300.00	22.66	363,883.70	10.769	89.22	67.82	747	0
Total:	**597**	**147,749,158.00**	**100.00**	**247,486.03**	**11.015**	**88.75**	**70.64**	**747**	**0**

(1) Approximately 0.85% of the Initial Rehabilitation Holdback amounts are funded and approximately 99.15% of the Initial Rehabilitation Holdback amounts are unfunded.

Initial Mortgage Loans with Unfunded Commitments

Unfunded Commitment Indicator	Number of Mortgage Loans	Aggregate Unpaid Principal Balance ($)	Aggregate Unpaid Principal Balance (%)	Average Unpaid Principal Balance ($)	Weighted Average Mortgage Interest Rate (%)	Weighted Average Initial Loan-to-Cost Ratio (%)	Non-Zero Weighted Average Loan-to-ARV Ratio (%)	Weighted Average Credit Score	Weighted Average Loan Age (Months)
No	103	35,800,500.00	24.23	347,577.67	10.788	89.18	68.05	745	0
Yes	494	111,948,658.00	75.77	226,616.72	11.088	88.61	71.38	747	0
Total:	**597**	**147,749,158.00**	**100.00**	**247,486.03**	**11.015**	**88.75**	**70.64**	**747**	**0**

Undisbursed Rehabilitation Holdbacks of the Initial Mortgage Loans with a Rehabilitation Holdback[(1)(2)]

Range of Undisbursed Rehabilitation Holdbacks ($)	Number of Mortgage Loans	Aggregate Unpaid Principal Balance ($)	Aggregate Unpaid Principal Balance (%)	Average Unpaid Principal Balance ($)	Weighted Average Mortgage Interest Rate (%)	Weighted Average Initial Loan-to-Cost Ratio (%)	Non-Zero Weighted Average Loan-to-ARV Ratio (%)	Weighted Average Credit Score	Weighted Average Loan Age (Months)
1 to 50,000	240	40,457,329.00	35.71	168,572.20	11.288	90.20	71.26	744	0
50,001 to 100,000	180	37,026,646.00	32.68	205,703.59	11.264	88.73	71.93	746	0
100,001 to 150,000	44	15,482,200.00	13.67	351,868.18	10.856	89.04	72.49	753	0
150,001 to 200,000	20	9,589,660.00	8.46	479,483.00	11.126	88.36	71.46	737	0
200,001 to 250,000	9	7,348,600.00	6.49	816,511.11	9.796	85.80	69.31	764	0
300,001 to 350,000	2	577,101.00	0.51	288,550.50	11.490	88.74	64.99	672	0
400,001 or Greater	5	2,806,622.00	2.48	561,324.40	10.290	68.95	64.96	752	0
Total:	**500**	**113,288,158.00**	**100.00**	**226,576.32**	**11.087**	**88.58**	**71.35**	**746**	**0**

(1) The non-zero weighted average undisbursed holdback as of the Cut-off was approximately $104,889.
(2) The aggregate undisbursed holdback amount as of the Cut-off Date was approximately $35,521,220.

Undisbursed Rehabilitation Holdback-to-Cost Basis Ratio of the Initial Mortgage Loans with a Rehabilitation Holdback[1]

Range of Undisbursed Rehabilitation Holdback-to-Cost Basis Ratios (%)	Number of Mortgage Loans	Aggregate Unpaid Principal Balance ($)	Aggregate Unpaid Principal Balance (%)	Average Unpaid Principal Balance ($)	Weighted Average Mortgage Interest Rate (%)	Weighted Average Initial Loan-to-Cost Ratio (%)	Non-Zero Weighted Average Loan-to-ARV Ratio (%)	Weighted Average Credit Score	Weighted Average Loan Age (Months)
0.01 to 5.00	16	5,340,248.00	4.71	333,765.50	11.593	89.48	73.32	752	0
5.01 to 10.00	39	11,901,400.00	10.51	305,164.10	11.194	88.80	73.61	744	0
10.01 to 15.00	56	22,566,981.00	19.92	402,981.80	10.467	89.01	72.34	755	0
15.01 to 20.00	61	16,316,206.00	14.40	267,478.79	10.823	90.81	73.09	742	0
20.01 to 25.00	57	13,162,961.00	11.62	230,929.14	11.322	90.73	71.93	746	0
25.01 to 30.00	55	12,313,150.00	10.87	223,875.45	11.303	87.95	70.38	740	0
30.01 to 35.00	32	5,146,883.00	4.54	160,840.09	11.375	89.30	70.96	743	0
35.01 to 40.00	34	5,539,988.00	4.89	162,940.82	11.340	87.59	69.89	739	0
40.01 to 45.00	27	4,894,058.00	4.32	181,261.41	11.458	86.09	67.68	763	0
45.01 to 50.00	28	4,608,775.00	4.07	164,599.11	11.637	88.91	69.45	734	0
50.01 to 55.00	13	1,545,400.00	1.36	118,876.92	11.747	87.75	70.30	722	0
55.01 to 60.00	9	2,548,302.00	2.25	283,144.67	10.503	80.30	68.53	748	0
60.01 to 65.00	15	1,506,200.00	1.33	100,413.33	11.327	88.61	66.31	749	0
65.01 to 70.00	8	917,400.00	0.81	114,675.00	11.807	89.69	67.23	757	0
70.01 to 75.00	5	406,300.00	0.36	81,260.00	11.711	92.32	69.00	740	0
75.01 to 80.00	7	620,450.00	0.55	88,635.71	11.404	89.09	69.96	747	0
80.01 to 85.00	5	547,200.00	0.48	109,440.00	12.064	86.71	70.75	755	0
85.01 to 90.00	3	222,700.00	0.20	74,233.33	11.490	89.98	69.71	757	0
90.01 to 95.00	2	156,400.00	0.14	78,200.00	11.715	85.00	61.50	724	0
95.01 to 100.00	11	887,750.00	0.78	80,704.55	11.244	83.38	64.91	733	0
100.01 to 105.00	3	561,100.00	0.50	187,033.33	10.154	75.26	70.10	799	0
105.01 to 110.00	3	262,700.00	0.23	87,566.67	11.439	93.46	71.43	720	0
120.01 to 125.00	1	53,000.00	0.05	53,000.00	10.990	100.00	59.45	788	0
125.01 to 130.00	2	137,700.00	0.12	68,850.00	10.610	64.78	67.62	712	0
145.01 to 150.00	4	332,567.00	0.29	83,141.75	11.326	75.81	62.35	774	0
155.01 to 160.00	1	517,984.00	0.46	517,984.00	10.950	61.66	52.14	722	0
175.01 to 180.00	1	263,969.00	0.23	263,969.00	10.950	58.66	61.99	753	0
225.01 or Greater	2	10,386.00	0.01	5,193.00	10.950	23.08	61.88	779	0
Total:	**500**	**113,288,158.00**	**100.00**	**226,576.32**	**11.087**	**88.58**	**71.35**	**746**	**0**

(1) The non-zero weighted average Remaining Holdback-to-Adjusted Cost Basis Ratio of the Initial Mortgage Loans as of the Cut-off Date was approximately 26.90%.

Credit Scores of the Initial Mortgage Loans[1]

Range of Credit Scores	Number of Mortgage Loans	Aggregate Unpaid Principal Balance ($)	Aggregate Unpaid Principal Balance (%)	Average Unpaid Principal Balance ($)	Weighted Average Mortgage Interest Rate (%)	Weighted Average Initial Loan-to-Cost Ratio (%)	Non-Zero Weighted Average Loan-to-ARV Ratio (%)	Weighted Average Credit Score	Weighted Average Loan Age (Months)
641 to 660	8	1,636,500.00	1.11	204,562.50	11.301	80.82	67.63	654	0
661 to 680	37	9,354,581.00	6.33	252,826.51	11.697	88.39	69.44	672	0
681 to 700	46	10,831,000.00	7.33	235,456.52	11.597	90.15	72.03	691	0
701 to 720	56	11,961,308.00	8.10	213,594.79	11.650	89.09	69.53	712	0
721 to 740	101	25,453,378.00	17.23	252,013.64	10.971	88.05	70.52	732	0
741 to 760	123	29,395,544.00	19.90	238,988.16	10.554	89.77	71.19	750	0
761 to 780	105	29,888,448.00	20.23	284,651.89	10.680	89.70	71.13	771	0
781 to 800	86	20,223,198.00	13.69	235,153.47	11.066	88.36	70.39	790	0
801 to 820	35	9,005,201.00	6.09	257,291.46	11.345	84.78	69.54	806	0
Total:	**597**	**147,749,158.00**	**100.00**	**247,486.03**	**11.015**	**88.75**	**70.64**	**747**	**0**

(1) The weighted average credit score of the Initial Mortgage Loan as of the Cut-off Date was approximately 747.

Borrower Experience Level of the Initial Mortgage Loans

Borrower Experience Level	Number of Mortgage Loans	Aggregate Unpaid Principal Balance ($)	Aggregate Unpaid Principal Balance (%)	Average Unpaid Principal Balance ($)	Weighted Average Mortgage Interest Rate (%)	Weighted Average Initial Loan-to-Cost Ratio (%)	Non-Zero Weighted Average Loan-to-ARV Ratio (%)	Weighted Average Credit Score	Weighted Average Loan Age (Months)
Professional Borrower	409	110,074,573.00	74.50	269,130.99	10.713	89.69	70.43	746	0
Standard Borrower	188	37,674,585.00	25.50	200,396.73	11.899	85.99	71.26	747	0
Total:	**597**	**147,749,158.00**	**100.00**	**247,486.03**	**11.015**	**88.75**	**70.64**	**747**	**0**

Guarantor Indicator of the Initial Mortgage Loans

Guarantor Indicator	Number of Mortgage Loans	Aggregate Unpaid Principal Balance ($)	Aggregate Unpaid Principal Balance (%)	Average Unpaid Principal Balance ($)	Weighted Average Mortgage Interest Rate (%)	Weighted Average Initial Loan-to-Cost Ratio (%)	Non-Zero Weighted Average Loan-to-ARV Ratio (%)	Weighted Average Credit Score	Weighted Average Loan Age (Months)
Yes	581	137,078,008.00	92.78	235,934.61	11.139	88.74	70.54	746	0
No	16	10,671,150.00	7.22	666,946.88	9.424	88.86	71.99	753	0
Total:	**597**	**147,749,158.00**	**100.00**	**247,486.03**	**11.015**	**88.75**	**70.64**	**747**	**0**

Property Type of the Initial Mortgage Loans

Property Type	Number of Mortgage Loans	Aggregate Unpaid Principal Balance ($)	Aggregate Unpaid Principal Balance (%)	Average Unpaid Principal Balance ($)	Weighted Average Mortgage Interest Rate (%)	Weighted Average Initial Loan-to-Cost Ratio (%)	Non-Zero Weighted Average Loan-to-ARV Ratio (%)	Weighted Average Credit Score	Weighted Average Loan Age (Months)
Single-Family	453	107,744,177.00	72.92	237,845.87	11.021	89.11	70.95	746	0
Detached Planned Unit Development	55	18,680,575.00	12.64	339,646.82	10.814	88.22	70.36	753	0
2-4 Unit	37	9,957,056.00	6.74	269,109.62	11.378	86.38	68.29	732	0
Condo	25	5,700,750.00	3.86	228,030.00	11.119	89.06	69.60	759	0
Attached Planned Unit Development	14	4,140,400.00	2.80	295,742.86	10.915	86.68	71.44	751	0
Manufactured Housing	13	1,526,200.00	1.03	117,400.00	10.586	89.21	68.07	738	0
Total:	**597**	**147,749,158.00**	**100.00**	**247,486.03**	**11.015**	**88.75**	**70.64**	**747**	**0**

Loan Purpose of the Initial Mortgage Loans

Loan Purpose	Number of Mortgage Loans	Aggregate Unpaid Principal Balance ($)	Aggregate Unpaid Principal Balance (%)	Average Unpaid Principal Balance ($)	Weighted Average Mortgage Interest Rate (%)	Weighted Average Initial Loan-to-Cost Ratio (%)	Non-Zero Weighted Average Loan-to-ARV Ratio (%)	Weighted Average Credit Score	Weighted Average Loan Age (Months)
Purchase	556	136,704,063.00	92.52	245,870.62	11.034	89.99	71.02	747	0
Seasoned Refinance	23	6,656,908.00	4.51	289,430.78	10.853	69.04	58.04	740	0
Delayed Purchase	18	4,388,187.00	2.97	243,788.17	10.698	80.06	66.22	737	0
Total:	**597**	**147,749,158.00**	**100.00**	**247,486.03**	**11.015**	**88.75**	**70.64**	**747**	**0**

Geographic Distribution of the Mortgaged Properties of the Initial Mortgage Loans (State or District)

Geographic Distribution of the Mortgaged Properties (State or District)	Number of Mortgage Loans	Aggregate Unpaid Principal Balance ($)	Aggregate Unpaid Principal Balance (%)	Average Unpaid Principal Balance ($)	Weighted Average Mortgage Interest Rate (%)	Weighted Average Initial Loan-to-Cost Ratio (%)	Non-Zero Weighted Average Loan-to-ARV Ratio (%)	Weighted Average Credit Score	Weighted Average Loan Age (Months)
California	78	45,485,203.00	30.79	583,143.63	10.499	90.05	72.64	750	0
Florida	80	19,998,098.00	13.54	249,976.23	11.227	88.78	69.87	747	0
Ohio	59	8,105,148.00	5.49	137,375.39	11.324	89.89	70.13	741	0
Georgia	40	7,705,480.00	5.22	192,637.00	11.245	87.33	71.05	736	0
New Jersey	33	7,529,450.00	5.10	228,165.15	11.438	88.22	71.43	756	0
Nevada	20	7,018,400.00	4.75	350,920.00	10.582	87.43	69.88	738	0
Texas	26	5,902,975.00	4.00	227,037.50	10.313	87.38	71.48	751	0
North Carolina	30	5,288,225.00	3.58	176,274.17	10.607	86.55	65.98	749	0
Michigan	28	4,081,250.00	2.76	145,758.93	11.133	84.00	68.83	743	0
Pennsylvania	29	3,749,608.00	2.54	129,296.83	11.384	88.21	67.68	751	0
Maryland	19	3,625,300.00	2.45	190,805.26	11.457	86.87	70.78	754	0
Arizona	10	3,598,000.00	2.44	359,800.00	11.862	86.01	69.64	746	0
Virginia	15	2,880,900.00	1.95	192,060.00	11.339	88.62	71.79	741	0
Indiana	23	2,441,800.00	1.65	106,165.22	11.404	88.40	66.37	756	0
Missouri	15	2,271,461.00	1.54	151,430.73	11.859	89.08	70.35	751	0
New York	9	1,881,400.00	1.27	209,044.44	11.954	86.20	64.21	716	0
Connecticut	8	1,876,100.00	1.27	234,512.50	11.696	90.01	70.27	735	0
District of Columbia	4	1,785,000.00	1.21	446,250.00	11.783	89.92	71.96	750	0
Illinois	6	1,685,700.00	1.14	280,950.00	11.491	84.85	69.09	718	0
Colorado	6	1,658,900.00	1.12	276,483.33	12.089	89.65	73.19	737	0
Minnesota	8	1,457,400.00	0.99	182,175.00	11.111	93.89	73.14	771	0
South Carolina	8	1,395,460.00	0.94	174,432.50	11.613	88.82	68.72	703	0
Massachusetts	7	1,199,600.00	0.81	171,371.43	11.340	89.88	70.68	769	0
Tennessee	7	1,094,000.00	0.74	156,285.71	11.243	91.00	63.82	770	0
Washington	2	834,900.00	0.57	417,450.00	11.206	92.20	66.39	747	0
Alabama	7	826,300.00	0.56	118,042.86	11.689	87.05	71.36	731	0
Wisconsin	5	661,000.00	0.45	132,200.00	11.115	87.79	65.61	783	0
Oklahoma	6	646,600.00	0.44	107,766.67	11.793	89.37	67.60	713	0
Kentucky	5	509,200.00	0.34	101,840.00	11.519	92.34	70.04	727	0
Kansas	2	361,200.00	0.24	180,600.00	11.733	99.99	57.36	741	0
Arkansas	2	195,100.00	0.13	97,550.00	13.315	88.34	72.45	726	0
Total:	**597**	**147,749,158.00**	**100.00**	**247,486.03**	**11.015**	**88.75**	**70.64**	**747**	**0**

Geographic Distribution of the Mortgaged Properties of the Initial Mortgage Loans (City)

Geographic Distribution of the Mortgaged Properties (City)	Number of Mortgage Loans	Aggregate Unpaid Principal Balance ($)	Aggregate Unpaid Principal Balance (%)	Average Unpaid Principal Balance ($)	Weighted Average Mortgage Interest Rate (%)	Weighted Average Initial Loan-to-Cost Ratio (%)	Non-Zero Weighted Average Loan-to-ARV Ratio (%)	Weighted Average Credit Score	Weighted Average Loan Age (Months)
Las Vegas, NV	12	4,150,500.00	2.81	345,875.00	10.777	87.12	70.73	729	0
San Diego, CA	4	4,074,200.00	2.76	1,018,550.00	9.633	93.26	77.19	754	0
Los Angeles, CA	6	3,890,500.00	2.63	648,416.67	10.543	89.50	67.56	725	0
Long Beach, CA	4	3,700,450.00	2.50	925,112.50	11.339	92.59	74.37	727	0
Columbus, OH	27	3,368,900.00	2.28	124,774.07	11.049	88.58	70.57	750	0
Sacramento, CA	7	2,526,300.00	1.71	360,900.00	10.624	85.14	70.78	756	0
Jacksonville, FL	14	2,337,966.00	1.58	166,997.57	10.882	89.64	72.40	757	0
Irvine, CA	2	2,295,500.00	1.55	1,147,750.00	9.868	95.90	76.43	764	0
Scottsdale, AZ	4	2,065,200.00	1.40	516,300.00	11.751	84.08	69.32	762	0
Washington, DC	4	1,785,000.00	1.21	446,250.00	11.783	89.92	71.96	750	0
Other	513	117,554,642.00	79.56	229,151.35	11.085	88.49	70.23	747	0
Total:	**597**	**147,749,158.00**	**100.00**	**247,486.03**	**11.015**	**88.75**	**70.64**	**747**	**0**

Repeat Borrower Indicator of the Initial Mortgage Loans

Repeat Borrower Indicator	Number of Mortgage Loans	Aggregate Unpaid Principal Balance ($)	Aggregate Unpaid Principal Balance (%)	Average Unpaid Principal Balance ($)	Weighted Average Mortgage Interest Rate (%)	Weighted Average Initial Loan-to-Cost Ratio (%)	Non-Zero Weighted Average Loan-to-ARV Ratio (%)	Weighted Average Credit Score	Weighted Average Loan Age (Months)
Yes	436	112,961,262.00	76.45	259,085.46	10.817	89.36	70.49	747	0
No	161	34,787,896.00	23.55	216,073.89	11.661	86.75	71.13	746	0
Total:	**597**	**147,749,158.00**	**100.00**	**247,486.03**	**11.015**	**88.75**	**70.64**	**747**	**0**

Number of Previous Closed Kiavi Loans for the Borrowers of the Initial Mortgage Loans

Number of Previous Closed Kiavi Loans for the Borrowers	Number of Mortgage Loans	Aggregate Unpaid Principal Balance ($)	Aggregate Unpaid Principal Balance (%)	Average Unpaid Principal Balance ($)	Weighted Average Mortgage Interest Rate (%)	Weighted Average Initial Loan-to-Cost Ratio (%)	Non-Zero Weighted Average Loan-to-ARV Ratio (%)	Weighted Average Credit Score	Weighted Average Loan Age (Months)
No Previous closed Kiavi Loans	161	34,787,896.00	23.55	216,073.89	11.661	86.75	71.13	746	0
1 to 10	234	56,454,497.00	38.21	241,258.53	11.091	87.67	70.12	748	0
11 to 20	58	17,009,895.00	11.51	293,274.05	11.249	92.37	70.50	725	0
21 to 30	36	10,059,059.00	6.81	279,418.31	10.779	91.54	70.12	746	0
31 to 40	16	3,123,400.00	2.11	195,212.50	11.034	90.04	67.60	763	0
41 to 50	8	2,773,900.00	1.88	346,737.50	10.636	92.14	72.30	749	0
51 to 60	15	2,775,100.00	1.88	185,006.67	10.878	92.26	71.45	745	0
61 to 70	8	4,442,461.00	3.01	555,307.63	9.557	86.99	70.36	776	0
71 to 80	7	2,159,900.00	1.46	308,557.14	10.353	88.52	70.86	785	0
81 to 90	2	867,000.00	0.59	433,500.00	10.832	76.44	60.92	746	0
91 to 100	9	1,241,000.00	0.84	137,888.89	10.733	95.32	67.72	752	0
101 to 110	10	2,513,300.00	1.70	251,330.00	9.531	89.62	72.34	755	0
111 to 120	4	368,900.00	0.25	92,225.00	10.250	89.95	70.00	753	0
121 to 130	7	802,900.00	0.54	114,700.00	9.773	89.97	70.68	763	0
161 to 170	2	1,715,500.00	1.16	857,750.00	9.000	90.00	74.00	751	0
171 to 180	2	388,500.00	0.26	194,250.00	10.252	94.23	72.66	768	0
181 to 190	5	828,000.00	0.56	165,600.00	10.189	90.00	69.82	769	0
191 to 200	1	114,800.00	0.08	114,800.00	9.950	89.95	61.70	700	0
211 to 220	1	297,000.00	0.20	297,000.00	10.250	90.00	64.57	709	0
231 to 240	1	640,800.00	0.43	640,800.00	9.990	98.58	80.00	788	0
241 to 250	3	738,700.00	0.50	246,233.33	9.376	89.30	75.00	734	0
281 to 290	3	2,703,450.00	1.83	901,150.00	8.950	96.36	79.52	743	0
301 to 310	2	659,700.00	0.45	329,850.00	10.044	75.48	55.00	769	0
491 to 500	2	283,500.00	0.19	141,750.00	8.750	90.00	66.09	696	0
Total:	**597**	**147,749,158.00**	**100.00**	**247,486.03**	**11.015**	**88.75**	**70.64**	**747**	**0**

ANNEX B

HISTORICAL SERVICING PERFORMANCE

The following tables include data representing historical information with respect to Mortgage Loans serviced by the Servicer, including mortgage loans not included in the Mortgage Pool. The tables below represent the status of the Servicer's experience with respect to such Mortgage Loans as of April 30, 2024.

Aggregate Historical Payoff Performance(1)

Attributes	Number of Mortgage Loans	Original Principal Balance ($)	Original Principal Balance (%)
Remaining Loans	10,137	$3,258,685,240	17.68%
Total Mortgage Loans Paid Off	59,235	$15,168,907,900	82.32%
Total Mortgage Loans Originated:	69,372	$18,427,593,140	100.00%

Aggregate Historical Delinquency Performance(1)

Attributes	Number of Mortgage Loans	Original Principal Balance ($)	Original Principal Balance (%)(2)
Current	9,706	$3,110,308,049	95.45%
30-59 days delinquent	101	$33,765,795	1.04%
60-89 days delinquent	43	$18,643,150	0.57%
90+ days delinquent	243	$82,854,651	2.54%
REO	44	$13,113,595	0.40%
Paid Off	59,235	$15,168,907,900	
Total Mortgage Loans Originated:	69,372	$18,427,593,140	100.00%

Aggregate Historical Loan Extension Modifications(1)

Attributes	Number of Mortgage Loans	Original Principal Balance ($)	Original Principal Balance (%)
Mortgage Loans Currently Extended	550	$171,299,105	9.23%
Mortgage Loans Extended Prior to Being Paid Off	6,416	$1,685,478,426	90.77%
Total Extension Modifications:	6,966	$1,856,777,531	100.00%

(1) Excludes mortgage loans that were not serviced by KFI for the life of the loan.
(2) Percentages exclude loans that have paid off.

ANNEX C

CUSTODIAN FEE SCHEDULE

- File Maintenance/Storage Fee: $0.25 per month for each file held at month end
- In Addition, the Custodian will be entitled to additional fees on a per service basis
- The Custodian fee will not be less than $750 per month.