

**MPF DIRECT™ ADDENDUM TO
MORTGAGE PARTNERSHIP FINANCE® (“MPF®”) PROGRAM
PARTICIPATING FINANCIAL INSTITUTION AGREEMENT
(Servicing Released) (MPF Bank)**

THIS MPF DIRECT ADDENDUM TO MORTGAGE PARTNERSHIP FINANCE PROGRAM PARTICIPATING FINANCIAL INSTITUTION AGREEMENT (the “Addendum”) dated as of the ____ day of _____, 20____, among the participating financial institution (the “PFI”) that signs this document, the FEDERAL HOME LOAN BANK OF _____ (the “Bank”), a corporation organized under the laws of the United States of America, and the FEDERAL HOME LOAN BANK OF CHICAGO (the “MPF Provider”), a corporation organized under the laws of the United States of America. This Addendum is appended to, and made part of, that certain Mortgage Partnership Finance (“MPF”) Program Participating Financial Institution Agreement, dated as of _____, between the PFI and the Bank and any prior addenda or amendments thereto (together with this addendum, the “PFI Agreement”) and REDWOOD RESIDENTIAL ACQUISITION CORPORATION (“Investor”). The foregoing entities may be collectively referred to as the “Parties” herein.

I. INTRODUCTORY AGREEMENTS AND ACKNOWLEDGMENTS.

1.01 Consideration. In consideration of the mutual covenants and agreements contained herein and in the PFI Agreement, the Parties agree to all of the terms of this Addendum.

1.02 MPF Direct Product. The MPF Provider has developed a new mortgage product under the MPF Program, the MPF Direct product.

1.03 Master Commitments. The PFI will sell to the MPF Provider family residential mortgage loans originated under the MPF Direct product on a whole loan basis with servicing released, (“MPF Direct Mortgage Loans”) pursuant to an MPF Direct Master Commitment entered into between the PFI and the Bank after the date of this Addendum (collectively, “MPF Direct MCs” and individually, an “MPF Direct MC”) and such MPF Direct MCs will be assigned by the Bank to the MPF Provider, and will be subject to the terms of this Addendum and the Guides.

1.04 Sale to Investor. The PFI acknowledges and agrees that immediately upon the MPF Provider’s purchase of the MPF Direct Mortgage Loans the MPF Provider will sell, assign and transfer to the Investor all of the MPF Provider’s right, title, and interest in and to such MPF Direct Mortgage Loans.

1.05 Conveyance by Investor. The Investor may (a) convey the MPF Direct Mortgage Loans acquired by it from the MPF Provider to a special purpose trust or trusts (each a “Trust”) and cause the Trust to securitize the MPF Direct Mortgage Loans into one or more classes of mortgage-backed securities to be sold either in private placements or in public offerings registered with the United States Securities and Exchange Commission, (b) convey such MPF

Direct Mortgage Loans to a third party, or (c) retain such MPF Direct Mortgage Loans for its own account.

1.06. Settlement and Support Services by the MPF Provider. The MPF Provider shall provide certain settlement and administrative services to the PFI pursuant to the PFI Agreement and to the Investor pursuant to the terms of the MPF Direct Settlement and Support Services Agreement.

1.07 Debits to PFI's DDA at the Bank. The Bank may debit any demand deposit account ("DDA") of the PFI at the Bank in amounts equal to: (i) the PFI's repurchase obligations, (ii) the PFI's obligation to pay any amounts of Early Mortgage Payoff Refunds (as defined below), or (iii) the PFI's obligation to pay any fees or other amounts owed by the PFI under the terms of this Addendum, the PFI Agreement or the Guides with respect to the MPF Direct product (each an "Amount Owed"). In the event that any debit from the PFI's DDA for an Amount Owed shall cause the balance in such account to become negative, such deficit shall be subject to the overdraft provisions of the PFI's Advances Agreement between the PFI and the Bank, which may include, without limitation, treating such overdraft as an advance.

1.08 Authority to Deal with PFI. The PFI acknowledges and agrees that the Bank and MPF Provider shall be entitled to deal directly with the PFI, both before and after an MPF Direct Mortgage Loan is sold to the Investor, with respect to the origination and sale of an MPF Direct Mortgage Loan and with respect to the services provided by the Bank and the MPF Provider to the PFI or the Investor including, without limitation, support for custodial certifications, compliance with applicable regulatory requirements, and delivery of an Annual Eligibility Certification (OG1), as well as matters relating to the rights and obligations of the PFI under this Addendum.

1.09 Limitation of Rights of Investor. Nothing in this Addendum, the PFI Agreement nor the Guides shall give the Investor: (i) any right to, interest in, or claim upon, any collateral pledged by the PFI to the Bank for any purpose whatsoever; or (ii) any right to or claim which the Bank may have or hereafter acquire against the PFI or to the proceeds of any such right or claim, except that if the MPF Provider and the Bank are Unavailable (as defined herein), the Investor may, in accordance with Subsection 4.04 herein, exercise the right of the Bank to require the PFI to repurchase any MPF Direct Mortgage Loans or to pay an Early Mortgage Payoff Refund.

1.10 Information Regarding PFI to Investor or a Trust.

(a) The PFI authorizes the Bank and the MPF Provider, from time to time, to provide the Investor or a Trust, and for the Investor or a Trust to disclose, the PFI's identity and general information concerning the PFI as may be required by Applicable Law, or as shall be necessary or customary in connection with any sale, transfer or securitization transaction involving such MPF Direct Mortgage Loans sold by the PFI to the MPF Provider and sold by the MPF Provider to the Investor.

(b) The PFI authorizes the Bank and the MPF Provider, from time to time, to provide the Investor the names of PFI personnel disclosed to the Bank on a resolution by the PFI's board

of directors who have authority on behalf of the PFI to: (i) negotiate waivers of any requirements of the PFI Agreement, the Guides or applicable MPF Direct PFI Delivery Commitment, in each case, with respect to a specific MPF Direct Mortgage Loan (“Single Loan Exceptions”), (ii) agree to the terms of MPF Direct PFI Delivery Commitments, or (iii) offer an MPF Direct Mortgage Loan to the MPF Provider for purchase by approving the PFI Funding Schedule (as defined in the Guides) in accordance with the Guides. The PFI acknowledges and agrees that the Bank and the MPF Provider will provide such information about authorized personnel of the PFI to the Investor as a service to the PFI, but that the Bank and the MPF Provider will not be responsible to the PFI or the Investor for the accuracy or timeliness of the information provided by the PFI.

(c) The PFI acknowledges that the Bank and the MPF Provider may notify the Investor when it has actual notice of any breach by the PFI that would materially affect the PFI’s performance or ability to comply with terms of this Addendum, the PFI Agreement or the Guides with respect to MPF Direct Mortgage Loans.

1.11 Guides Incorporated in Addendum. The Guides are incorporated in and made a part hereof as though fully set forth herein.

1.12 Definitions.

“Borrower Closing Date” The date upon which the PFI closes an MPF Direct Mortgage Loan with the Borrower or Borrowers.

“Deficiency” An error, omission or inaccuracy in a Collateral File which prevents the Custodian from delivering the initial certification for the applicable MPF Direct Mortgage Loan.

“Guides” With respect to MPF Direct Mortgages, the Mortgage Partnership Finance Origination Guide and the Mortgage Partnership Finance Servicing Guide, including the Mortgage Partnership Finance Custody Manual and the Mortgage Partnership Finance Underwriting Guide, as amended and supplemented for the MPF Direct product.

“MPF Direct PFI Delivery Commitment” An electronic “best efforts” commitment, for the purchase of an MPF Direct Mortgage Loan, delivered by the PFI to the MPF Provider which, subject to the results of Investor’s due diligence procedures with respect to each MPF Direct Mortgage Loan, specifies the note rate and the base purchase price (which may include loan level specific price adjustments). Upon the Borrower Closing Date, each MPF Direct PFI Delivery Commitment shall become a mandatory delivery commitment that the PFI will sell such MPF Direct Mortgage Loan to the MPF Provider. If any MPF Direct Mortgage Loan subject to a MPF Direct PFI Delivery Commitment is not sold to the MPF Provider after the Borrower Closing Date for such MPF Direct Mortgage Loan and after Investor due diligence and acceptance of such MPF Direct Mortgage Loan, a fee may be payable by the PFI to the Investor in accordance with the Guides.

Any capitalized terms that are used in this Addendum (whether used in the singular or the plural), if not otherwise defined in this Addendum, shall have the meanings set forth in the PFI Agreement or the Guides.

II. ACQUISITION, PRE-PURCHASE REVIEW AND SERVICING TRANSFER .

2.01 Master Commitments and Requests for Purchase. The Bank hereby assigns and transfers its rights and obligations arising under each MPF Direct MC to the MPF Provider, and the MPF Provider hereby agrees to acquire MPF Direct Mortgage Loans for which an MPF Direct PFI Delivery Commitment has been issued under the applicable MPF Direct MC assigned to the MPF Provider by the Bank, provided that the delivered MPF Direct Mortgage Loan has been approved for purchase by the MPF Provider. The MPF Provider will pay the purchase price for an MPF Direct Mortgage Loan (“Proceeds”) to the Bank and the Bank will deposit the Proceeds in the DDA designated for such purpose. Any Single Loan Exceptions for an MPF Direct Mortgage Loan must be agreed upon between the PFI and the Investor, and documentation of such agreement between the PFI and the Investor must be contained in the Mortgage File of the applicable MPF Direct Mortgage Loan in accordance with the Guides.

2.02 Pre-Purchase Review and Servicing by Investor.

(a) Upon the delivery to the MPF Provider of an MPF Direct PFI Delivery Commitment to sell an MPF Direct Mortgage Loan to the MPF Provider, the Investor shall commence its pre-purchase review of such MPF Direct Mortgage Loan (“Pre-Purchase Review”).

(b) As of the Borrower Closing Date, the PFI shall timely comply with applicable transfer of servicing notices or disclosures to a Borrower or Borrowers in accordance with the Guides and Applicable Law. The PFI shall identify the Investor as the servicer on such notices or disclosures as directed in the Guides. The Investor shall service the MPF Direct Mortgage Loans in accordance with Applicable Law.

(c) During its Pre-Purchase Review, if the Investor or the MPF Provider identifies, in its sole discretion, that an MPF Direct Mortgage Loan, Mortgage File or the Mortgaged Property does not conform with any of the requirements of the Guides or the applicable MPF Direct PFI Delivery Commitment, the MPF Provider may refuse to purchase such MPF Direct Mortgage Loan in accordance with Section 2.03 and the Guides.

(d) In the event the MPF Provider and the Investor do not purchase an MPF Direct Mortgage Loan, the Investor will promptly remit to the PFI any payments received from a Borrower during the Pre-Purchase Review with respect to such MPF Direct Mortgage Loan.

2.03 Delivery and Pre-Purchase Review of Collateral Files and MPF Direct Mortgage Files.

(a) In connection with each MPF Direct Mortgage Loan requested to be sold to the MPF Provider, the PFI shall deliver to the document custodian identified in the Guides (the

“Custodian”) all MPF Direct Collateral Files related to such MPF Direct Mortgage Loan pursuant to the terms of the Guides.

(b) Upon delivery of the Collateral Files related to such MPF Direct Mortgage Loan to the Custodian, the Custodian will hold such Collateral Files as bailee for the benefit of the PFI until (i) the Bank deposits the Proceeds in the PFI’s DDA or (ii) the Custodian returns such Collateral Files, in the event the Investor and the MPF Provider do not purchase the applicable MPF Direct Mortgage Loan. The PFI agrees the MPF Provider shall notify the Custodian upon the deposit of the Proceeds in the PFI’s DDA for MPF Direct Mortgages, as applicable.

(c) If during its Pre-Purchase Review the Investor discovers any Deficiency with respect to any MPF Direct Collateral File, the Investor shall deliver to the PFI notice of such Deficiency and the PFI shall use commercially reasonable efforts to cure such Deficiency in accordance with the Guides. If the PFI has not cured such Deficiency or has not received the certification from the Custodian that all Collateral Files with respect to such MPF Direct Mortgage Loan have been received, the MPF Provider shall have no obligation to purchase the applicable MPF Direct Mortgage Loan from the PFI.

(d) The PFI shall deliver complete copies of the Mortgage File to the Investor, or a designee as directed by the Investor, for each MPF Direct Mortgage Loan requested to be sold to the MPF Provider pursuant to the terms of the Guides, *provided however*, the PFI shall retain a copy of all documents and records relating to each MPF Direct Mortgage Loan as required by the Guides.

(e) The Investor shall review each Mortgage File related to a MPF Direct Mortgage Loan to determine if: (i) the MPF Direct Mortgage Loan and the Mortgage File complies with the underwriting guidelines; (ii) the MPF Direct Mortgage Loan was originated in accordance with the requirements of the Guides; (iii) there exist any specific non-conformance with the requirements of the underwriting guidelines, the Guides or the applicable MPF Direct PFI Delivery Commitment with respect to the MPF Direct Mortgage Loan, the Mortgage File or the Mortgaged Property that the Investor requires to be satisfied, completed, corrected or removed, and (iv) the information with respect to the MPF Direct Mortgage Loan fails to match in any respect the Mortgage File provided by the PFI with respect to such MPF Direct Mortgage Loan, in each case, after giving effect to any Single Loan Exceptions granted by the Investor, in the sole discretion of the Investor ((iii) or (iv), each, an “Open Item”). If the Investor identifies an Open Item or Open Items with respect to a MPF Direct Mortgage Loan, it shall deliver to the PFI a notice setting forth any Open Items and specifying with particularity the respect or respects in which the Mortgage File, the MPF Direct Mortgage Loan or the Mortgaged Property does not comply with the requirements of the underwriting guidelines, the Guides or the applicable MPF Direct PFI Delivery Commitment (an “Open Item Notice”). If the Open Items specified in the Open Item Notice are not corrected within any time period specified in the Guides (as such time period may be extended in accordance with the Guides) which may include a requirement that the PFI pay certain additional fees as set forth in the Guides or otherwise agreed by the Investor and the PFI, then the Investor shall have no obligation to purchase such MPF Direct Mortgage Loan in accordance with the applicable MPF Direct PFI Delivery Commitment, and, if not purchased or if an MPF Direct Mortgage Loan is repurchased in accordance with Article IV of

this Addendum, the Investor shall, within the time period provided in the Guides at the PFI's sole cost and expense: (i) transfer the related servicing to the PFI or its Designee and take any other actions necessary to transfer such servicing, and the PFI shall assume such servicing, in each case, in accordance with applicable law; (ii) return, or cause to be returned, to the PFI the related Mortgage File; and (iii) return, or cause to be returned, to the PFI all Collateral Files relating to such MPF Direct Mortgage Loan, including any Collateral Files in the possession of the Custodian. The fact that as part of its due diligence process the Investor has conducted its examination of the Guides with respect to the MPF Direct Mortgage Loan, the Mortgage File or the Mortgaged Property shall not affect the Bank's rights, or in the event the MPF Provider and the Bank are Unavailable, the Investor's (or any of its successors') rights to demand repurchase or other relief or remedy or in any way reduce the obligations of the PFI, in each case, pursuant to the terms of this Addendum.

(f) Upon the sale of such MPF Direct Mortgage Loan to the MPF Provider, each MPF Direct Collateral File related to the MPF Direct Mortgage Loan held by the PFI and all related MPF Direct Mortgage Files shall become the property of the MPF Provider, which shall transfer its ownership thereof to the Investor upon sale of the MPF Direct Mortgage Loan to the Investor and, to the extent that any such document is held in the possession of the PFI, it shall be held in custody for the benefit of the Investor upon the sale of the MPF Direct Mortgage Loan to the Investor.

2.04 Investor Indemnification. The Investor shall indemnify and hold the PFI, the Bank and the MPF Provider harmless from and against any and all losses, claims, damages, judgments and attorney's fees arising from or relating to (i) the servicing of any MPF Direct Mortgage Loan in violation of Applicable Law, in each case, during the time period prior to the purchase of such MPF Direct Mortgage Loan by the Investor, or the transfer of servicing back to the PFI with respect to any MPF Direct Mortgage Loan not purchased by the Investor, or (ii) any material misrepresentation made by the Investor in connection to this Addendum.

2.05 Non-Solicitation. From and after the Borrower Closing Date with respect to any MPF Direct Mortgage Loan, the Investor, and its successors or assigns, hereby agrees that it will not take any action or permit or cause any action to be taken by any of its agents or affiliates, or by any independent contractors on its behalf, to personally, by telephone or mail, solicit a specific Borrower under any MPF Direct Mortgage Loan for the purpose of (i) refinancing, in whole or in part any MPF Direct Mortgage Loan (other than in connection with a loss mitigation action), or (ii) offering to such Borrower any consumer financial product.

Notwithstanding the foregoing, it is understood and agreed that the Investor, any subservicer or any of their respective affiliates:

(a) may advertise its availability for handling refinancings of mortgages in its portfolio, including the promotion of terms it has available for such refinancings, through the sending of letters or promotional material, so long as it does not specifically target Borrowers and so long as such promotional material either is sent to the mortgagors for all of the similar mortgages in its portfolio (those it owns as well as those serviced for others) or sent to all of the mortgagors who have specific types of mortgages (such as conventional fixed-rate or

conventional adjustable-rate), or sent to those mortgagors whose mortgages fall within specific interest rate ranges;

(b) may provide pay-off information and otherwise cooperate with Borrowers who contact it about prepaying their mortgages by advising them of refinancing terms and streamlined origination arrangements that are available; and

(c) may offer to refinance a MPF Direct Mortgage Loan made within thirty (30) days following receipt by it of a pay-off request from the related Borrower.

Promotions undertaken by the Investor, its subservicer or by any affiliate of any of them that are directed to the general public at large (including, without limitation, mass mailing based on commercially acquired mailing lists, newspaper, radio and television advertisements), shall not constitute solicitation under this Section 2.05.

2.06 PFI's Origination Obligations.

(a) Origination Obligations. The PFI covenants that it shall originate MPF Direct Mortgage Loans and sell them to the MPF Provider in accordance with the representations and warranties made under Article V of the PFI Agreement and those contained in the Guides (the "Origination Obligations").

(b) Continuation and Enforcement of Rights and Obligations.

(i) The PFI's Origination Obligations for each MPF Direct Mortgage Loan shall continue after the MPF Direct Mortgage Loan has been sold and assigned by the MPF Provider to the Investor and shall survive the termination of the PFI Agreement, whether terminated by the Bank or the PFI. This Addendum shall neither amend or modify the PFI Agreement nor limit, impair or otherwise affect the rights and obligations of the PFI or the Bank under the PFI Agreement, except as expressly set forth herein.

(ii) Notwithstanding the fact that an MPF Direct Mortgage Loan has been sold to the MPF Provider and by the MPF Provider to the Investor and/or subsequently transferred by the Investor or securitized, the Bank's rights to enforce the PFI Agreement in connection with each MPF Direct Mortgage Loan against the PFI shall remain in full force and effect, subject to the terms of this Addendum and the PFI Agreement. Additionally, the Bank retains the right to enforce Sections 5.5 and 5.7 of the PFI Agreement for the benefit of itself and/or the MPF Provider in the event the MPF Provider is required to repurchase any MPF Direct Mortgage Loan from the Investor. Furthermore, the Bank's rights under Sections 4.7 and 4.8 of the PFI Agreement and under the Advances Agreement remain in full force and effect until the MPF Direct Mortgage Loan is purchased by the Investor and such rights shall apply to the MPF Direct Mortgage Loan upon repurchase of an MPF Direct Mortgage Loan by the PFI. In addition the Bank's rights under Article X and Article XI will remain in full force and effect.

(c) In addition to the representations and warranties made by the PFI with respect to the origination of an MPF Direct Mortgage Loan or an MPF Direct Mortgage Loan in the PFI Agreement and the Guides, the PFI represents and warrants that no fraud, error, misrepresentation, negligence or similar occurrence with respect to an MPF Direct Mortgage Loan has taken place on the part of the Borrower, the originator, the PFI or any other person or entity, including, without limitation, any appraiser, title company, closing or settlement agent, realtor, builder or developer or any other party involved in the origination or sale of an MPF Direct Mortgage Loan or the sale of the Mortgaged Property, that would impair in any way the rights of the MPF Provider or the Investor in an MPF Direct Mortgage Loan, the Mortgaged Property securing repayment of a related Note, or that violated applicable law.

III. PFI's COVENANTS

3.01 PFI Eligibility. The PFI represents, warrants and covenants that at the time it entered into this Addendum and at all times when it originates an MPF Direct Mortgage Loan through to the date upon which it sells such MPF Direct Mortgage Loan to the MPF Provider, it meets the eligibility requirements to originate and sell mortgages under the MPF Program in accordance with the PFI Agreement and the Guides, (the "Eligibility Requirements"). The PFI further covenants that it shall give the Bank immediate written notice of the fact when it fails to continue to comply with the Eligibility Requirements.

3.02 Indemnification

(a) In addition to the PFI's indemnification obligations to the Bank under the PFI Agreement, the PFI agrees to indemnify and hold the Bank and the MPF Provider harmless from and against any and all losses, claims, damages, judgments and attorney's fees arising from or relating to: (i) the MPF Provider's reporting to the Investor or a Trust whether the PFI at any time meets or does not meet the Eligibility Requirements; (ii) the PFI's failure to meet the Eligibility Requirements or the MPF Provider's notice to the Investor of any failure of the PFI to comply with the terms of the PFI Agreement, this Addendum or the Guides; (iii) the Bank's debit from the PFI's DDA account for the repurchase of an MPF Direct Mortgage Loan or for any other Amount Owed to the Bank or MPF Provider in connection with or related to any MPF Direct Mortgage Loan including, without limitation, for an Early Mortgage Payoff Refund or to indemnify the Bank or the MPF Provider; (iv) the termination of the PFI's eligibility to sell MPF Direct Mortgage Loans or any other MPF Program products; (v) the MPF Provider's provision to the Investor of names of PFI personnel who have the right to negotiate Single Loan Exceptions for a specific MPF Direct Mortgage Loan; (vi) the PFI's breach of any of its obligations, including without limitation, its Origination Obligations, or any covenants, terms or conditions of the PFI Agreement, this Addendum or the Guides; or (vii) the PFI's failure to repurchase an MPF Direct Mortgage Loan when obligated to do so under the terms of this Addendum, the PFI Agreement or the Guides.

(b) In the event the MPF Provider and the Bank are Unavailable (as defined below), the PFI agrees to indemnify and hold the Investor harmless from and against any and all losses, claims, damages, judgments and attorney's fees arising from or relating to the PFI's failure to

repurchase an MPF Direct Mortgage Loan when obligated to do so under the terms of this Addendum, the PFI Agreement or the Guides.

3.03 Information and Reports. The PFI agrees to provide to the Bank or the MPF Provider all reports with respect to the MPF Direct Mortgage Loans as required by the Guides or as reasonably requested by the Bank or the MPF Provider by the due dates set forth in the Guides or as otherwise agreed by the PFI and the Bank or the MPF Provider. The PFI agrees to provide the Bank, the MPF Provider and the Investor with the most current information it possesses with respect to the MPF Direct Mortgage Loans.

3.04 Appraisals of Mortgaged Property. Prior to closing an MPF Direct Mortgage Loan with a Borrower or Borrowers, the PFI agrees to provide a copy of an appraisal of the Mortgaged Property that conforms with the requirements of the Guides to the Investor for review and acceptance in addition to its Pre-Purchase Review prior to the Borrower Closing Date.

3.05 Adverse Action Notices and Appraisals. The PFI agrees to deliver any completed adverse action notices, appraisals and other written evaluations to respective proposed borrowers that the Investor provides to the PFI pursuant to Applicable Laws and in accordance with the Guides. At the MPF Provider's request, the PFI will provide the MPF Provider evidence of the PFI's compliance with this Section 3.05.

IV. REPURCHASES AND EARLY MORTGAGE PAYOFFS.

4.01 Repurchases.

(a) The PFI acknowledges and agrees that the Investor may require the MPF Provider to repurchase any or all of the MPF Direct Mortgage Loans due to (i) a Warranty Breach (defined below), (ii) an Early Payment Default Breach (defined below) or (iii) a Trailing Documents Breach (defined below). The PFI further acknowledges and agrees that notwithstanding that an MPF Direct Mortgage Loan was sold by the MPF Provider to the Investor or that the Investor then transferred such MPF Direct Mortgage Loan to a Trust or to any other third party, the Bank retains the right under the MPF Direct MCs, this Addendum and the PFI Agreement, to require the PFI to repurchase any MPF Direct Mortgage Loan sold to the MPF Provider due to a Warranty Breach, an Early Payment Default Breach, or a Trailing Documents Breach.

(i) A "Warranty Breach" as to an MPF Direct Mortgage Loan means that the PFI breached a representation or warranty contained in the PFI Agreement, this Addendum or the Guides that is applicable to MPF Direct Mortgage Loans and such breach, in the sole discretion of the MPF Provider, materially and adversely affects the value of the MPF Direct Mortgage Loan or the interest of the Investor in such MPF Direct Mortgage Loan, including but not limited to, the failure of the PFI to meet the Eligibility Requirements on the Borrower Closing Date of an MPF Direct Mortgage Loan or at the time it sells such MPF Direct Mortgage Loan to the MPF Provider;

(ii) An “Early Payment Default Breach” means with respect to an MPF Direct Mortgage Loan, if any of the first three monthly payments due after the Borrower Closing Date of the mortgage are not made on or before the next scheduled “Due Date” (which is the first day of the month on which the monthly payment at issue is due, exclusive of any days of grace); and

(iii) A “Trailing Documents Breach” means with respect to any MPF Direct Mortgage Loan, that the Custodian did not receive all of the Collateral Files in accordance with the requirements and with the applicable time periods specified in the Guides.

(b) The PFI acknowledges and agrees that any required repurchase of an MPF Direct Mortgage Loan will be effectuated in accordance with the terms of the PFI Agreement and the Guides.

4.02 Early Mortgage Payoffs.

If an MPF Direct Mortgage Loan prepays in full on or prior to the last day of the third full month following the date the MPF Direct Mortgage Loan was sold to the MPF Provider (an “Early Mortgage Payoff”), the PFI shall be obligated to repay the MPF Provider the premium paid by the MPF Provider for such MPF Direct Mortgage Loan, as calculated by the MPF Provider in accordance with the applicable provisions of the Guides (“Early Mortgage Payoff Refund”).

4.03 Payment of Amounts Owed.

(a) The Bank shall effectuate the payment of the Amount Owed for a repurchase based on a Warranty Breach, an Early Payment Default Breach, or a Trailing Documents Breach, and a payment of an Early Loan Payoff Refund by debiting the PFI’s DDA for the Amount Owed (such amount to be calculated by the Bank according to the terms of the Guides).

(b) Any failure of the PFI to repurchase an MPF Direct Mortgage Loan when obligated to do so under the terms of this Addendum or to pay an Early Mortgage Payoff Refund within the time required shall, in each case, be a breach of the PFI Agreement and the Bank shall have the right to exercise any available remedy under the PFI Agreement therefor, including without limitation, terminating the PFI’s eligibility and right to sell MPF Direct Mortgage Loans and terminating the PFI’s right to sell or service mortgages under any other MPF Program product, regardless of whether the Bank has made any advance to cover any amounts due for a repurchase of an MPF Direct Mortgage Loan.

4.04 Enforcement of this Addendum in Absence of the MPF Provider and the Bank. The Parties agree that the rights of an Investor as a party to this Addendum are limited to (i) the right to enforce against the PFI a repurchase demand due to a (A) Warranty Breach, (B) Early Payment Default Breach or (C) a Trailing Documents Breach; (ii) the right to seek reimbursement from a PFI for an Early Mortgage Payoff Refund; or (iii) the right to seek reimbursement pursuant to any indemnity, but in each case of (i), (ii) or (iii) only if the MPF

Provider and the Bank are not legally permitted to seek repurchase of an MPF Direct Mortgage Loan, an Early Payment Refund, or applicable indemnity reimbursement from a PFI due to the order of a court of competent jurisdiction over the MPF Provider or the Bank, or due to an action by its regulator (“Unavailable”). Should the MPF Provider and the Bank be Unavailable, then the rights of the Bank to require the PFI to repurchase an MPF Direct Mortgage Loan, to be paid an Early Mortgage Payoff Refund or to seek indemnity reimbursement may be enforced by the Investor in its own name.

V. TERMINATION.

5.01 Termination of PFI Agreement by the Bank.

(a) This Addendum and the PFI’s right to originate or sell MPF Direct Mortgage Loans may be terminated by the Bank: (i) for cause, including breaches of this Addendum; (ii) the Bank’s determination that the PFI is not in compliance with the Eligibility Requirements to originate and sell MPF Direct Mortgage Loans or mortgages originated or sold under any other MPF Program product; (iii) without cause in accordance to Section 11.1 of the PFI Agreement; or (iv) if the MPF Direct product is no longer offered by the Bank. Termination shall be accomplished by giving notice to the PFI and the Investor (a “Termination Notice”). Notice of termination of the PFI’s right to originate and sell MPF Direct Mortgage Loans may be given at any time and shall be delivered in accordance with the notice provisions of Subsection 6.07 of this Addendum.

(b) No termination of this Addendum or the PFI Agreement by the Bank or the PFI shall affect or impair the PFI’s obligations, responsibilities or liabilities or impair the MPF Provider’s rights with respect to the MPF Direct Mortgage Loans sold to the Investor prior to the termination of this Addendum.

(c) If this Addendum is terminated, the Bank shall have the right, but not the obligation to terminate or limit the PFI’s eligibility and right to originate and sell Mortgages under any other MPF Program product.

5.02 Remedies and Enforcement. Without limitation of other remedies for a breach of the PFI’s obligations under this Addendum, the PFI Agreement, or the Guides, the Bank shall have the right to enforce the terms of the PFI Agreement for the benefit of itself or on behalf of the MPF Provider in accordance with applicable terms of the PFI Agreement.

5.03 Termination of MPF Direct Product. In the event the MPF Direct product ceases to be offered under the MPF Program, such termination of the MPF Direct product shall not terminate any of the Origination Obligations or other responsibilities, obligations or covenants of PFI under the PFI Agreement, this Addendum or the Guides as to MPF Direct Mortgage Loans previously sold to the MPF Provider.

VI. MISCELLANEOUS PROVISIONS

6.01 No Fees or Remittances Payable by the Bank or the MPF Provider. Neither the Bank nor the MPF Provider shall be obligated to pay any fees, costs, expenses or remittances due to any third party from the PFI relating to the origination or sale of an MPF Direct Mortgage Loan to the MPF Provider, including a custodian of loan documents relating to the MPF Direct Mortgage Loans.

6.02 Bank's Right of Set-off Not Affected. Other than with respect to any Proceeds attributable to MPF Direct Mortgage Loans, nothing in this Addendum shall limit or impair the Bank's right to setoff under the PFI Agreement or any other agreement between the Bank and the PFI. Such right of setoff rests exclusively in the Bank and exclusively for the benefit of the Bank or the MPF Provider, and not for the benefit of the Investor.

6.03 No Credit Enhancement or Other Fees or Credit Enhancement Obligation. Except for the payment of the purchase price of an MPF Direct Mortgage Loan, neither the Bank nor the MPF Provider shall have any liability for the payment of any fees to the PFI with respect to any MPF Direct Mortgage Loan and there shall be no Credit Enhancement of MPF Direct Mortgage Loans and no Credit Enhancement Fees due or payable to the PFI by the Bank, the MPF Provider or the Investor with respect to the MPF Direct Mortgage Loans.

6.04 Third Party Service Providers. The Bank and the MPF Provider may utilize third party providers for the performance of any of their duties or obligations under the PFI Agreement, this Addendum and the Guides.

6.05 Authority. The Parties represent and warrant to each other that they are authorized to enter into this Addendum and the PFI further represents and warrants that it is authorized sell MPF Direct Mortgage Loans in accordance with this Addendum.

6.06 Amendment. Neither the Bank, the MPF Provider nor the PFI shall amend or modify this Addendum without the prior consent of the Investor, which consent shall not be unreasonably withheld, and all amendments to this Addendum shall be in writing duly executed and delivered by the Parties.

6.07 Notice.

(a) Whenever notice is required under this Addendum or by Applicable Law, it must be given as described in this section. All demands, notices and communications under this Addendum shall be in writing (except as expressly provided in Section 6.07(b) below) and shall be delivered in person or sent by certified United States mail, postage prepaid, return receipt requested or sent by facsimile transmission or sent through a nationally recognized overnight delivery service, addressed at the applicable party's address. Any such notice shall be deemed delivered upon the earlier of actual receipt and, in the case of notice by United States mail, three Business Days after deposit with the United States post office, and in the case of notice by overnight courier, the Business Day immediately following the date so deposited with the overnight delivery service.

(b) Copies of the Guides, including, without limitation, any amendments or supplements, or any changes or pronouncements with respect thereto, will be provided to the PFI from time to time by the MPF Provider, at its option, either (a) via regular mail or other delivery service, or (b) electronically by posting these items on an Internet website and notifying the PFI of the Internet address of such website.

(c) Unless otherwise stated herein, all notices delivered hereunder shall be provided to all Parties and delivered to all at the same time. The addresses and facsimile numbers and the email addresses for electronic transmissions for the PFI, the Bank, the MPF Provider and the Investor are as follows (unless subsequently updated by a party by written notice to the other Parties and which notice shall be effective within five (5) Business days of receipt):

BANK:

The Federal Home Loan Bank of _____
Address: _____
Attention: _____
Telephone: _____
Facsimile: _____
Email: _____

with copies to:

The Federal Home Loan Bank of _____
Address: _____
Attention: General Counsel
Telephone: (_____) _____
Facsimile: _____
Email: _____

PFI:

Name: _____
Address: _____
Attention: _____
Telephone: (_____) _____
Facsimile: _____
Email: _____

MPF Provider:

The Federal Home Loan Bank of Chicago
Attention: MPF Provider
Telephone: (312) 565-5700
Facsimile: (312) 565-5341
Email: MPFloanadministration@fhlbc.com

Investor:

Redwood Residential Acquisition Corporation
One Belvedere Place, Suite 360
Mill Valley, CA 94941
Attention: Garnet Kanouse
Telephone: (415) 384-3562
Facsimile: (415) 384-1773
Email: garnet.kanouse@redwoodtrust.com

With a copy to:

Redwood Residential Acquisition Corporation
One Belvedere Place, Suite 360
Mill Valley, CA 94941
Attention: General Counsel
Telephone: (415) 384-3590
Facsimile: (415) 384-1773
Email: andy.stone@redwoodtrust.com

and a copy to:

Kaye Scholer LLP
70 W. Madison Street, Suite 4200
Chicago, Illinois 60602
Attention: Daniel J. Hartnett
Telephone: (312) 583-2380
Facsimile: (312) 583-2580
Email: daniel.hartnett@kayescholer.com

6.08 Construction. In the event of any conflict between the terms of this Addendum and the terms of the Guides, the terms of the Guides shall control. In the event of any conflict between the terms of this Addendum and the PFI Agreement, the terms of this Addendum shall control.

6.09 Headings. This Addendum's captions and headings are for convenience only and are not part of this Addendum.

6.10 Governing Law. The Parties acknowledge that the MPF Program is or will be offered to participating financial institutions in numerous states, that the MPF Provider will be providing services to the PFI and all participating financial institutions wherever located, and that this Addendum will be performed in part in the State of Illinois because of the services to be provided by the MPF Provider. **THEREFORE THE PARTIES AGREE THAT THIS ADDENDUM SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE STATUTORY AND COMMON LAW OF THE UNITED STATES OF AMERICA.**

TO THE EXTENT FEDERAL LAW INCORPORATES OR DEFERS TO STATE LAW, THE RELEVANT STATE LAW SHALL BE THE LAW OF THE STATE OF ILLINOIS (WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES) APPLICABLE TO AGREEMENTS TO BE PERFORMED IN THE STATE OF ILLINOIS. Any action or proceeding to enforce or interpret this Addendum shall be brought in the state or federal court for the county and state where the Bank is located, and if any basis for federal jurisdiction exists in such action or proceeding, it must be brought in the federal court for such state and county.

6.11 Successors and Assigns This Addendum will inure to the benefit of and shall be binding upon the Parties hereto and their respective successors and assigns; provided, however, that the foregoing provision shall not be deemed to permit the assignment by the PFI of any of its rights or obligations hereunder without the prior written consent of the Investor, the MPF Provider and the Bank.

6.12 Execution in Counterparts; Facsimile Execution Permitted. This Addendum may be executed in any number of counterparts and by the Parties hereto on separate counterparts, each of which, when so executed and delivered, shall be deemed an original and all of which taken together shall constitute one and the same Addendum. The Parties agree that this Addendum and signature pages thereof may be transmitted between them by facsimile machine and that counterpart facsimile copies are included in the Addendum. The Parties intend that faxed signatures may constitute original signatures and that faxed signature pages containing signature (original or faxed) of all Parties are binding on the Parties.

VII. SIGNATURES

By signing below, the Parties agree to all of this Addendum's terms and provisions. The Parties have caused this Addendum to be executed and delivered by their duly authorized officers as of the date first written above.

PFI:

By: _____

Name: _____

Title: _____

By: _____

Name: _____

Title: _____

BANK: FEDERAL HOME LOAN BANK OF _____

By: _____

Name: _____

Title: _____

By: _____

Name: _____

Title: _____

MPF PROVIDER: FEDERAL HOME LOAN BANK
OF CHICAGO

By: _____

Name: _____

Title: _____

By: _____

Name: _____

Title: _____

INVESTOR: REDWOOD RESIDENTIAL ACQUISITION
CORPORATION

By: _____

Name: _____

Title: _____

By: _____

Name: _____

Title: _____

“MORTGAGE PARTNERSHIP FINANCE,” and “MPF” are registered trademarks and “MPF Direct” is a trademark of Federal Home Loan Bank of Chicago.