

# **EXHIBIT 1**

NYSCEF DOC. NO. 565

RECEIVED NYSCEF: 09/14/2018

definition of "One-Month LIBOR Pass-Through Rate", REMIC II Regular Interest M-8, 3.000% per annum in the case of each Distribution Date through and including the first possible Optional Termination Date and 4.500% per annum in the case of each Distribution Date thereafter.

**CERTIFICATE NOTIONAL AMOUNT:** With respect to the Class CE Certificates and any Distribution Date, an amount equal to the Stated Principal Balance of the Mortgage Loans as of the beginning of the related Due Period.

The initial Certificate Notional Amount of the Class CE Certificates shall be \$699,307,646.40. For federal income tax purposes, the Certificate Notional Amount for any Distribution Date shall be an amount equal to the aggregate Uncertificated Principal Balance of the REMIC II Regular Interests (other than REMIC II Regular Interest P) for such Distribution Date.

**CERTIFICATE OWNER:** With respect to a Book-Entry Certificate, the Person that is the beneficial owner of such Book-Entry Certificate.

**CERTIFICATE PRINCIPAL BALANCE:** As to any Certificate (other than any Class CE Certificate or Class R Certificate) and as of any Distribution Date, the Initial Certificate Principal Balance of such Certificate plus, in the case of a Class A Certificate and Class M Certificate, any Subsequent Recoveries added to the Certificate Principal Balance of such Certificate pursuant to Section 5.04(b), less the sum of (i) all amounts distributed with respect to such Certificate in reduction of the Certificate Principal Balance thereof on previous Distribution Dates pursuant to Section 5.04, and (ii) any Applied Realized Loss Amounts allocated to such Certificate on previous Distribution Dates.

**CERTIFICATE REGISTER:** The register maintained pursuant to Section 6.02 hereof.

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**CERTIFICATEHOLDER OR HOLDER:** The person in whose name a Certificate is registered in the Certificate Register (initially, Cede & Co., as nominee for the Depository, in the case of any Book-Entry Certificates).

**CLASS:** All Certificates bearing the same Class designation as set forth in Section 6.01 hereof.

**CLASS A CERTIFICATES:** Any of the Class I-A-1, Class I-A-2, Class I-A-3, Class II-A-1, Class II-A-2, Class III-A-1 and Class III-A-2 Certificates.

**CLASS A PRINCIPAL DISTRIBUTION AMOUNT:** For any Distribution Date, an amount equal to the lesser of (x) the Principal Distribution Amount for such Distribution Date and (y) the excess, if any, of (i) the aggregate Certificate Principal Balance of the Class A Certificates immediately prior to such Distribution Date, over (ii) the lesser of (a) the product of (1) 54.90% and (2) the aggregate Stated Principal Balance of the Mortgage Loans as of the last day of the related Due Period, and (b) the aggregate Stated Principal Balance of the Mortgage Loans as of the last day of the related Due Period minus \$3,496,538.

**CLASS I-A CERTIFICATES:** Any of the Class I-A-1, Class I-A-2 and Class I-A-3 Certificates.

**CLASS I-A-1 CERTIFICATE:** Any Certificate designated as a "Class I-A-1 Certificate" on the face thereof, in the form of Exhibit A-1 hereto, representing the right to the Percentage Interest of distributions provided for the Class I-A-1 Certificates as set forth herein and evidencing (i) a Regular Interest in REMIC III, (ii) the right to receive the Basis Risk Shortfall Carry Forward Amount and (iii) the obligation to pay the Class IO Distribution Amount.

**CLASS I-A-2 CERTIFICATE:** Any Certificate designated as a "Class I-A-2 Certificate" on the face thereof, in the form of Exhibit A-1 hereto, representing the right to the Percentage Interest of distributions provided for the Class I-A-2 Certificates as set forth herein and evidencing (i) a Regular Interest in REMIC III, (ii) the right to receive the Basis Risk Shortfall Carry Forward Amount and (iii) the obligation to pay the Class IO Distribution Amount.

**CLASS I-A-3 CERTIFICATE:** Any Certificate designated as a "Class I-A-3 Certificate" on the face thereof, in the form of Exhibit A-1 hereto, representing the right to the Percentage Interest of distributions provided for the Class I-A-3 Certificates as set forth herein and evidencing (i) a Regular Interest in REMIC III, (ii) the right to receive the Basis Risk Shortfall Carry Forward Amount and (iii) the obligation to pay the Class IO Distribution Amount.

**CLASS I-A PRINCIPAL DISTRIBUTION AMOUNT:** For any Distribution Date,

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

PREPAYMENT ASSUMPTION: The applicable rate of prepayment as described in the Prospectus Supplement.

PREPAYMENT CHARGE: Any prepayment premium, penalty or charge payable by a Mortgagor in connection with any Principal Prepayment on a Mortgage Loan pursuant to the terms of the related Mortgage Note.

PREPAYMENT INTEREST SHORTFALL: With respect to any Distribution Date, for each Mortgage Loan that was the subject of a partial Principal Prepayment, a Principal Prepayment in full, or that became a Liquidated Loan during the related Prepayment Period, (other than a Principal Prepayment in full resulting from the purchase of a Mortgage Loan pursuant to Section 2.02, 2.03, 3.18 or 10.01 hereof), the amount, if any, by which (i) one month's interest at the applicable Net Mortgage Rate on the Stated Principal Balance of such Mortgage Loan immediately prior to such prepayment (or liquidation) or in the case of a partial Principal Prepayment on the amount of such prepayment (or liquidation proceeds) exceeds (ii) the amount of interest paid or collected in connection with such Principal Prepayment or such liquidation proceeds less the sum of (a) the Trustee Fee, (b) the Servicing Fee and (c) the LPMI Fee, if any.

PREPAYMENT PERIOD: As to any Distribution Date, the period commencing on the 16th day of the month prior to the month in which the related Distribution Date occurs and ending on the 15th day of the month in which such Distribution Date occurs.

PRIMARY MORTGAGE INSURANCE POLICY: Any primary mortgage guaranty insurance policy issued in connection with a Mortgage Loan which provides compensation to a Mortgage Note Holder in the event of default by the obligor under such Mortgage Note or the related security instrument, if any or any replacement policy therefor through the related Accrual Period for such Class relating to a Distribution Date.

PRINCIPAL DISTRIBUTION AMOUNT: With respect to each Distribution Date, an amount equal to (x) the Principal Funds for such Distribution Date plus (y) any Extra Principal Distribution Amount for such Distribution Date, less (z) any Overcollateralization Release Amount.

PRINCIPAL FUNDS: With respect to each Loan Group and any Distribution Date, (i) the sum, without duplication, of (a) all scheduled principal collected during the related Due Period, (b) all Advances relating to principal made on or before the Distribution Account Deposit Date, (c) Principal Prepayments exclusive of prepayment charges or penalties collected during the related Prepayment Period, (d) the Stated Principal Balance of each Mortgage Loan in the related Loan Group that was repurchased by the Seller pursuant to Sections 2.02 and 2.03, Encore Credit Corp. or People's Choice pursuant to the Mortgage Loan Purchase Agreement or by EMC pursuant to Section 3.18, (e) the aggregate of all Substitution Adjustment Amounts for the related Determination Date in connection with the substitution of Mortgage Loans pursuant to

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Section 2.03(c), (f) all Liquidation Proceeds and Subsequent Recoveries collected during the related Prepayment Period (to the extent such Liquidation Proceeds and Subsequent Recoveries relate to principal), in each case to the extent remitted by the Master Servicer to the Distribution Account pursuant to this Agreement and (g) amounts in respect of principal paid by the Majority Class CE Certificateholder or the Master Servicer, as applicable, pursuant to Section 10.01, minus (ii) all amounts required to be reimbursed pursuant to Sections 4.02 and 4.05 or as otherwise set forth in this Agreement and (iii) any Net Swap Payments or Swap Termination Payments (not due to a Swap Provider Trigger Event) owed to the Swap Administrator for payment to the Swap Provider to the extent not paid from Interest Funds.

PRINCIPAL PREPAYMENT: Any Mortgagor payment or other recovery of (or proceeds with respect to) principal on a Mortgage Loan (including loans purchased or repurchased under Sections 2.02, 2.03, 3.18 and 10.01 hereof) that is received in advance of its scheduled Due Date and is not accompanied by an amount as to interest representing scheduled interest due on any date or dates in any month or months subsequent to the month of prepayment. Partial Principal Prepayments shall be applied by the Master Servicer, as appropriate, in accordance with the terms of the related Mortgage Note.

**STARTUP DAY:** The Startup Day for each REMIC formed hereunder shall be the Closing Date.

**STATED PRINCIPAL BALANCE:** With respect to any Mortgage Loan or related REO Property and any Distribution Date, the Cut-off Date Principal Balance thereof minus the sum of (i) the principal portion of the Scheduled Payments due with respect to such Mortgage Loan during each Due Period ending prior to such Distribution Date (and irrespective of any delinquency in their payment), (ii) all Principal Prepayments with respect to such Mortgage Loan received prior to or during the related Prepayment Period, and all Liquidation Proceeds to the extent applied by the Master Servicer as recoveries of principal in accordance with Section 3.09 with respect to such Mortgage Loan, that were received by the Master Servicer as of the close of business on the last day of the Prepayment Period related to such Distribution Date and (iii) any Realized Losses on such Mortgage Loan incurred during the related Prepayment Period. The Stated Principal Balance of a Liquidated Loan equals zero.

**STEPDOWN DATE:** The later to occur of (a) the Distribution Date in April 2008 and (b) the first Distribution Date on which the Current Specified Enhancement Percentage (calculated for this purpose only, prior to distributions on the Certificates but following distributions on the Mortgage Loans for the related Due Period) is greater than or equal to 45.10%.

**SUBORDINATED CERTIFICATES:** The Class M Certificates, Class CE Certificates and Residual Certificates.

**SUBSEQUENT RECOVERIES:** As of any Distribution Date, amounts received by the Master Servicer (net of any related expenses permitted to be reimbursed pursuant to Section 4.02) or surplus amounts held by the Master Servicer to cover estimated expenses (including, but not limited to, recoveries in respect of the representations and warranties made by the Seller pursuant

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to the Mortgage Loan Purchase Agreement) specifically related to a Mortgage Loan that was the subject of a liquidation or final disposition of any REO Property prior to the related Prepayment Period that resulted in a Realized Loss.

**SUBSERVICING AGREEMENT:** Any agreement entered into between the Master Servicer and a subservicer with respect to the subservicing of any Mortgage Loan hereunder by such subservicer.

**SUBSTITUTION ADJUSTMENT AMOUNT:** The meaning ascribed to such term pursuant to Section 2.03(c).

**SUCCESSOR MASTER SERVICER:** The meaning ascribed to such term pursuant to Section 8.02.

**SWAP ADMINISTRATION AGREEMENT:** The swap administration agreement, dated March 31, 2005, pursuant to which the Swap Administrator will make payments to the Swap Provider and the Trust Fund, and certain other payments.

**SWAP AGREEMENT:** The interest rate swap agreement between the Swap Provider and the Swap Administrator, which agreement provides for Net Swap Payments and Swap Termination Payments to be paid, as provided therein, together with any schedules, confirmations or other agreements relating thereto, attached hereto as Exhibit M.

**SWAP ACCOUNT:** The separate trust account created and maintained by the Swap Administrator pursuant to the Swap Administration Agreement.

**SWAP LIBOR:** LIBOR as determined pursuant to the Swap Agreement.

**SWAP PROVIDER:** The swap provider under the Swap Agreement either (a) entitled to receive payments from the Swap Administrator from amounts payable by the Trust Fund under this Agreement or (b) required to make payments to the Swap Administrator for payment to the Trust Fund, in either case pursuant to the terms of the Swap Agreement, and any successor in interest or assign. Initially, the Swap Provider shall be The Bank of New York.

**SWAP PROVIDER TRIGGER EVENT:** With respect to any Distribution Date, (i) an Event of Default under the Interest Rate Swap Agreement with respect to which the Swap Provider is a Defaulting Party, (ii) a Termination Event under the Interest Rate Swap Agreement with respect to which the Swap Provider is the sole Affected Party, or (iii) an Additional Termination Event under the interest rate Swap Agreement with respect to which the Swap Provider is the sole Affected