

EXHIBIT 3

EX-10.1 2 exh_10-1.htm PSA

STRUCTURED ASSET MORTGAGE INVESTMENTS II INC.,
DEPOSITOR

U.S. BANK NATIONAL ASSOCIATION,
TRUSTEE

WELLS FARGO BANK, NATIONAL ASSOCIATION,
MASTER SERVICER AND SECURITIES ADMINISTRATOR

and

EMC MORTGAGE CORPORATION
SPONSOR AND COMPANY

POOLING AND SERVICING AGREEMENT

Dated as of April 1, 2006

STRUCTURED ASSET MORTGAGE INVESTMENTS II INC.,
Bear Stearns ALT-A Trust, Mortgage Pass-Through Certificates

Series 2006-3

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(d) The expenses and fees of the Trust shall be paid by each of the 2006-3 REMICs, to the extent that such expenses relate to the assets of each of such respective 2006-3 REMICs, and all other expenses and fees of the Trust shall be paid pro rata by each of the 2006-3 REMICs.

Section 6.03. Allocation of Losses and Subsequent Recoveries on the Group I Certificates. (a) On or prior to each Determination Date, the Master Servicer shall determine the amount of any Realized Loss in respect of each Group I Mortgage Loan that occurred during the immediately preceding calendar month, based on information provided by the related Servicer. Any Realized Losses with respect to the Group I Mortgage Loans shall be applied on each Distribution Date after the distributions provided for in Section 6.01, in reduction of the Certificate Principal Balance of the Class or Classes of Group I Certificates to the extent provided in the definition of Applied Realized Loss Amount.

(a) In addition, in the event that the Master Servicer or the Securities Administrator receives any Subsequent Recoveries from a Servicer, the Master Servicer shall deposit such funds into the Distribution Account pursuant to Section 4.01(c)(ii). If, after taking into account such Subsequent Recoveries, the amount of a Realized Loss is reduced, the amount of such Subsequent Recoveries will be applied to increase the Certificate Principal Balance of the Class of Group I Subordinate Certificates with the highest payment priority to which Applied Realized Loss Amounts have been allocated, but not by more than the amount of Applied Realized Loss Amounts previously allocated to that Class of Group I Subordinate Certificates. The amount of any remaining Subsequent Recoveries will be applied to sequentially increase the Certificate Principal Balance of the Group I Certificates, beginning with the Class of Group I Certificates with the next highest payment priority, up to the amount of such Applied Realized Loss Amounts previously allocated to such Class or Classes of Group I Certificates. Notwithstanding the foregoing, any Subsequent Recoveries will be allocated to the Group I Senior Certificates to the extent of any Applied Realized Loss Amounts before being applied to the Group I Subordinate Certificates. Holders of such Group I Certificates will not be entitled to any payments in respect of Current Interest on the amount of such increases for any Interest Accrual Period preceding the Distribution Date on which such increase occurs. Any such increases shall be applied to the Certificate Principal Balance of each Group I Certificate of such Class in accordance with its respective Fractional Undivided Interest.

Section 6.04. Allocation of Losses and Subsequent Recoveries on the Group II Certificates and the Group III Certificates. (a) On or prior to each Determination Date, the Master Servicer shall determine the amount of any Realized Loss in respect of each Group II Mortgage Loan and Group III Mortgage Loan that occurred during the immediately preceding calendar month, based on information provided by the related Servicer.

(b) (i) With respect to any Group II Certificates on any Distribution Date, the principal portion of each Realized Loss on a Group II Mortgage Loan in a Sub-Loan Group shall be allocated as follows:

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first, to the Class II-B-6 Certificates until the Certificate Principal Balance thereof has been reduced to zero;

second, to the Class II-B-5 Certificates until the Certificate Principal Balance thereof has been reduced to zero;

third, to the Class II-B-4 Certificates until the Certificate Principal Balance thereof has been reduced to zero;

fourth, to the Class II-B-3 Certificates until the Certificate Principal Balance thereof has been reduced to zero;

fifth, to the Class II-B-2 Certificates until the Certificate Principal Balance thereof has been reduced to zero;

sixth, to the Class II-B-1 Certificates until the Certificate Principal Balance thereof has been reduced to zero; and

seventh, to the Senior Certificates in the related Certificate Group until the Certificate Principal Balances thereof has been reduced to zero in accordance with clause (d) below;

(ii) With respect to any Group III Certificates on any Distribution Date, the principal portion of each Realized Loss on a Group III Mortgage Loan in a Sub-Loan Group shall be allocated as follows:

first, to the Class III-B-6 Certificates until the Certificate Principal Balance thereof has been reduced to zero;

second, to the Class III-B-5 Certificates until the Certificate Principal Balance thereof has been reduced to zero;

third, to the Class III-B-4 Certificates until the Certificate Principal Balance thereof has been reduced to zero;

fourth, to the Class III-B-3 Certificates until the Certificate Principal Balance thereof has been reduced to zero;

fifth, to the Class III-B-2 Certificates until the Certificate Principal Balance thereof has been reduced to zero;

sixth, to the Class III-B-1 Certificates until the Certificate Principal Balance thereof has been reduced to zero; and

seventh, to the Senior Certificates in the related Certificate Group until the Certificate Principal Balances thereof has been reduced to zero in accordance with clause (d) below;

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(c) Notwithstanding the foregoing clause (b), no such allocation of any Realized Loss shall be made on a Distribution Date to any Class of (i) Group II Subordinated Certificates to the extent that such allocation would result in the reduction of the aggregate Certificate Principal Balances of all Group II Certificates in as of such Distribution Date, after giving effect to all distributions and prior allocations of Realized Losses on the Group II Mortgage Loans on such date, to an amount less than the aggregate Stated Principal Balance of all of the Group II Mortgage Loans as of the first day of the month of such Distribution Date and (ii) Group II Senior Certificates in a Certificate Group to the extent that such allocation would result in the reduction of the

aggregate Certificate Principal Balances of all the Group II Senior Certificates in such Certificate Group as of such Distribution Date, after giving effect to all distributions and prior allocations of Realized Losses on the Group II Mortgage Loans in the related Sub-Loan Group in Loan Group II on such date, to an amount less than the aggregate Stated Principal Balance of all of the Group II Mortgage Loans in such Sub-Loan Group as of the first day of the month of such Distribution Date (each such limitation in clause (i) and (ii), the "Loss Allocation Limitation"). Notwithstanding the foregoing clause (b), no such allocation of any Realized Loss shall be made on a Distribution Date to any Class of (i) Group III Subordinated Certificates to the extent that such allocation would result in the reduction of the aggregate Certificate Principal Balances of all Group III Certificates in as of such Distribution Date, after giving effect to all distributions and prior allocations of Realized Losses on the Group III Mortgage Loans on such date, to an amount less than the aggregate Stated Principal Balance of all of the Group III Mortgage Loans as of the first day of the month of such Distribution Date and (ii) Group III Senior Certificates in a Certificate Group to the extent that such allocation would result in the reduction of the aggregate Certificate Principal Balances of all the Group III Senior Certificates in such Certificate Group as of such Distribution Date, after giving effect to all distributions and prior allocations of Realized Losses on the Group III Mortgage Loans in the related Sub-Loan Group in Loan Group III on such date, to an amount less than the aggregate Stated Principal Balance of all of the Group III Mortgage Loans in such Sub-Loan Group as of the first day of the month of such Distribution Date (each such limitation in clause (i) and (ii), the "Loss Allocation Limitation").

(d) The principal portion of any Realized Losses allocated to a Class of Certificates in Loan Group II and Loan Group III shall be allocated among the Certificates of such Class in proportion to their respective Certificate Principal Balances. The principal portion of any allocation of Realized Losses shall be accomplished by reducing the Certificate Principal Balance of the related Certificates on the related Distribution Date. The principal portion of any Realized Losses allocated to the Sub-Loan Group II-1 Certificates will be allocated first to the Class II-1A-2 Certificates until the Certificate Principal Balance thereof has been reduced to zero and then to the Class II-1A-1 Certificates until the Certificate Principal Balance thereof has been reduced to zero. The principal portion of any Realized Losses allocated to the Sub-Loan Group II-2 Certificates will be allocated first to the Class II-2A-2 Certificates until the Certificate Principal Balance thereof has been reduced to zero and then to the Class II-2A-1 Certificates until the Certificate Principal Balance thereof has been reduced to zero. The principal portion of any Realized Losses allocated to the Sub-Loan Group II-3 Certificates will be allocated first to the Class II-3A-2 Certificates until the Certificate Principal Balance thereof has been reduced to zero and then to the Class II-3A-1 Certificates until the Certificate Principal Balance thereof has been reduced to zero. The principal portion of any Realized Losses allocated to the Sub-Loan Group II-4 Certificates will be allocated first to the Class II-4A-2 Certificates until the Certificate Principal Balance thereof has been reduced to zero and then to the Class II-4A-1 Certificates until the Certificate Principal Balance thereof has been reduced to zero. The principal portion of any Realized Losses allocated to the Sub-Loan Group III-1 Certificates will be allocated first to the Class III-1A-2 Certificates until the Certificate Principal Balance thereof has been reduced to zero and then to the Class III-1A-1 Certificates until the Certificate Principal Balance thereof has been reduced to zero. The principal portion of any Realized Losses allocated to the Sub-Loan Group III-2 Certificates will be allocated first to the Class III-2A-2 Certificates until the Certificate Principal Balance thereof has been reduced to zero and then to the Class III-2A-1 Certificates until the Certificate Principal Balance thereof has been reduced to zero. The principal portion of any Realized Losses allocated to the Sub-Loan Group III-3 Certificates will be allocated first to the Class III-3A-2 Certificates until the Certificate Principal Balance thereof has been reduced to zero and then to the Class III-3A-1 Certificates until the Certificate Principal Balance thereof has been reduced to zero. The principal portion of any Realized Losses allocated to the Sub-Loan Group III-4 Certificates will be allocated first to the Class III-4A-2 Certificates until the Certificate Principal Balance thereof has been reduced to zero and then to the Class III-4A-1 Certificates until the Certificate Principal Balance thereof has been reduced to zero. The principal portion of any Realized Losses allocated to the Sub-Loan Group III-5 Certificates will be allocated first to the Class III-5A-2 Certificates until the Certificate Principal Balance thereof has been reduced to zero and then to the Class III-5A-1 Certificates until the Certificate Principal Balance thereof has been reduced to zero. The principal portion of any Realized Losses allocated to the Sub-Loan Group III-6 Certificates will be allocated first to the Class III-6A-2 Certificates until the Certificate Principal Balance thereof has been reduced to zero and then to the Class III-6A-1 Certificates until the Certificate Principal Balance thereof has been reduced to zero. Once the aggregate Certificate Principal Balance of the Certificates in a Certificate Group in Loan Group II has been reduced to zero, the principal portion of Realized Losses on the Mortgage Loans in the related Sub-Loan Group (if any) that are not allocated to the related Subordinate Certificates pursuant to Section 6.04(b)(i) will be allocated pro rata based upon their respective Certificate Principal Balances to the remaining Group II Senior Certificates of the other Certificate Groups, pro rata based upon their respective Certificate Principal Balances. Once the aggregate Certificate Principal Balance of the Certificates in a Certificate Group in Loan Group III has been reduced to zero, the principal portion of Realized Losses on the Mortgage Loans in the related Sub-Loan Group (if any) that are not allocated to the related Subordinate Certificates pursuant to Section 6.04(b)(ii) will be allocated pro rata based upon their respective Certificate Principal Balances to the remaining Group III Senior Certificates of the other Certificate Groups, pro rata based upon their respective Certificate Principal Balances.

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reduced to zero and then to the Class III-3A-1 Certificates until the Certificate Principal Balance thereof has been reduced to zero. The principal portion of any Realized Losses allocated to the Sub-Loan Group III-4 Certificates will be allocated first to the Class III-4A-2 Certificates until the Certificate Principal Balance thereof has been reduced to zero and then to the Class III-4A-1 Certificates until the Certificate Principal Balance thereof has been reduced to zero. The principal portion of any Realized Losses allocated to the Sub-Loan Group III-5 Certificates will be allocated first to the Class III-5A-2 Certificates until the Certificate Principal Balance thereof has been reduced to zero and then to the Class III-5A-1 Certificates until the Certificate Principal Balance thereof has been reduced to zero. The principal portion of any Realized Losses allocated to the Sub-Loan Group III-6 Certificates will be allocated first to the Class III-6A-2 Certificates until the Certificate Principal Balance thereof has been reduced to zero and then to the Class III-6A-1 Certificates until the Certificate Principal Balance thereof has been reduced to zero. Once the aggregate Certificate Principal Balance of the Certificates in a Certificate Group in Loan Group II has been reduced to zero, the principal portion of Realized Losses on the Mortgage Loans in the related Sub-Loan Group (if any) that are not allocated to the related Subordinate Certificates pursuant to Section 6.04(b)(i) will be allocated pro rata based upon their respective Certificate Principal Balances to the remaining Group II Senior Certificates of the other Certificate Groups, pro rata based upon their respective Certificate Principal Balances. Once the aggregate Certificate Principal Balance of the Certificates in a Certificate Group in Loan Group III has been reduced to zero, the principal portion of Realized Losses on the Mortgage Loans in the related Sub-Loan Group (if any) that are not allocated to the related Subordinate Certificates pursuant to Section 6.04(b)(ii) will be allocated pro rata based upon their respective Certificate Principal Balances to the remaining Group III Senior Certificates of the other Certificate Groups, pro rata based upon their respective Certificate Principal Balances.

(e) Realized Losses shall be allocated on the Distribution Date in the month following the month in which such loss was incurred and, in the case of the principal portion thereof, after giving effect to distributions made on such Distribution Date.

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(f) On each Distribution Date, the Securities Administrator shall determine the Subordinate Certificate Writedown Amounts. Any Subordinate Certificate Writedown Amount shall effect a corresponding reduction in the Certificate Principal Balance of the Class II-B Certificates or the Class III-B Certificates, as applicable, in the reverse order of their numerical Class designations.

(g) The applicable Senior Percentage of Net Interest Shortfalls will be allocated among the Group II Senior Certificates in the related Group II Certificate Group in proportion to the amount of Accrued Certificate Interest that would have been allocated thereto in the absence of such shortfalls. The applicable Subordinate Percentage of Net Interest Shortfall will be allocated among the Group II Subordinate Certificates in proportion to the amount of Accrued Certificate Interest that would have been allocated thereto in the absence of such shortfalls. The interest portion of any Realized Losses with respect to the Group II Mortgage Loans occurring on or prior to the Cross-Over Date will be allocated to the Class II-B Certificates in inverse order of their numerical Class designations. Following the Cross-Over Date, the interest portion of Realized Losses on the